# Responding to Business Pressures on Legal Departments: The Value of The Uniform Task-Based Management System Code Set

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Corporate legal departments are facing unprecedented pressure to manage themselves like any other business unit, streamlining costs and improving efficiency. This presents unique challenges to a department that has traditionally spared no expense in defending the company's interests. A bevy of legal technology solutions has arisen to meet those challenges, but with their implementation comes the secondary challenge of making good use of the data they gather. A process that provides for actionable information from that data is central to being able to manage a legal department strategically and with greater efficiency. This is why the Uniform Task-Based Management System (UTBMS) code set is critical when looking at process improvements. Requiring your law firms to submit invoices containing time tracked using UTBMS codes is not cumbersome given the modern technology in use at the vast majority of firms, and it provides legal departments with detailed information about what *type* of work is being performed by their firms, not just how *much* work is being performed. This paper will provide an introduction to UTBMS codes and discuss how the data they provide can be gathered and reported on to enable more strategic legal department management.

## UTBMS Codes Background/Overview

The Uniform Task-Based Management System (UTBMS) employs standard legal work product classification codes to enable clients and law firms to capture meaningful cost information and conduct analysis on legal services by standardizing the categorization of legal work and expenses. UTBMS codes were developed through a collaborative effort of the American Bar Association, the American Corporate Counsel Association, and a group of corporations and law firms. This effort was coordinated by PricewaterhouseCoopers, then called Price Waterhouse LLP. This group, which was called the UTBMS Task Force, had the goal to create a single, standard set of codes that would enable the consistent categorization and analysis of legal work.

Similar to the coding commonly applied in medical practice to classify for reimbursement the type of illness being treated and steps taken by the physician to treat the illness, UTBMS codes indicate the type of legal matter being undertaken, the applicable phase or aspect of the matter for which the law firm performs work, and the specific tasks and activities associated with that work.

There are currently four distinct code sets --litigation, counselling, project, and bankruptcy -- which are differentiated by the prefix to the applicable phase/task code ("L" for litigation, "C" for counselling, "P" for projects and "B" for bankruptcy). These four code sets can be found at the [American Bar Association's web site](). In addition to these four code sets, law firms and their corporate clients also utilize practice-specific codes, such as the recently-adopted patent and trademark code sets.

UTBMS codes are used for each phase throughout the lifecycle of a matter. For instance, when a company is charged with a claim and engages outside counsel, the first task the law firm attorney may take is to conduct a quick fact investigation by interviewing relevant internal parties and witnesses and reviewing immediately available, applicable documents. The attorney would code this work as L110, which is "Fact Investigation/Development." Outside counsel may then conduct preliminary legal research and meet with the client to create a case strategy and plan of action. This work would be coded as L120, which is "Analysis/Strategy." Thereafter, outside counsel might create a budget (L150 Budgeting), engage experts (L130 Experts/Consultants), draft an answer and counterclaim (L210 Pleadings), respond to written discovery requests (L310 Written Discovery), take depositions (L330 Depositions), attend trial (L450 Trial and Hearing Attendance), and, if all does not go according to plan, appeal the court's decision (L500 Appeal). Expenses incurred during representation are likewise coded as appropriate (e.g. Copy Charges are coded E101, Court Fees are coded as E112, and Expert Witness Fees are charged as E119). The [list of expense codes]() can be found on the American Bar Association website.

## Using E-Billing to Capture UTBMS Data Electronically

The consistent categorization of legal work and expenses provided by UTBMS codes opened the door to an unprecedented ability for corporations to review and analyze legal spend and expenses. However, in order for this possibility to manifest, the UTBMS data needed to be available electronically. Therefore, in parallel with the effort to develop standard UTBMS codes, PricewaterhouseCoopers brought together a group of time and billing and case management system vendors with the purpose of defining a standard legal industry-specific electronic billing (e-billing) format. Such a format would enable UTBMS data to be captured electronically as a law firm billed its corporate client for its services. The resulting format was the delimited ASCII standard format, which became the foundation for subsequent legal e-billing standards that have been widely adopted throughout the world and continue to grow in use.

In 1998, the LEDES™ ([Legal Electronic Data Exchange Standard) Oversight Committee]() (LOC) was formed. This international, voluntary, not-for-profit organization was founded to maintain the open standards for the electronic exchange of data between law firms and their corporate clients, as well as to create new standards as needed, and it therefore assumed control of the delimited ASCII standard. The LOC also absorbed the UTBMS Task Force, which is now an LOC subcommittee that is tasked with addressing all issues pertaining to UTBMS codes.

Since 1998, the LEDES format has gone through multiple iterations in order to accommodate changes in the legal landscape, such as the increasingly complex nature of fee arrangements between corporations and law firms, as well as the capture of additional data, such as that related to value added tax (VAT). Today, LEDES 1998B is the most

common legal e-billing format used in the United States. And, while the LEDES XML standard also supports the capture of VAT-related data, LEDES 1998B-International remains the most widely-used international standard as many law firms are still unable to generate an XML file.

**Law Firm Time and Billing Systems**

Prior to the creation of the UTBMS code sets, many corporate clients had begun creating their own, proprietary billing codes. This created real problems for many law firms, the larger of which were required to submit invoices utilizing multiple code sets and in many different proprietary formats. Therefore, while standardizing on one set of billing codes and a single, widely-accepted format for electronic transmission would clearly benefit law firms (by normalizing the data requirements) and their corporate clients (by providing the invoice data in a usable format), the firms then faced the challenge of how to easily create these electronic invoices.

To create electronic invoices utilizing UTBMS codes in the LEDES format, law firms turned to their time and billing vendors. Among other capabilities[1], time and billing systems enable law firms to record and bill for time. Shortly after the creation and adoption of the UTBMS codes and LEDES format, many law firm time and billing vendors added the ability for their systems to generate invoices in the LEDES format for submission to corporate clients. Today, nearly all law firm time and billing systems are capable of creating LEDES format electronic invoices nearly as easily as paper invoices.[2]

**The Role of Legal Spend Management Systems**

Corporations benefit from the use of UTBMS codes by gaining greater visibility into and control of their outside counsel legal spend since the codes permit voluminous billing data to be (i) validated against their outside counsel guidelines and (ii) analyzed in order to make strategic decisions about legal spend, such as benchmarking law firms against each other and deciding which types of legal work would be more cost effectively done in house. The legal spend management industry grew to enable the automated validation and strategic analysis of legal invoices, as well as cost management.

*What is Legal Spend Management?*

Legal spend management (LSM) refers to a comprehensive solution that includes three primary components: legal e-billing, an automated audit and compliance engine, and reporting. LSM solutions are key to enabling corporate legal departments to gain insight into their global legal spend and ensuring the standardization of processes and procedures across their global legal departments.

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[1] Many leading time and billing systems provide business development modules (marketing and relationship management), practice management capabilities (matter management, calendaring, docketing, file management), business intelligence (reporting), and performance management (budgeting, forecasting, and profitability analysis)

[2] Wirz, Scott. "Electronic Legal Invoice Delivery." Metropolitan Corporate Counsel September 2006.

The e-billing component of a spend management solution facilitates the submission, review, approval, and payment of electronic invoices flowing between corporate legal departments and their law firms, agents, and other legal vendors. These electronic invoices utilize UTBMS codes to categorize spend data in a consistent format across all legal vendors. This enables legal departments to accurately capture and report on legal costs.

The automated audit and compliance engine component of an LSM solution plays an integral role in the review and approval of the electronic invoices entering the LSM system. This engine automatically validates the invoice UTBMS-coded details against a legal department's established outside counsel guidelines and can automatically take appropriate action against the invoice, including approving, rejecting, adjusting, or applying warnings to it. This automatic enforcement of outside counsel guidelines is much more efficient and accurate than manually reviewing invoices would be and permits automated enforcement of alternative fee arrangements (AFAs), as well as budgets.

The final component of an LSM system is reporting, which is crucial to enabling legal departments to successfully manage spend. Leveraging the UTBMS-coded spend data supplied by the e-billing component of a legal spend management solution, reporting enables legal departments to analyze their financial and operational data to measure departmental and outside counsel performance against defined metrics and make strategic sourcing decisions. While most time and billing systems will allow for custom billing code usage, deviating from standards places undue burden on law firms, can cause inaccuracies and inconsistencies, and runs counter to one of the primary benefits of the UTBMS codes to the law firms and their clients, i.e. consistency of data across legal matters and vendors.

## Enabling Strategic Legal Department Management with UTBMS Codes

UTBMS codes facilitate effective communication of the tasks and costs of litigation between inside and outside counsel and permit legal departments to understand and compare the cost of legal work across geographies, matter types, and firms. The application of UTBMS codes by an individual with contextual knowledge of the legal matter allows for consistent categorization of detailed tasks across vendors for (i) automated validations, (ii) AFAs, and (iii) reporting and analysis. In periods of increasing scrutiny of corporate legal budgets, in-house counsel must reduce their outside counsel spending, measure and report on that outside counsel spending to prove to senior management the value the corporation received from those expenditures, and more accurately forecast legal spending in the future.

*Automated Validations*

Because reviewing legal invoices is typically not the best use of attorneys' or paralegals' time, automated rules validations by a legal spend management system based on programmatic review of UTBMS codes against outside counsel guidelines permit expensive in-house resources to review invoice data by exception only, rather than having to scrutinize volumes of potentially detail-ridden invoices.

The graphic below shows examples of common rules, actions taken by an automated rules engine against those rules, and the benefits derived.
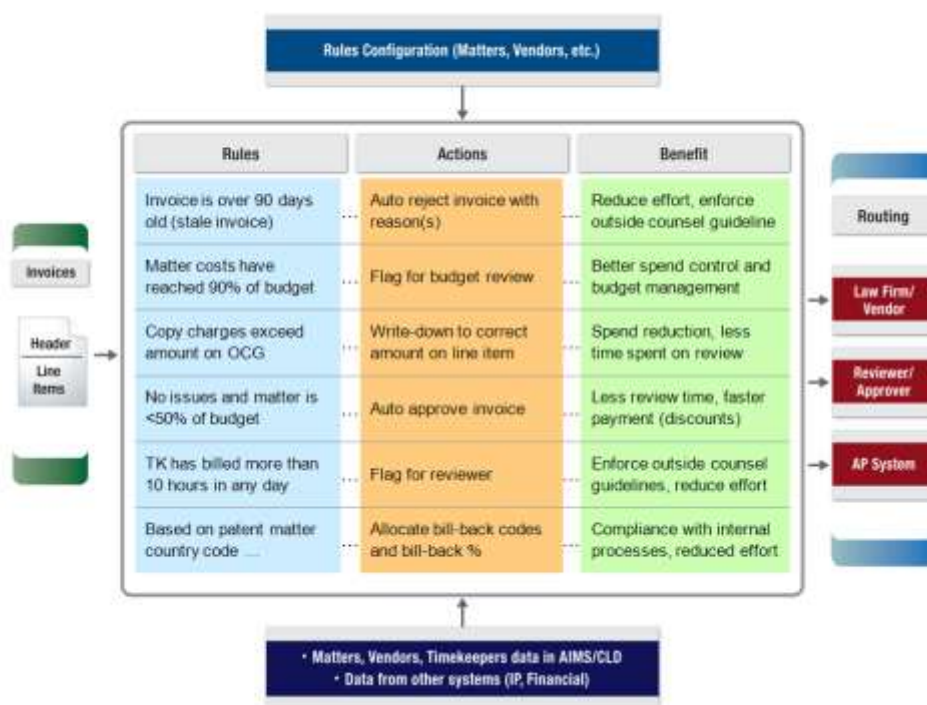


*Common Rules, Rules Engine Actions, and Benefits to Corporate Legal Department*

Some LSM systems' rules validation engines are even capable of automating invoice review so that if a legal invoice meets certain predefined parameters (e.g. the matter against which the invoice applies is under budget, the invoice meets all the outside counsel guidelines and is below a certain amount, etc.), the LSM system itself will automatically approve the invoice, without any human having to even see it, enabling attorneys and paralegals to focus on higher-value legal work.

UTBMS codes enable these automated validations and provide the highest level of accuracy in invoice review since individuals are not capable of some of the complex reviews LSM systems are capable of performing, especially those associated with AFAs. For instance, an individual invoice reviewer is unlikely to catch a duplicate line item that appears in different invoices in different billing periods or that a law firm that is billing against ten labor and employment matters has exceeded the cap on legal fees for that matter type for the current fiscal quarter, not to mention the difficulty involved with validating AFAs that set individual timekeeper billing rates by matter type. However, by analyzing UTBMS-coded invoices, a robust LSM system can easily catch these errors. Automatically validating invoices this way, eliminates the potential for human error on the part of law firms, as well as corporate counsel reviewers.

*Alternative Fee Arrangements*

UTBMS codes are useful not only for enforcing AFAs as discussed above, they are critical to the structuring and negotiation of AFAs. As pressure to reduce legal spending continues to increase, the prevalence of non-hourly billing engagements of law firms has continued to rise. The e-billing component of an LSM system captures actual costs and, using UTBMS codes, ensures legal services are consistently categorized. So, leveraging the data gathered by the e-billing component of an LSM system to identify opportunities for and to negotiate AFAs ensures decisions are based on accurate, objective, historical cost averages. For example, by analyzing UTBMS-coded invoice data, corporate clients can easily identify which phases of a matter are typically billed for the most hours and negotiate a blended rate or flat fee for those phases (e.g. drafting a pleading for a certain type of matter in a particular jurisdiction should cost "X" dollars). The task-coded invoice data can also be used to set a ceiling on flat fees for a particular matter type or even for a phase of a particular matter type. For instance, if a firm drafted interrogatories for an intellectual property litigation matter for $5,000 in the past, this amount could set the ceiling for future drafting of interrogatories. This sort of AFA negates any incentive for firms to over-budget for matters.

*Reporting and Analysis*

A critical component of strategic legal department management is the availability of detailed business intelligence to enable spend analysis, identification of opportunities for cost control, and creation of accurate and reliable budgets. Normalized, coded spend data is critical to all three of these. Analysis of UTBMS-coded legal invoice data permits legal departments to perform granular-level analysis, not just at a summary level, but by individual phase and task of a particular matter. Because the detailed, normalized, and task-coded historical spending data is available, strategic legal department managers are able to more accurately set budgets for future legal matters based on reports of comparable legal matters in the past. For instance, if a patent prosecution at the European Patent Office historically costs €20,000, then that amount could form the basis for the budget for a future patent prosecution. Sophisticated GCs and AGCs will look at the historical cost trends for each phase and individual task for the matter and set budgets on that basis. Then, as invoices begin to come in, they have an earlier indication whether the matter as a whole will meet or exceed the preset budget. In addition, detailed analysis of historical legal spending information enables legal departments to more quickly spot troubling trends (e.g. the costs of discovery for a particular matter type are escalating sharply, year over year) that legal departments can take proactive measures to stem.

By aggregating historic costs by task code, legal departments can benchmark law firms to determine which firms are more efficient than others by matter type and which firms perform better to their preset budgets. For instance, a "Timekeeper Classification Rate" report compares historical timekeeper classifications by matter type and law firm to facilitate setting benchmarks, target rates, and spend amounts based on phase and task. As an additional benefit, this type of report can also enable comparisons of law firms' efficiency by matter type, by geography, and even by matter phase, permitting the corporate legal department to direct its matters to those firms that have historically performed in the most efficient manner. Benchmarking efficiency and performance of law firms based on coded spend data is one of the primary areas of focus for many of the most forward-thinking legal departments, enabling them to make more strategic sourcing decisions for future legal matters.

**Challenges of UTBMS Codes**

Without a means to categorize and classify legal spend, the automated validations, AFAs, and reporting and analysis performed by sophisticated legal departments are not possible. However, some legal spend management vendors say using UTBMS codes is burdensome on law firms and unnecessary and that scanning technologies utilizing Optical Character Recognition ("OCR") to categorize an invoice instead are sufficient. Despite advances in OCR technology, however, it alone is not sufficient to classify legal invoice data. Especially if a legal department wants to perform detailed comparisons of law firm performance or automatically approve or adjust legal invoices based on predefined rules, correctly classifying just 90% invoice information is not accurate enough. Also, since OCR-only systems do not have the context for the legal work performed (unlike the responsible attorneys and paralegals who actually work on the matter and utilize UTBMS codes to classify their invoice data), these OCR systems may misapply the validation rules set by the corporate client. The ideal solution is an LSM system that both analyzes UTBMS-coded data and reads the text descriptions. In this way, keywords in the invoice may be automatically reviewed along with the UTBMS codes for a higher degree of accuracy and flexibility.

It is critical to the success of an e-billing initiative that the legal spend management vendor has trained staff available to assist law firms in properly utilizing the UTBMS codes so that the data submitted to the client is properly categorized. Ensuring firms are trained on proper usage of the e-billing system so that coding of invoices is consistent is a vital to ensure the client receives the maximum value from its LSM system. It is also critical that the vendor have dedicated law firm implementation and support staff to assist law firms with the change management aspects of an e-billing program, including training on how to correctly generate and submit a LEDES file, how to properly task-code the invoice, and what the various warnings/rejection notices mean.

**Conclusion**

A necessary precursor to successfully managing the legal department as other departments within the corporate organization are managed includes the presence of actionable data, and UTBMS codes are the most effective tool to consistently and accurately categorize legal costs so that the necessary data is available. Especially in an environment in which legal departments are being asked to reduce expenses and measure and prove the value of the legal services they receive from outside law firm vendors, utilizing UTBMS codes and receiving invoices in an electronic format permits savvy law department managers to begin the data analysis required to increase the efficiency and effectiveness of legal department operations and make the department a strategic partner to the business units. Best practice requires that clients insist that their law firms utilize the UTBMS standard codes and not custom codes in order to mitigate inaccuracies and inconsistencies. Law firms also benefit from the use of standard codes so that they are not required to utilize a separate code set for each client to which they are asked to submit electronic invoices. Clients and law firms should insist their e-billing vendor assist them with the implementation and support of the e-billing initiative so that legal invoices are properly categorized utilizing the UTBMS codes and both the client and its firms can receive the maximum value from the system.

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