

## Real-Time Billing Apps Could Be Next Big Law Reality

By **Pete Brush**

Law360, New York (December 1, 2010) -- Reed Smith LLP's decision to allow flat-fee clients to get instant updates on how their dollars are being spent on any given day has put pressure on law firms to offer similar technology, but some are still wrestling with the "scary" nature of real-time billing applications, attorneys say.

In an age of limited corporate budgets, cost-cutting and general economic uncertainty, the 1,600-lawyer Reed Smith began to roll out its ouRSite extranet late last year in response to client demand, Chief Knowledge Officer Tom Baldwin said. Now, Reed Smith clients who choose to participate can get details on work progress against budget via a secure login.

Unlike traditional arrangements, which allow for open-ended billing based on the amount of work needed, the flat-fee arrangements being embraced by Reed Smith and other firms create stricter budgetary parameters for lawyers — parameters the ouRSite technology helps them respect, according to Baldwin.

"We are able to show our clients how far along the work is in any given matter," Baldwin said, adding the system "helps hone best practices and drives consistency, which gives our clients peace of mind."

Legal sector knowledge management pros — including some who did not wish to be quoted — concede across the board that Reed Smith's new product could force the hands of competitors. More firms are almost certain to follow suit, they say, though it's impossible to predict just how widespread such technology will become.

"Several firms have inquired about our work with ouRSite," Baldwin said. "While we are flattered with the attention ... we have not shared any significant details."

Attorney Meredith L. Williams of Baker Donelson Bearman Caldwell & Berkowitz PC, who serves as director of knowledge management for the 560-lawyer firm, said "there is not a law firm of substance and size that is not considering" similar technology.

But there are hurdles to be overcome before individual law firms can roll it out, Williams said.

"When you open live financials up to clients, there are scary parts that you have to think about," she said.

Among the dangers, according to Williams, is that real-time data is only as up-to-date as the attorneys who produce it — so if lawyers lag, so do the numbers.

Additionally, according to Williams, firms that go full-bore into the flat-fee world, and promote such efforts through the use of online features, risk taking on work that exceeds projected costs.

Lawyers can also be somewhat resistant to change, which can further complicate any proposed transition, Williams said.

“This is all completely new; a law firm historically runs off of the billable hour,” she said.

Given the potential for partners to resist, if a law firm is going to roll out something akin to ouRSite, the edict has to come from the top, Williams said.

That certainly proved to be the case at Reed Smith. Baldwin noted that attorneys at Reed Smith expressed “some trepidation” about the high level of transparency Reed Smith now offers up via ouRSite. But, he said, training programs helped them understand how to make use of it, and, as a result, it has become well regarded.

“The benefits quickly became obvious, and there is strong management support for this, so we are overcoming those concerns,” Baldwin said.

By all accounts, Reed Smith's technology is rare, but the firm does have at least a few peers. Among them is the 1,000-lawyer Foley Lardner LLP, whose information technology and outsourcing practice partner Jim Kalyvas also believes the technology is here to stay.

“Even when the economy turns, good firms are going to continue to focus on how they manage budgets,” Kalyvas said, adding that his firm's award-winning “budget management tool” — part of the Foley ClientSuite product — has on occasion helped him avoid surprising clients, especially after busy periods where billing numbers spike.

But not everyone agrees that the emergence of real-time billing as an industry standard is a foregone conclusion.

“The final product of a law firm's work is the subject of lots of things that aren't necessarily relevant — or important — for the client to know. That's the concern I think lawyers might have,” said veteran legal industry watcher Gary Klein, founder of the search firm Klein Landau & Romm Inc. “I don't see any reason for anybody to follow suit unless they have to.”

The last thing a law firm needs is clients “watching the ticker as hours go by” — the way a frequent gabber might check on his or her cell phone minutes — and companies with sensitive legal issues are aware of this, Klein said.

Still, Klein conceded that a major groundswell of demand by purchasers of legal services could make such billing

features ubiquitous in a hurry.

"It's a matter of whether clients say 'I heard Reed Smith is doing this. This is cool. We think you should do the same thing,'" Klein said.

John I. Alber, leader of the 1,200-lawyer Bryan Cave LLP's client technology group, said that while firms like Reed Smith and Foley "are on the leading edge of a wave," there are potential problems with simply replicating the ourSite product en masse.

"The need to report is certainly going to increase. The problem is how to serve it up," Alber said. "While extranets are useful, it's more useful for a client to see updates in their mailbox."

That, Alber says, it because it's just not practicable for a big company, which may employ many law firms, to constantly be chasing down billing data on various Web pages.

"Some clients are refusing to use law firm extranets as a result of the burden of having so many," Alber said.

Companies like Cisco Systems Inc. and DuPont Co. are two heavy corporate hitters that are already on record as being friendly to the technology, he pointed out, and others could follow.

"We have clients that love their extranets," Alber said. "We also have clients who say, 'I can't have 20 of these things, or 50.' That is a problem that's going to grow."