

# Firms aren't sold on online bidding

## But extranets improve efficiency

By **MARTHA RUSSIS**

As clients' comfort with the Internet has grown, so have their expectations that their lawyers will use it to work with them. Not every Web technology has found a place in law firms, but online bidding for clients and the use of extranets—closed systems that allow clients and lawyers to communicate via the Internet—have caught on.

Online legal auctions—also called reverse auctions or competitive sourcing—allow companies and individuals to issue requests for proposals for legal work. Clients usually describe the legal work and expertise they need and ask questions about the law firms to help them choose.

Online services like eLawForum, lawyersforless.com and LegalMatch.com have different pricing models and target clients from individuals and small businesses to corporations.

"We are lowering the (legal) cost 30%," says John Henry,

CEO of Washington, D.C.-based eLawForum, which concentrates on corporate work. "The firms are very competitive on the economic side, and that really moves us to who is going to get the best results. It really turns on the track record of the specialist."

Whether they win or lose the work, law firms can use the process to get their names out to major businesses that would be plum clients, says Bradley Rademaker, a partner with the Loop law firm Wallenstein & Wagner Ltd.

Mr. Rademaker, whose firm of 30 lawyers specializes in patent law and intellectual property, reports mixed success with online auctions. He has accepted some work but tossed some back after finding that clients misrepresented projects.

"I think it is a great method to make the first cut, but the online firms take out the human element of meeting the person and getting

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to know them—whether they have integrity, honesty, whether they are diligent in their work,” he says.

Law firms should know their true costs before bidding, advises Larry Bodine, a marketing consultant with Law Marketing Portal in Glen Ellyn. Going too low could backfire.

“A corporation can just say, ‘Ah ha! I just got this big law firm to come down \$50 off its rate,’” he says. “And they tell other corporations, and the next thing you know, if you are a law firm, your fee structure has just been destroyed.”

#### Extra time savings

A less controversial and more widespread use of the Internet is extranets, which function as a central repository for documents and other information—sort of an electronic file cabinet. Clients and their lawyers can customize and use extranets to post forms and billing updates, display project status and create a central library. Variable security levels can allow authorized people to view specific parts of cases or transactions.

The systems are popular in litigation, particularly if many parties and multiple document drafts are involved, and for real estate transactions and corporate acquisitions. Heller Financial Inc. in Chicago, which spends more than \$30 million annually in outside legal fees, runs an extranet accessed by 15 law firms.

Heller General Counsel Mark

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Ohringer says the system provides lawyers with access to up-to-date forms and corporate information. “You could say it creates more time to spend on higher value-added things,” Mr. Ohringer says. “We encourage attorneys to get to know us, see us, all that stuff, but not for stupid stuff—we want to be talking on important things. The point of this is to get rid of the inefficient chasing of information.”

Joel Brown, a partner at Goldberg Kohn Bell Black Rosenbloom & Moritz Ltd., says extranets help the Loop firm’s 68 lawyers avoid wasting time tracking down forms.

#### Sharing the right information

Depending on the extranet and client preferences, documents can include corporate, Internal Revenue Service or real estate transaction forms. They’re kept current, so lawyers don’t need to second-guess whether they have the right one.

“It is clearly saving time, and in some ways benefiting the client, because the attorney has more time to solve tough issues rather than locating something,” says David Hambourger, technology partner with Chicago-based Winston & Strawn, which has extranets with 40 clients.

Baker & McKenzie in Chicago began offering a free extranet, Bak-

erMAKS, this month to its merger and acquisition clients. It allows the firm’s 63 offices in 35 countries to do research and display project status, time lines and fee estimates. Mark Swords, partner and chief knowledge officer, says the firm created it in part because clients were expanding globally and the ability to do deals quickly was a competitive advantage.

“If I am able to push a wide variety of information to my practitioners, it is probably taking less time to collect, put that information together, collaborate with the client,” Mr. Swords says. “If you are following the traditional billing model, more efficiency or less time in doing things generally leads to lower costs of services.”