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BUSINESS

Connected courtrooms

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Technology: Courts are among the last bastions of paperwork to switch to electronic data management. The field of firms eager to help them is crowded.

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By JODY RONICK
The Register Guard

EUGENE, Ore. Inspiration struck Shogan Naidoo when he was working at a Portland-based Internet start-up and finishing his law degree at the University of Oregon.

Instructed to prepare group presentations in a class on law and technology, Naidoo teamed up with Kenji Sugahara. Their topic: the electronic filing of legal documents.

In class, the project was a hit. It was also the start of Naidoo's post-graduation career. The 34-year-old South African says he turned down a \$120,000-a-year offer to work with a Pittsburgh firm in favor of creating his own company, called **Counterclaim** (www.counterclaim.com).

Naidoo is determined not only to break into the burgeoning field of electronic filing, management and storage of court documents but also to become a top player in the national marketplace.

Liking Eugene's low costs and abundance of university-educated talent, Naidoo has set up a 15-employee shop.

Although the legal e-filing field is still young, it is already crowded with competitors. All are eager to snag even a small piece of the estimated \$8 billion data-management market in local, state and federal courts.

Courts for centuries have been bastions of paperwork - vast piles of it. And they remain among the last bureaucracies to switch to electronic data management.

Every day, an army of clerks at law firms and courts nationwide handles a flood of legal paperwork - complaints, responses, amended complaints, decisions, appeals and the like. More than 90 million cases are filed in the nation's estimated 17,500 courthouses every year, generating more than 1.5 billion paper documents, Naidoo said.

Processing the documents requires a vast staff. Storing the documents eats up millions of square feet of warehouse and office space.

Naidoo estimates that more than \$2.5 billion is spent annually on document storage alone; \$11 billion is spent on delivering documents to the courts; court personnel expenditures associated with paper filing account for as much as 90 percent of a court's operating budget.

At law firms and courts, the idea of being able to streamline operations and electronically file legal briefs has struck a chord. Many are eager to make the switch.

Colorado is at the forefront. Last August, it became the first in the nation with a statewide court e-filing system.

Carl Ward, chief information officer for the Oregon Justice Department, said it's inevitable that circuit and appellate courts here will adopt e-filing and e-storage. It is now becoming timely given advances in software and computers.

Converting an entire state network to electronic filing is hugely difficult, Ward said, "but we need to do it."

That sentiment is being repeated in Orange County.

"We've been working on this for years," says Carole Levitzky, an Orange County courthouse spokeswoman.

The hope is that Orange County will have e-filing capability in place for family-law and civil cases by the end of this year, Levitzky said. Workers are in the process of backscanning civil cases, so they will be retrievable electronically.

The county plans to contract with an outside company to operate the e-filing system that many attorneys would be thrilled to use, since it could save them time and trips to the courthouse.

Some courtrooms in Orange, Los Angeles, Napa, Santa Barbara and Riverside counties have gone high-tech for their civil cases. The Civil Complex Center in Santa Ana, which opened last month, is one of the most advanced, with evidence being presented on computer monitors via CD-ROM. The CD-ROMs replace what can be stacks of paperwork and multiple exhibits.

How the market will evolve, and which companies will emerge as leading providers nationwide, is far from settled.

The nation's myriad legal jurisdictions are each moving at their own pace and in their own way, leaving the field open for entrepreneurs.

Like many software start-ups, Naidoo's company is operating on a shoestring budget. Employees give their time in return for stock options and late-night pizza. So far, the company has completed an electronic court document management system - called fastlaw - and is making refinements.

Naidoo is now aiming at two other goals - landing a major profit-generating contract with a court system and lining up \$3.5 million in capital. He figures part of his company's strength lies in its staff and directors.

Directors include Mitchel Davis, associate dean of the Stanford Law School, and longtime Eugene business executive Thomas Hemphill. Chief executive Naidoo and Sugahara - the company's 28-year-old chief operating officer - both have law degrees from the University of Oregon. Counterclaim's staff members are mostly computer programmers.

In his 88-page business plan, Naidoo boasts that employee and rent expenses are low in Eugene and that he equipped the office with second-hand furniture. So far, he says, he and other investors have put \$130,000 into Counterclaim.

Naidoo is up against some tough competition backed by big dollars. The market leader appears to be Bellevue, Wash.-based CourtLink (www.courtlink.com), a 12-year-old, 160-employee firm with a history of

legal database work.

CourtLink says it already is providing e-filing and e-storage services for 87 court systems around the country, including the Colorado state system.

Other smaller rivals abound. They include Santa Barbara-based **e-filing.com**, and **Verilaw** of Paoli, Pa.

There's even a new nonprofit group - Legal XML - that is seeking to create a uniform, nationwide publicly available set of standards for legal documents. Legal XML, sponsored by the University of Georgia, comprises volunteer members from law firms, government and academia.

CourtLink says it is quickly picking up big accounts.

"We are further out of the starting gate than other e-filing providers," spokeswoman Lisa Strong said.

In years past, Strong said, court systems were reluctant to jump on the e-filing bandwagon. But now that a number of court systems have converted, "no one wants to be left behind," she said.

"We're working fast and furious to bring more online," Strong said.

CourtLink provides both the computer applications that courts can use to electronically receive and store legal filings, and the applications to enable law firms and district attorneys' offices to transmit the filings. CourtLink has a relatively long history in court data storage. The company runs state court docket management systems in Oregon, Washington and other states.



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