



*The Metropolitan Corporate Counsel – September 2001*

**Project: Technology**

## **John Henry: Creating A Transparent Market For Legal Services**

*The Editor interviews John Henry, CEO of eLawForum*

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**Editor:** *Would you briefly describe eLawForum's business?*

**Henry:** We make a competitive market for legal services. We are a powerful resource for corporations and law firms. For the corporate legal department, we provide a private forum where, using our resources, it can identify the most qualified lawyers for a particular legal matter. For the law firm, we also provide a private forum to showcase the expertise of its best lawyers. We have a very talented management team. Our Advisory Board of former General Counsel is a unique resource. Our state-of-the-art, proprietary software permits corporate legal departments and law firms to exchange highly detailed information efficiently and confidentially in a manner that just isn't possible with voice and paper.

**Editor:** *What is your background? What are the backgrounds of your management and Advisory Board?*

**Henry:** I have founded four companies over a twenty-year period. eLawForum is the fourth. I began my career, however, as an attorney in private practice with Cadwalader, Wickersham & Taft after graduating from Columbia Law School. Two members of our senior management team serve on our Board of Directors. Kay Ellen Consolver, the Chief Operating Officer, is in charge of day-to-day operations. She is a successful lawyer and business executive. After Cravath, Kay Ellen was at Mobil as Assistant General Counsel, International Treasurer and Chief Executive Officer for 11 of Mobil's international marketing companies. David Roll, Vice President, Business Development, was Managing Partner of Steptoe & Johnson.

Our senior management team also includes Paul Pien, Sales Vice President, who has been on both sides of the market: with Akin Gump and as former General Counsel of eVelocity, an Internet-based legal industry invoicing service.

Susan Farnsworth, Marketing Vice President, has more than two decades of experience with the Big Five. Paul de Jonge, former Texaco Chief Legal Advisor in the Benelux region, is Managing Director of our European operation in Amsterdam.

John DiLiberto, who was a senior executive at the Kemper and Utica insurance companies, is responsible for our services to the insurance industry and Joe Murphy, who recently retired as Chief Washington Counsel for the BlueCross BlueShield Association, is leading our work with the health care industry.

Neil Rosenbaum, who practiced with Epstein Becker, heads our Professional Services Group that works directly with the in-house counsel and law firms using our service.

Sam Gillespie, who is a member of our Board and our Advisory Board of former General Counsel, was Senior Vice President, General Counsel and a member of the Mobil Executive Committee. Sam had practiced at Milbank, Tweed and he is now of counsel to Skadden, Arps.

Our Advisory Board members are American, Canadian or European former general counsel who have managed legal departments across a diverse range of industries.<sup>1</sup>

**Editor:** *How have law firms responded to your service?*

**Henry:** We have 1,125 registered law firms, which include half of the AmLaw 100 and half of the National Law Journal 250. In the last 6 months, new law firm registrations have averaged more than 60 each month. We also have law firms in every state and on every continent.

**Editor:** *eLawForum has a strategic alliance with the Minority Corporate Counsel Association (MCCA). How does the alliance benefit corporations and law firms that use eLawForum's service?*

**Henry:** Increasing diversity within the ranks of the major law firms is the name of the game. For years, corporate legal departments have expressed support for efforts to do this. Despite that support and similar positive expressions from law firms, progress has been slow. In a sole-sourced legal market where a few incumbents have the lion's share of the corporation's legal work, it is difficult to force change and to measure how much progress is being made.

eLawForum and MCCA are taking a new approach. We have created an environment where law firms have strong economic incentives to use minority attorneys. eLawForum worked closely with MCCA to develop the MCCA Diversity Benchmarking Survey which is hosted on [www.elawforum.com](http://www.elawforum.com). To date, 75 firms have completed the survey. When a corporation posts an RFP with eLawForum, we ask if it wants to consider diversity in inviting law firms to compete. If the answer is yes, we ask whether the corporation wants to include qualified minority attorneys at law firms that have participated in MCCA's Diversity Benchmarking Survey. If the value proposition and the chemistry are there, the legal department may use diversity as a potential tiebreaker.

**Editor:** *How many corporations use eLawForum's service?*

**Henry:** 136 corporations are registered – 70 are in the Fortune 1000 and 10 are just below that cutoff. Since April 2000, we have averaged about ten corporate registrations a month.

**Editor:** *Where are the majority of your users concentrated?*

**Henry:** We have a relatively even distribution of corporations and law firms across the U.S. The Midwest is the largest concentration of corporate registrants. As you might expect, California is the state with the largest number of registered corporations. eLawForum's registered corporations represent more than twenty industries.

**Editor:** *Do corporations use your service for litigation and other complex matters?*

**Henry:** Those are some of the most popular uses of eLawForum's service. The more complex the matter, the more sophisticated the legal service must be. The more sophisticated the legal service, the more important reliability becomes in the selection process. Reliability is best assured by a robust quality competition. You hire the lawyer, not the law firm. In a sole-sourced environment without competitive proposals, a legal department cannot be confident that it has selected the best lawyer for the job. You wouldn't allow your litigator to represent you in a "bet-the-company" case without turning over every stone to win. Why, then, wouldn't you practice the same due diligence in identifying the best litigator for that case? Reviewing the qualifications of the best candidates is the prudent thing to do.

**Editor:** *What role does eLawForum play in a legal department's service to its internal clients?*

**Henry:** A legal department is charged with safeguarding the corporation's legal interests. As simple as this may sound, it is, in fact, a very complex responsibility — particularly in light of today's budgetary pressures. To shoulder that responsibility effectively, in-house lawyers must assure themselves that they have obtained the highest quality legal service available consistent with the corporation's policy on cost and value. The old-fashioned means of selecting counsel – sole-sourcing – may not provide this assurance.

eLawForum provides legal departments with a very easy way to measure the "fit" between outside counsel and the corporations' legal assignments. There is no need to build an internal bureaucracy to do this. Corporations identify the criteria important to the specific assignment and, through the efficiency of eLawForum's service, locate lawyers that best meet those criteria. Our legal staff is expert at writing RFP documents. And we do it very fast – we just completed our second competition for class action defense counsel – in time for the firm selected to respond for the corporation within the 20-day answer period. Our RFPs allow a corporation to communicate to the law firms exactly what it needs to best serve its internal clients and what it expects from the firm in that regard.

**Editor:** *How does eLawForum’s service allow a legal department to evaluate its present and potential outside counsel in a more objective fashion?*

**Henry:** At present, the market for corporate legal services is almost entirely sole-sourced. This encourages “cost plus” pricing, which places 100% of the risk on the buyer. Sole-sourcing and hourly billing are convenient, but they create an information vacuum. It isn’t possible in these circumstances to get accurate market information.

eLawForum is premised on a simple proposition: competition is the best way to ensure high quality legal services at reasonable value. eLawForum’s market-making function allows corporations to identify lawyers that most closely fit the needs of the matter profiled in the RFP. eLawForum summarizes for the legal department the market data elicited by the RFP. Market data gives the corporation an objective basis for selecting outside counsel.

We track RFPs with the following metrics: a description of the matter in the RFP, the practice area, the size of the corporation, the geographic location of the attorneys sought, the number of firms invited to participate, the number of firms that bid, the fee structure proposed by the winning firm, whether the winner is an incumbent, and the size of the winning firm.

**Editor:** *How well are you capitalized?*

**Henry:** Wolters Kluwer made a large investment in eLawForum this year. That investment gives us all the capital we need to achieve our mission. Previously, funding had come from 30 angel investors and myself.

**Editor:** *How does a legal department or law firm sign up?*

**Henry:** The registration process is simple. Log on to [www.elawforum.com](http://www.elawforum.com), click on the “Registration” button and complete the on-line form. For a corporation, the form asks for information such as name, location, contact name and web-site address. For a law firm, the form requests firm name, contact person, address, website link, practice areas, bar memberships, technology, an optional diversity profile and provides the opportunity to participate in the MCCA Diversity Benchmarking Survey.

**Editor:** *What do you charge?*

**Henry:** The corporation pays eLawForum a fee equal to 2% of the amount that it pays the law firm for the work covered by the RFP. The corporation pays that fee directly to eLawForum. Our fee is a small fraction of the value the corporation receives.

<sup>1</sup> eLaw Forum’s Advisory Board consists of former general counsel of the following corporations: Aetna, Ahold, Andersen Worldwide, Beatrice, B.F. Goodrich, Burlington Northern, Chevron, Cordant Technologies, CPR, DSM (Netherlands) Emerson Electric, FMC, General Dynamics, Hartford, Hercules, Hewlett-Packard, ICI (United Kingdom), ITT, Johnson & Johnson, Kraft, Mobil, Netscape, Nortel (Canada), PepsiCo, Raytheon, Sears, Siemens, St. Paul, TRW, Walgreens.