

# The Internet As A Business Tool for Legal Firms

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## 1. The Internet, e-business and information economy

The corporate world has moved into a new social era – the information economy. The development of this economy is related to the shifting of wealth creation from corporeal goods to digital goods (information) and services (its provision) [[Negroponte](#), 1995]. This shift has the potential to alter substantially all aspects and features of the commercial environment. The most important of these changes is the transition from a market-place (physical contact) to a market space (no physical contact). It is likely to push firms towards organizational structures based on networks instead of hierarchies.

The information economy, according to [Paranov and Yakovleva](#) (1998), is about four processes:

1. the growth of Internet technologies
2. the growth of electronic business
3. the emergence of networked forms of organizations
4. the development of networked institutions.

Although based on the digital Internet, information economy is not about total digitalization of the business environment but about utilizing information products and services to increase wealth, mainly through intelligent use of electronic business tools and techniques. Any such economy must be accompanied by information, and the expressions thereof, so that we can accommodate people in the distant markets we choose to operate in. The Internet is perfect for this exchange. Not only does the Internet allow a free exchange of information, but it is a world market itself. With unlimited exposure, the Internet empowers every person on this planet (assuming access to a computer). Those empowered will experience an unprecedented learning curve that will give new meaning to their lives.

In the past decade electronic business has developed from being a vision of the future business world to being **the** way of doing business. Regardless to what industry or profession it is, businesses are forced to change the way that they work: how they market and sell, how they communicate with their customers and suppliers, and how they deal with legal, ethical and security issues.

But electronic business is not only about selling and prefixing one's business name with the cosmetic but nevertheless magic 'e'. Going electronic forces businesses to redefine the way they operate (often with a clearer focus on the customer), to develop new types of relationships and adapt to a wider, faster and more demanding marketplace [[Whelan & Maxelon](#), 2001]. The **internet** is the communications infrastructure of this electronic business revolution.

## 2. Open For Business: why the Internet matters

Although most lawyers tend to be skeptical of the Internet's benefits, no one in the legal profession can any longer deny that something important is happening, at the risk of becoming defunct. [Sledge](#) (1999) reported that the number of US legal firms that have acquired websites has doubled between 1997 and 1999. By this year, every Australian legal firm has some form of presence online – if it is not a full-blown website, then they at least insert their details into the main law firms' databases made available by the profession's regulating bodies. The majority of these sites are only slightly more elaborate than yellow page advertisements, although some include extensive attorney bios or links to informational sites about specific areas of the law.

Whether it's as basic as using e-mail and setting up a firm Web site with driving instructions to one's office, or as complex as offering corporate clients access to online collaboration with attorneys, Internet technology is going to transform legal practices. The advent of the Internet as an everyday medium of communication has already challenged the legal profession to rethink areas of the law which were previously thought to be well settled. The determination of what is or is not "speech" is simply the current hot issue to arise from the electronic communication revolution. Certainly, as the Internet continues to develop and expand, old ways of understanding legal issues and concepts will be challenged and changed. However, it is my opinion that

the practical effect of the Internet on the practicing lawyer will be much different and much more profound. Access to the Internet will have two significant, but somewhat interrelated, effects on the legal profession. First, the Internet will begin to even the competition between the large law firm and the sole practitioner, and second, access to the Internet will dramatically increase the amount and type of information available to the practicing lawyer.

For a legal firm, the internet can be a tool for gaining competitive advantage, increasing operating efficiency and cutting down overheads. To mention just a few things that the Internet makes easier for a law firm:

- Vastly improved communication with clients, other lawyers and courts
- Powerful legal and factual research tools
- More effectual and inexpensive marketing/advertising abilities
- Minimising overhead expenses
- Better ability to collaborate on large cases

I will touch on the above issues in [Part 3](#) of this paper.

Nevertheless, there are some serious problems faced by law firms when utilizing the Internet for law practice. The major among these are:

- Information security
- Structuring payments
- Abuse of medium

These issues will be addressed in [Part 4](#) of this paper.

### **3. Benefits of the Discontinuation Era**

**3.1. Communication:** Over its short history, the Internet has become a major source of information, as well a communication channel and a tool for financial transactions. Users are increasingly benefiting from the Internet resources on finance, medicine, and now, law. The entire lawyer-client relationship is evolving. It means that clients are changing their expectations of what they want from their counselors. No longer will clients (be they individuals or giant corporations) be supplicant, and simply accept, at face value, what the legal counsel will present to them, or pay, at face value, their invoice. Clients now come to appointments armed with online research, increasingly expect you to present options, not just a single answer. They expect their lawyers to use technology to deliver their work product efficiently. They want a partnership, not a father-age who knows best.

It used to be inconvenient to communicate with someone in a different state. It was difficult, or at least inefficient, even to find out what the law was in a different state. And a potential client had no easy way to find a non-local lawyer. The Internet enables you to easily touch people everywhere. If communication and knowledge are the lifeblood of legal services, then the Internet is communication and knowledge *par excellence*. According to [Beckman and Hirsch](#) (1996) the e-mail and networked WWW are the two most important Internet access points for legal firm employees.

E-Mail can be an effective tool to transmit the firm's marketing message as well as handle routine communications with the firm's clients. Many of the larger firms have given selected clients access to the firm's E-Mail system to speed up the flow of communication, to foster contact and to utilize electronic billing. Communications with clients can also be made through organizations such as CompuServe, Lexis Counsel Connect and America On Line. On-line services are also a good source of business information on prospective and existing clients. Where communications are confidential, documents can be encrypted to insure that they are not read by the wrong party.

Examples of legal extranets that disseminate information to their clients abound. One of these is [Linklaters](#), an international legal firm specializing in electronic business and intellectual capital. In 2000, Linklaters has set the standard for all future legal extranets by launching Clients@Linklaters - the first true, global information one-stop-shop and the first ever to be specifically tailored to meet the needs of different clients and different people within each client company. The new service, which is currently being piloted with a small number of clients including Barclays Capital and Spiz.com Ltd, offers the most comprehensive amount of information from a single source than any other legal extranet yet developed. It gives secure access over the web to a range of contact, deal and related financial information via a single site. This includes a deal area and links into other Linklaters & Alliance internet-based services, such as [Blue Flag®](#). Ultimately, the aim is to offer the service to all clients. At the click of a button, clients will have direct access to all the firm's

relevant internal document and other data and information systems, to ensure they are kept fully informed on their matters that Linklaters & Alliance is working on, literally as they happen. They will also be able to keep on top of costs, as billing information will also be available and clients will be able to print certified copies of bills already issued to them. And unlike extranet services provided by other law firms, Clients@Linklaters can be tailored to meet the needs of different clients and also different people within each client company, to ensure they only get the information they need. Similarly, whereas other systems only provide access to duplicate documents, Clients@Linklaters gives access to the real thing - avoiding loss of version control and saving time. It can also act as a gateway to a range of other services such as other specialist information websites and secure extranet services operated by other providers.

**3.2. Legal and Factual Research:** Computer online services are enabling lawyers to learn about recent court rulings, existing precedents and information about businesses-with speed unseen in the world of law. Services such as Lexis/Nexis, Westlaw, and the Australian AUSTLII and Scaleplus are great gateways to legal and factual information. As with other online services, those for lawyers charge subscription fees, per-minute charges and additional fees if any material is printed. However, the services are money savers because the time required for research is reduced significantly, and there are fewer trips to the law libraries. For sole practitioners and attorneys at smaller firms, steep online fees can put these high-tech services out of reach. As each day goes by, new sources of legal information are appearing online. Lawyers can access a number of legal periodicals, including treatises and Law Review Articles, through the Internet. Seachable databases for legal information are beginning to appear and expand, and there is some movement toward retrieving cases and statutes directly from the internet, rather than through Lexis and Westlaw. While it is true that there is no resource yet available that allows an attorney to search through cases and statutes like they can on Lexis and Westlaw, the ability to obtain practical information without the need to leave the office or send an associate or law clerk can only enhance the sole practitioner's ability to handle complex transactions and litigation. Although both Lexis and Westlaw are marketing their services to sole practitioners and smaller firms at lower rates, while AUSTLII and Scaleplus are free, small law firms find it hard to pay the AU\$210 per month per lawyer joining fee. But it is money well worth spending, because it saves incredible amount of time on legal research (a lawyer in Brisbane estimated that it used to take him three to six hours to do a research that takes him approximately 30 minutes on one of the online-based databases). If the time saved is multiplied by the billable hours fee, it will easily be seen how it saves money for both the firm and the client.

Information such as recent public filings, press releases, and industry analyses are all available on-line from a variety of service providers. Legal services such as Lexis/Nexis can also be a provider of business data as well as more specific up-to-date information on any legal issues which need to be addressed [[Scharbach & Steele](#), 1996]. The extent of the information available to an attorney is not limited to the retrieval of public documents. Often client's have a need for general information about individuals or companies that they are contemplating doing business with. It is unbelievable how much corporate information is available through the Internet. An attorney can get volumes of information on relatively small corporations through many databases on the Internet. Also, many companies, both large and small, maintain WWW pages and it is amazing how much information they are willing to disseminate about the company and themselves. Often times you can get the names and histories of all of the principal officers of a corporation, as well as the companies financial history, right on the companies own WWW page. In addition to all of the resources previously outlined, an attorney can also use the Internet as a way to supplement their knowledge of the law, keeping up to date on new trends and developments in the areas in which they practice, as well as finding many educational resources to aid in their own continuing legal education.

**3.3. Marketing:** The Internet is quickly pulling law firms into the world of high-tech marketing. Sometimes they are going enthusiastically, sometimes only reluctantly out of necessity, and sometimes not at all. The long-term culture of law firms is based on relationship building, not advertising. Most firms still have something of a love-hate relationship with television and print ads, and Internet advertising so far is triggering the same ambivalence. And it isn't only the profession that is ambivalent about outright advertising - the public shares it as well. But the firm's website doesn't have to be as blatant as a foldout page from the local Sunday paper. The firm's website, containing information about its expertise, legal counsel, latest victories, fee structure, etc., can assist in recruitment process, and help clients research law firms from the comfort of their homes without making a commitment. An increasing number of lawyers see the Internet as beneficial to clients, who thus become more informed about the law and how to use lawyers. It is good for lawyers to have clients who are informed and actively involved in their matters and looking out for their own interests. The public needs to understand law, lawyers and the judicial process. The Web can be a wonderful tool for lawyers to convey that information--especially when accountants and

consultants are making inroads. Sometimes a non-lawyer can perform a quasi-legal function just fine, other times not so fine. It is critical for lawyers to get out information about themselves and the legal profession.

Being online is particularly important for business-oriented law firms, especially as more businesses turn to the Web for goods and services. However, law firms using the Internet as a marketing device are challenged by slow-to-change ethics rules in a fast-paced medium with no geographical boundaries. While general advertising rules, such as avoiding false, fraudulent or misleading statements, work no matter what the medium, "netvertising" is raising some interesting challenges. All firms face the issue of posting appropriate disclaimers; no one wants a visitor to a web site to assume they've become a client just by dropping in electronically.

The ultimate goal of marketing is to increase the firm's bottom line. Part of the marketing process is the exchange of information between the law firm and the buyer. Traditional marketing activities include: brochures and newsletters; open house receptions; visiting clients; and presentations for business. Marketing is also responding to RFPs (Requests For Proposals), communicating with clients using technology, tracking the firm's marketing efforts and analyzing the financial results of the firm's marketing efforts.

**3.4. Minimising Overheads:** An example of Internet use to lower overheads in a small legal firm is the outsourcing of payroll [Poll, 2001]. There's even a Web site -- [www.buyerzone.com/payroll](http://www.buyerzone.com/payroll) -- that offers information about various payroll vendors and provides free quotes. Payroll services such as these receive the raw data from the firm. This data includes pay rates (hourly or monthly), frequency of payment, individual exemptions and time (hourly, daily, etc.) actually worked, plus all other relevant payroll data. The payroll service company then does all the calculations and prepares the checks for distribution. Once the data is delivered to the service company, all of the steps that follow are performed by the service company, including the preparation of the quarterly and annual payroll tax returns. The individual law firm does not have to worry about changing regulations or employee tax rates; the service company is responsible for that. For most law firms, the number one reason to outsource payroll is the time saved. This allows them to spend billable hours on their clients and not on managing the office. Outsourcing also makes sense if you do not have time to keep up to date with the changing tax laws and other payroll issues. Another convenience of outsourcing payroll is delivery. For legal professionals who may not come into the office every day whether it's because they are on trial, at a document review or simply working at a separate location the hassle of delivering pay checks and direct deposit stubs can be eliminated. Employees simply log on to the secure Web site at any time and from any location to view or print their pay stub.

**3.5. Collaboration:** An extranet is a great tool for collaboration. Private work spaces where teams can keep calendars, databases, documents, discussions, and other common information; the ability for teams (or larger groups) to have online meetings where all participants are connected together at the same time; and access from the Internet to the existing document management system that allows authorized external parties to participate in document-level work flows along with lawyers inside the firm, are just a few examples of collaboration [Wasylyk, 2001]. They allow team members to work together -- either in the same place, at the same time, or in the same work flows. What is common to all three is browser-based access from anywhere in the world.

One change that has already begun is to join together lawyers with a common set of issues in an electronic network. At a minimum, such networks allow mutual support through the sharing of research and development of broad strategies. Such connections are now largely accomplished through text-based bulletin boards and listservs. Through private extranet connections, such groupings can develop more formal relationships, organizing participants into "virtual law firms" with the capacity to counsel jointly on a single case or group of cases.<sup>8</sup> Inexpensive videoconferencing will allow advocates to work from very long distances, meeting, discussing cases and jointly interviewing the client and witnesses. A case file common to the work of the firm will be made available in a secure location on the web, allowing access to the file in order to comment on pleadings and briefs, post the results of research, add correspondence or just review the case's current status. Some private law firms are already experimenting with giving their large corporate clients on-line access to their case files. Other possibilities, which are technologically available now, include use of videoconferencing for training and task force meetings without requiring participants to travel to a common site. Indeed, the same technological approach that will make it possible to teach clients on-line may be used to support on-demand, on-line, interactive training.

Lexis Counsel Connect (LCC) provides a forum where counsel can communicate in an informal matter on issues, locate other attorneys who have specific expertise and provide a central location for team members to

communicate electronically. For instance, LCC allows users to set up secure electronic conference and mail centers in which users can share documents and information.

#### **4. But Wait, There Are Pitfalls Too**

**4.1. Information Security:** The prospect of legal services on the Internet has aroused a curious combination of fear and greed. Web sites can produce documents while charging for them via credit cards. The dot-com companies are eager to stake their claim. But lawyers need not cede the market to big-time entrepreneurs. If they learn to deal with the security problems and ethics concerns of Web-based legal service, lawyers can confidently put their own sites to use. The question they first must answer to their own satisfaction is how much security is needed. Whereas there is difference between what is ethically required (which is a requirement for retaining one's legal license) and what is commercially desirable, there are Web security precautions lawyers can take that are reasonably easy to do. Confidential information transmission may be better protected on the Web than in the real world. First, encrypt confidential information and credit card transmissions to prevent an interception. To protect against an electronic break-in, encrypt the local database containing information. There are a few good encryption software packages available.

A secure site sends a signal to potential clients that they can rely on the firm. It provides assurance to potential e-clients, but most security fears are overblown. The odds of confidential information being intercepted on the Internet by anyone other than the Australian Security Intelligence Organisation are less than the chance of a confidential conversation being overheard or a letter misdelivered. Software to control abuse can be cumbersome and ineffectual. Some written policies are needed, but overly specific firm policies tend to be onerous and inhibiting. For instance, if access is not metered, that's good because you pay the same amount no matter how much time is spent on the Internet. On the other hand, that makes it easier to walk away from your desk while you are connected to a Web site. That potentially could pose security risks. But security risks tend to be overstated and they should not be an excuse to restrict access. Meanwhile, firm members often discuss cases in restaurants in loud voices and leave papers face-up on desktops. Those risks are more tangible and immediate than Internet risks if firms implement security policies with reasonable care.

E-mail security cannot be left to technical experts. Law firms and law departments have special confidentiality concerns not affecting general business, and lawyers have a high level of expertise and experience in protecting client information. Technical tools are important, but alert and knowledgeable lawyers and support staff actively thinking about information security in all relevant situations is the best way to protect confidentiality. At present, it is not likely that a court would require all E-mail to be encrypted, because large-scale encryption is not a practical solution. The computer industry is developing encryption standards, and across-the-board E-mail encryption is likely to become practical within the next two years. As encryption becomes more common and less burdensome, courts are more likely to require lawyers to encrypt E-mail. Many firms and law departments have adopted a combination of technology practices, sensible management policies and continuing lawyer education to keep E-mail secure. A common security approach is to match the security accorded the message to the level of confidentiality required. In order to do this, transmission methods are ranked according to security level (e.g. internal mail and direct gateways are considered highly secure, routing through online services are considered secure and Internet routing is considered insecure) and messages classified according to confidentiality needs (highly confidential, confidential and not confidential). Then the firms and departments create practices and policies to make common-sense distinctions, permitting all messages to be sent "in the clear" over highly secure systems but requiring encryption when a message is sent over an insecure route unless the message does not contain confidential material.

**4.3. Structuring Payment:** Clients, large or small, will no longer accept the classic "for services rendered" invoice. Here's the hardest concept for many lawyers to accept: The billable hour will be dead within 10 years, maybe even five. And that's a good thing, for both clients and lawyers. Clients also want value billing -- whether it's a flat fee for that will, or a bank's bidding contest for bulk rates for debt collection work. Likewise, savvy lawyers recognize that practices based on billable hours stunt growth. After all, there are only 24 hours in a day, and to grow, they must think creatively and develop new revenue streams. Futurist [Richard Susskind](#) (2000) calls it "earning money while you sleep." That means, in a nutshell, that lawyers are going to have to rethink how they make money, and look at ways to leverage and re-purpose their work product - their "intellectual capital." That's where Internet commerce comes in. One must incorporate Web technology into one's daily practice if a firm is expected to thrive -- or even survive. Many small firm lawyers say they simply cannot afford to take on small cases, because they can't make enough money. But

with Internet tools cutting down the time, and with flat billing, they can. It becomes a win-win situation rather than a lose-lose prospect for clients and attorneys alike.

**4.4. Medium Abuse:** Two issues arise here: non lawyers are not bound by the regulations that bind legal practitioners, and lawyers from different states are bound by different regulations. This can create problems. For example, some states require disclaimers on lawyer advertising, while others don't. While lawyers are hemmed in by a confusing array of state regulations, non-legal outfits can sell do-it-yourself divorce kits on the Web. Non-lawyers use the Internet to market estate plans, for example, many of which are poorly done. Lawyers find it difficult to compete if they have to deal with the thicket of rules and regulations. It is difficult for them to use the Internet to educate and inform the public. This leads to some misleading representations, as when a non-lawyer registered as a lawyer on an Internet portal that permits laypeople to request legal advice. No attempt was made to verify the person's credentials.

## 5. "May the Power Go With You" – the future of legal practice

The Web is here to stay; legal services will be on the Web because people need service. If you don't provide that service, someone else will. As Judge [Arthur M. Monty Ahalt](#) (2000) said: "E-commerce redefines the nature of relationships in the commercial world. Lawyers sell legal services to clients who purchase legal services. E-commerce for the legal profession redefines the relationship between lawyer and client." [Tull](#) (1999) mentions the implication Internet will have in the long run for lawyers: virtual law firms based on extranets, ability to reach remotely-based clients, push technologies delivering news and legal updates to the desktop, and use of artificial intelligence to provide initial legal analysis. Tull also predicted that increasing bandwidth will lead to what he called "presence revolution": facilitating online collaboration through video conferencing. [Moore](#) (2000) talks in his paper about Internet facilitating outreach for low-income clients, when government funding is no longer enough to staff Legal Aid services full time. The number of companies specializing in providing IT and Internet application tailored for the legal services is increasing. Websites providing legal advice and information to lay people are sprouting at a healthy rate, causing a few of the legal heads to fret about disintermediation. Although a few lawyers associated with online services are not as optimistic about the Internet business potential as a profit-making venture [see, for example, [Davies](#) (2001)], all signs indicate that the legal profession, anti-technology and Luddite for such a long time, will finally shed its technophobia and embrace the electronic world.

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