Review: NetDocuments

By Mike Schley
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NetDocuments
www.netdocuments.com

TechnoScore: 4.5
1 = Lowest Possible Score;
5 = Highest Possible Score

Law firms manage documents in an ever-increasing number of scenarios — collaborating with colleagues, sharing documents with clients, creating online repositories for deals or discovery, etc. NetDocuments offers a Web-based solution for these and other document management tasks. In this TechnoFeature article, business lawyer and frequent TechnoLawyer contributor Mike Schley discusses how his law firm uses NetDocuments as a virtual deal room for due diligence and virtual file server for document collaboration and sharing. How's life in the document management cloud for Mike and his firm? Read his review of NetDocuments to find out.

INTRODUCTION

I like technology that puts my small firm (5 attorneys) on a level playing field with the big players. NetDocuments, a Web-based document management system, gives me the same ability as large firms to host and manage virtual data rooms for client deals, manage document production in dispute resolution proceedings, and support document collaboration, all on a secure platform with a good user interface.

NetDocuments also can be a very workable "virtual file server"

for those ready to jettison a local server and switch to "cloud computing."

NetDocuments is a subscription service starting at $20 per month per user. It is marketed to many industries, but it is especially valuable to those in the legal, financial, health care, and other fields that have high standards for security and privacy.

NetDocuments uses an intuitive cabinets/folders file structure similar to the file tree in Windows Explorer (not Internet Explorer, but Microsoft's file management utility). NetDocuments stores documents in native formats — doc, .xls, .pdf, .jpg, etc. — using any file format you wish (there are apparently no limitations). But NetDocuments is Windows Explorer "on steroids" because it is beefed up with an array of tools for document sharing and tagging files with unique properties.

I have used NetDocuments in these ways:

• As a document sharing repository, for sharing document production with parties around the country during due diligence in acquisition/sale transactions.

• As a cloud computing file server for sharing client and administrative documents within my firm during a period when we were operating from separate office locations without a local network.

I used Windows XP and Vista desktop and laptop computers in

the course of my work with NetDocuments. NetDocuments is also accessible from Mac, Unix, and Linux systems, but for these systems it uses a slimmed-down version of its service, ND2, that is not nearly as slick.

The full-featured service, available to Microsoft Windows users, includes many tools that facilitate posting, scanning, and even emailing of documents directly to NetBinders through shortcuts made possible by Active-X functions.

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DOCUMENT SHARING

In corporate transaction "due diligence" document production, NetDocuments greatly facilitates the inherent document sharing tasks while creating very useful data on production and access by each party. In my 30 years of practicing corporate law, the process of due diligence review has evolved dramatically:

The historic method was for a producing party (usually the seller or securities issuer) to place boxes or file cabinets of documents in a locked "data room" (usually

a conference room in the producing party's law offices). Each reviewing party would have access to the room and perhaps a photocopier. People from all over the country might fly in to view physical documents, which tied up a lot of conference room space for long periods.

With the advent of the digital age, parties realized they could eliminate air travel and share documents by delivering copies on disks, CDs, or DVDs (cumbersome and rather insecure), or perhaps by email (even less secure unless encrypted, and requiring hundreds or thousands of emails depending on the deal size).

The current standard for document sharing is for documents to reside on a server that permits remote, password-protected access to authorized users. Large law firms have had this capacity for years, but their mechanics are not uniform and the features are often limited. Large and small organizations can now use their servers to host document repositories with applications such as Microsoft's SharePoint Server. This approach combines convenience (access from any computer, by an authorized user) with reasonable security.

NetDocuments facilitates this third-wave approach by providing a document repository server "in the cloud." In the NetDocuments model, the principal vehicle for sharing documents is a subfolder called a "NetBinder" that holds a group of documents you decide to share with the same group of people (inside your organization, outside, or a combination). It is relatively easy for the host party to create one or more "NetBinders," to designate who may access to

them, and to post files to the Net-Binder.

At the option of the host party, NetDocuments will automatically send a notice to listed users that documents have been added (or edited or deleted). The host party can specify different levels of authority for parties that have authorized access. For example, several people on the producing side might have authority to add, edit, or remove documents, but perhaps no one on the reviewing side may have this type of authority — they might only be permitted to view, download, and/or save copies.

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NetDocuments provides another set of tools for managing the documents in a repository. This includes a search engine and the ability of the user to establish document property tags that may be used to sort, search, and manage the documents. The host may also private-label the repository, so that each user sees the host firm's name as a banner on the top of each Web page.

When I used NetDocuments for these purposes, I was providing access to reviewers on the other side of the deal who were lawyers, accountants, and business executives. I was prompted by Net-Documents to send the users a notice telling them that I had cre-

ated a NetBinder and given them access, and explaining how to register and log into the service. I anticipated some technical difficulties on the other side, but was pleasantly surprised that not one party expressed problems registering, logging in, or using the service.

One reviewing party, an attorney with a New York firm, told me that he had previously held some reservations about using a service like this but was actually pleased by the facility and integrity mechanisms built into Net-Documents.

NetDocuments addresses the worries of a corporate lawyer (like me) by creating a third-party (and therefore credible) audit trail record of (1) which documents were produced, (2) when they were produced, (3) who produced them, (4) who (if anyone) has altered them and when, and (5) the details of who has accessed each record and the date and time of each access. This information is accessible to the administrator(s) who control the NetBinders, but can also easily be shared with others.

Compare this with the much less reliable evidence of what was placed in a physical data room, or the problem of having to prove which documents were burned to which DVDs and whether the DVDs were actually delivered to every party on the other side. It can actually help you monitor the progress of your deal if you can instantly determine which parties have accessed which documents and when.

DOCUMENT COLLABORATION
I have also attempted to use Net-Documents as an archiving and

collaboration tool for several projects. NetDocuments permits a different interface for collaborative projects, called a "work space," that is intuitive and user friendly (at least to me).

For a startup company in which I am involved as a principal, I proposed posting business planning and research documents to a NetDocuments workspace so that all of the principals (located on both coasts) could view and collaborate on project documents. This effort was not successful, mainly because of resistance by one participant who simply did not seem mentally ready to collaborate in this manner.

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I have had more encouraging responses in proposing NetDocuments as a tool for work collaboration with client companies. I have also found some corporate clients open to replacing (or supplementing) the traditional "corporate binder" with a NetBinder "corporate archive" that is accessible to directors and other authorized parties, but have not yet had the opportunity to fully implement this concept.

I do not have a litigation practice, but it seems that the NetDocuments features that work so well for due diligence document sharing would also work well for document production in discovery.

The service provides an evidentiary audit trail for the data produced and permits easy online access to identified users who can be assigned different levels of authority, all very useful in the document delivery and exchange process.

NetDocuments has a growing field of competitors for hosted document repository and collaboration services. Microsoft has a long list of hosting partners for SharePoint Services, and other hosted applications exist such as WorkZone. I have not tested these, to compare features and pricing, but my review of Web site information indicates that NetDocuments probably has the most advanced set of security and privacy features, making it an attractive option for the legal industry.

NETDOCUMENTS AS A "CLOUD" FILE SERVER

There was a period of a few years in my firms' history, earlier in this decade, when we were a "virtual firm" with attorneys located in separate offices and even home offices. We adopted NetDocuments as the vehicle for storing and sharing all client documents in the absence of a local server. Our interface took two forms — the Web-based interface I have described above, and also "Web folders."

Web folders are a very convenient mechanism that reveals your NetDocuments folders, or at least the ones you choose, in the folder tree in Windows Explorer, as if NetDocuments were simply another drive on your local network. This greatly simplifies the tasks of saving, opening, deleting, etc., which you can do within Microsoft Word, Adobe Acrobat, and other work product

programs. Unfortunately, Microsoft stopped supporting this Web folders functionality in Vista, and perhaps also in Windows 7.

NetDocuments has done much to promote its service as an alternative to a local network file server. The company provides the document repository services described above, and also provides email management services that work directly with Outlook, so that both documents and email data can be hosted "in the cloud."

NetDocuments is competing with Confidela's WatchDox and other "virtual file server" providers in an increasingly crowded market. Most notably, LexisNexis, Google, and Microsoft are developing and promoting their own virtual file server products. NetDocuments may succeed in luring lawyers and others concerned about security and confidentiality, because of NetDocuments' many security and control features.

If I were in a position in which I could not use a local network file server as my document repository, I would again use NetDocuments for this purpose. But when my firm consolidated locations in one office, it was an easy choice to use a local file server instead of a cloud solution.

As other TechnoLawyer writers have commented, we are not yet at a point in the development of cloud computing where all of a lawyer's software and data needs have been fully replicated "in the cloud." Until that time, a local server is necessary for efficient sharing of applications and related data. As long as a local server remains necessary, document storage, retrieval, and management will be more efficient at the

speeds facilitated by a local file server. But I would not hesitate to recommend NetDocuments to anyone who has chosen to move to cloud computing.

Always seeking to stay a step ahead, NetDocuments has developed its own approach to this issue, which is to treat the local server as a supplement to Net-Documents. The NetDocuments "Local Document Server" product enables Enterprise customers (a higher-cost level of subscription) to maintain a complete, up-to-date copy of all their documents and document profiles on a server that is physically located on the organization's premises. This software provides additional redundancy, which could be especially useful in case of an Internet outage or other disaster.

SECURITY AND UNINTERRUPTED ACCESS

NetDocuments seeks to distinguish itself as the cloud service provider most concerned about security and continuous access to data. The company has two data centers, one hosted by LexisNexis in Ohio, and one hosted by a bank in Utah. The two centers are fully redundant, so that if the primary repository in Ohio were shut down by a disaster there, the Utah repository would immediately come on line.

NetDocuments also promotes further redundancy through an "echoing" feature that creates synchronized copies of data on the local user's computer, as well as the Local Document Server described above.

A white paper on the company's Web site goes into more detail about the unusual data security measures taken, including bonding and FBI background checks on all employees who operate the data repository computers.

PERFORMANCE ISSUES AND TECH SUPPORT

All in all, I had a very positive experience using NetDocuments as a "virtual data room" for client deals. However, I had a few quirky experiences, and so did my staff.

For example, NetDocuments appeared to accept changes I had posted, and then the next time I logged on there was no evidence of the changes. My staff had a few similar experiences.

I was able to reach NetDocuments technical support quickly.

They made some changes that resolved the problem.

Another quirk involved my paralegal's computer, which did not want to accept the Active-X controls necessary for the full-featured NetDocuments interface, requiring a brief fix from our computer consultant. This was not NetDocuments' fault, but it could be a frustration for users with similarly configured computers.

CONCLUSION

I have found NetDocuments a very useful repository for storage and sharing of documents involving multiple parties. I recommend it without hesitation for virtual deal rooms, discovery document production, online collaboration, client-accessible archives, and similar uses.

I would also use NetDocuments as a virtual file server for all of my client and administrative data if I did not still find a local file server necessary and slightly more efficient. However, I believe many law firms will eventually embrace cloud computing. NetDocuments is well suited for lawyers' needs in this regard.

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