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June 17, 2001

## Removing the paper jam: Eugene company seeks to shift courts, lawyers into online legal filing

By **JODY ROLNICK**  
For The Register-Guard

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.

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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.

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

Liking Eugene's low costs and abundance of university-educated talent, Naidoo has set up his 15-employee shop at 111 E. 16th Ave.

How far Naidoo's venture will get is anyone's guess. 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-



Counterclaim chief operating officer Kenji Sugahara (from left), programmers Sarah Cronholm and Jim Suruda, and CEO Shogan Naidoo are designing software for electronic filing and storing court documents.

Photo: **THOMAS BOYD** / The Register-Guard

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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 switch to electronic systems. Colorado is at the forefront. Last August, it became the first in the nation with a statewide e-filing system for its courts.

Oregon is moving much more slowly. But 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, Ward said. Converting an entire state network to electronic filing is hugely difficult, Ward said, "but we need to do it."

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 risk-taking entrepreneurs.

**Seeking money and clients**

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.



Graphic: **TOM PENIX** / The Register-Guard

Naidoo is now aiming at two other key 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 long-time Eugene business executive Thomas Hemphill. CEO Naidoo and Sugahara -the company's 28-year-old chief operating officer - both have law degrees from the UO. Counterclaim's staff are mostly computer programmers.

Another edge is the company's low costs. 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 just \$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, a 12-year-old, 160-employee firm with a history of involvement in legal database work.

CourtLink says it is already 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, Calif.-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 is sponsored by the University of Georgia and 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, district attorney offices and the like to transmit the filings.

CourtLink has a relatively long history of being involved in court data storage. The company runs state court docket management systems in Oregon, Washington and other states. Those systems, accessed via the Internet, offer abbreviated summaries of legal proceedings. CourtLink provides that service for some 1,300 jurisdictions nationwide, Strong said.

### **No single standard**

E-filing and e-storage are decidedly more complex, however. Many states have their own quirky documentation requirements, and ones that are converting to electronic systems are doing so in idiosyncratic ways.

By late summer, Oregon plans to start pilot programs in two or three counties to let people representing themselves in divorces and other similar cases file electronically, Ward said. The state is preparing electronic forms that would be used in these cases, he said. The state developed the program in-house but also hired a vendor to help, Ward said.

At the other extreme, some huge cases are already being handled via electronic filing. At the order of U.S. District Judge Thomas Penfield Jackson, all the filings in the U.S. Justice Department case against Microsoft Corp. are being sent electronically, Ward said.

Craig Husa, a senior vice president at CourtLink, said that because every court system has its own quirks, there is probably room for many companies nationwide to enter the field of e-filing.

"We have a saying here that once you know one court system, you know one court system," Husa said.

Thus far, counterclaim has only one customer, the state of Georgia. Counterclaim and four other e-filing vendors signed on with the state to develop its e-filing system. The hitch for the vendors is that they have to pick up the costs of developing the system - programmers' time plus air fare and the like. For counterclaim, that's a \$30,000 expense. The hope of each of the vendors is that the state picks its system.

Naidoo said counterclaim has recently amassed commitments and cash totaling \$300,000, which the company will use to create three additional pilot projects. Naidoo said he has several venture capital firms in the San Francisco area interested in investing in counterclaim "if we can show that the pilot projects work and that the technology works in the next three to six months."

### **Government seal of approval**

The payoff that counterclaim and others hope for is that their software systems become the government-approved methods for filing and storing documents. That will allow them to charge fees to users and potentially reap a big profit.

For Naidoo, who also has an MBA, counterclaim's success is all he thinks about. "I have nothing to lose," he said.

These days, his wife works in sales to support him and his 12-year-old daughter while he spends his hours "mainly peddling the product," he said. He also conducts sales research, hires and supervises his staff, and raises funds. He said he is also looking at acquiring another company.

Counterclaim employees, for the most part, spend their time updating the program and adding new features, researching and analyzing how the company's program can tie in with existing systems at minimal expense and disruption, and conducting useability testing focus groups.

Naidoo said running his own company is challenging and exciting. "Everyday I wake up and it's like Christmas. I just know something is going to happen," he said.

Still, he said, it's not for everyone. "We're living from hand to mouth while expecting and demanding the highest performance from employees," he said.

*Jody Rolnick is a free-lance writer based in Cottage Grove.*

#### **COUNTERCLAIM.COM**

- **Business:** Creating, marketing computer applications to let lawyers file documents with courts electronically and to let courts store documents electronically.
  - **Headquarters:** Eugene
  - **CEO:** Shogan Naidoo
  - **Employees:** 15
  - **Hurdle:** Seeking \$3.5 million in venture capital
  - **Contact:** Phone: 484-9235; Web: [www.counterclaim.com](http://www.counterclaim.com)
- *counterclaim.com*

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