



Point of view

Why IT Solutions for Legal Systems are **Critical in the Automotive Sector**

The automotive sector is considered to be one of the most crucial sectors for a country. Providing employment to thousands of people, this sector can change the fate of economies. As there are many sectors closely associated and interlinked with this sector, any change in the automotive sector has a ripple effect on other sectors too.

With the industry in transition to an electric future and the rise of autonomous and connected cars, automotive firms will be forced to confront and solve several important legal issues. Based on our experience in dealing with major automotive firms, we believe that the US automotive industry deals with the following legal compliances, as represented in the image below:



Most US automotive companies maintain ethical standards and comply with rules and regulations of the country. They also face additional challenges because everything they produce is one way or the other related to the life of their customers as well their employees. If they are not careful or compliant, they may face legal issues or lawsuits. This may affect the overall brand image of the company and also impact the trust of the customer.

Automotive companies have their own legal business unit, which provides legal services to all other business units within the organization. Their goals are focused on aggressively defending the company in litigation and providing high value, proactive legal advice to internal customers that supports their business objectives. The legal teams are responsible to handle a wide variety of product liability and warranty litigation, transactional and litigation matters, including advertising, antitrust, corporate governance, contracts, customs/trade, dealer relations and development, employee benefits, export sales, employment/labor, immigration, intellectual property, tax, and workers' compensation. This enhances efficiency and consistency in handling legal matters, while lowering risks.

The role of IT

Although legal compliance is addressed through policy/procedures and adherence to the law of land in each step of making products, there are many aspects where information technology can help in creating a standardized and stable system that can check and minimize the impact.

To understand how IT can enhance the efficiency of the legal team, we need to understand various legal modules and the key challenges that they face. A graphical representation is shown in the figure below:

Matter Management						Risk Management
Finance			NHTSA - TREAD	Content Management	Reporting	E-discovery
Outside Counsel Invoices	Budget vs. Actuals	Payments		Electronic Copy	Hard Copy	Case Evaluation Reports

Let us take a look at each legal module:

Matter Management: This module is for maintaining cases that are executed on a day-to-day basis by outside counsel who are managed by internal attorneys. The outside counsel is responsible for cost management, quarterly budgets, managing trials, actual spends etc. These cases may be accident cases in which company cars are involved, claim matters, litigation matters, warranty matters, transactional matters, corporate matters, contract violations, trademark issues, and employment matters like discrimination cases etc. This module is heavy since it stores all kinds of data related to different cases.

Finance and Budget: The legal department needs their own finance systems that focusses on legal matters. Each matter can have their own budgets. It can be based on various outside counsel that are attached to cases or related to settlement or attorney/ investigation fees. There is need for always tracking the actuals as some cases may take years of evaluations and cost more money.

NHTSA – TREAD: The automotive industry of light vehicles and on-road motorcycles, are required to comply with the Early Warning Reporting (EWR) provisions of the Transportation Recall Enhancement, Accountability and Documentation (TREAD) Act. The regulations promulgated under the act require manufacturers of motor vehicles, motor vehicle equipment, child safety systems and tires to submit certain information, and documentation on a quarterly basis. This is an important area, as failing to report may cost the company a huge sum ranging from \$10 million to \$70 million. Additionally, this will be recorded in the NHTSA website for a longer period.

Content Management: The automotive industry follows government mandates for document retention. Hence, every case related document (whether it is a hard copy or electronic copy) is required to be stored for a given period.

Reporting: Reports play a vital role while evaluating the budgets. It also helps in keeping track of various cases and their current spend.

Risk Management: There are multiple risks involved in the legal side of automotive manufacturing, as sometime cases take several years. Legal teams have to take into account the human factor and the brand factor. Hence, it is important to define proper risk management rules/guidance, which may help in early identification and mitigation of risks. In case of finance, the risk-reserve versus indemnity reserve plays a crucial role for budgeting.

E-discovery: E-discovery is the process of identifying, preserving, collecting, analyzing, and presenting electronic stored data for ongoing investigation/litigation. The process involves handling structured and unstructured data in high volumes.

All the above modules are interrelated and need to have a real time interface to provide the right information at the right time to deal with any litigation case. Attorney, Paralegal, and Secretary heavily depend on these modules to provide information to the organization as well as outside counsel who play a vital role by representing the case in the court.

Automobile companies use COTS products available in the market and then customize it based on organization needs, since the requirement is complex and varies from organization to organization. It is extremely unlikely for an organization to have one COTS to manage all modules. For example for e-discovery, emails are meant to be preserved, but every company uses its own standards. Hence, there is a need to create extra logic/customization that can bridge between all other modules or applications.

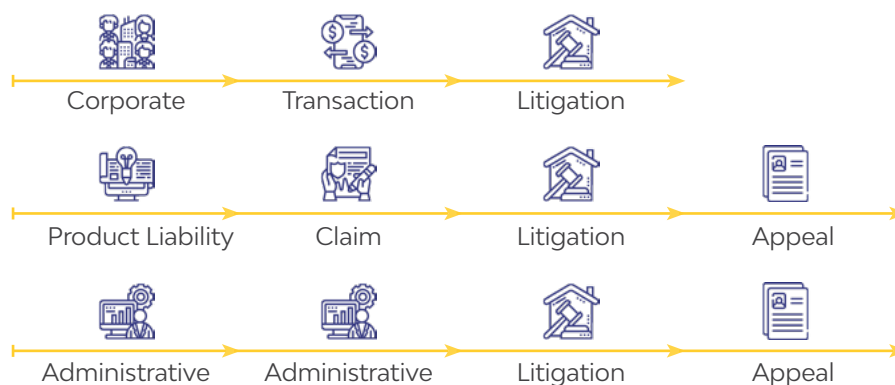
Key challenges for a legal unit

Let's investigate the various challenges that a legal unit faces:

- 1) **Data quality issues:** In an entire lifecycle of cases, large amount of data is entered in the system, as a case goes through various phases of legal proceedings. It includes complaints, accident description, narratives, meeting notes, counsel's recommendations etc. The case could take years to resolve and in between many non-avoidable changes happen, such as system upgrades, rules changes or policy updates. If there are issues with data, then it may change perception of the matter or it will be interpreted differently. In addition, human errors make this worse.
- 2) **Collection of data and its accuracy:** A typical company relies on multiple sources for data collection for handling data with respect to its legal business. This includes custom home-grown application for claim reimbursement system, automated customer complaints, emails, in-person visits to headquarters, chat messages etc. Due to the large volume of data, it is hard to identify if the data collected is accurate.
- 3) **Data views:** A legal team has multiple personas involved in daily operations like Attorney, Paralegal, Secretary, Business Coordinator, Office Manager, Budget Controller, Counsels etc. Each person has a unique role and responsibility and accordingly the access and view of data changes in accordance with their rights of usage.

4) **Standard documentation:** Documentation helps to ensure consent and expectation as well as maintain compliance. Since the documentation will be analyzed and circulated to multiple entities, it is imperative to have a standard template and it should integrate with the system data directly, so that various letters like subpoenas, counsel retention, warranty discovery letter, legal service requests can be generated easily with system data on a standard format. If the system is not integrated, then it will require manual efforts and cost money to the company.

5) **Frequent changes and upgrade to systems:** A typical company creates rules to make sure that certain guidelines and processes have been followed while entering data into the system. Matter Management will have multiple categories with their own workflow/process; and their associated rules will be different as well. The below diagram shows a workflow for the Corporate, PL and Administrative categories. Each stage requires different set of data and multiple rules are required to control them.



Due to security and vulnerability reasons, applications need to be upgraded to be compatible with latest patches. In addition to this, there are many compliance updates throughout the year that may be required to update the rule. And while making change to systems, we need to make sure that all existing functionalities work as expected.

6) **Data Encryption:** The legal system holds crucial data of end users and it is required for various reporting purposes, like MMSEA, where manufacturer reports Medicare information of injured person with government body, and hence PII data such as social security number, DOB, family details etc. must be saved in the system. The PII data always be protected, and one needs to make sure that only authorized people should have access. There are federal statutes who have created laws to protect an individual's PII by restricting a company from sharing information and have established technical standards for safeguarding PII. Additionally, many US states have passed laws requiring companies to notify individuals who have had their information compromised.

- 7) **Searching/Indexing:** The legal department stores structured and un-structured data. For example, complaint notes from plaintiff, is of plain text or email and converting them into structured data will be time consuming and cost money. In case of structured data, one can run a query on a database and find out exactly what is needed. However, searching on unstructured data may be tedious and may require extra efforts or another tool.

Changing landscape of the automotive industry

In the past few years, the automobile industry has changed a lot. Technology can be used to solve business problems effectively and save time and money for the legal team. Big Data can be used to process and analyze large volumes of data in a short period of time. For ensuring security of legal data, data security and encryption, many tools are available such as symmetric/asymmetric encryption, TripleDES, AES. We are also seeing a rise of automation, robotics, and advanced IT in various modules and in automobile applications that support organization functions like HR, Admins, and Legal.

Automation and robotics engineering can improve quality of data by auto-reviewing and comparing with standards and raise alarm in case of missing data. It is imperative to use automation to do a document review to maintain quality. With automation on test script (Test Automation), we can de-risk and optimize the business process across all landscapes. It also enhances performance and helps in maintaining accuracy across all technology and interfaces during upgrades or system changes.

Elastic Search lets you perform and combine many types of searches; structured, unstructured or schema free data. It centrally stores your data for lightning-fast search, fine tune relevancy, and makes use of powerful analytics that scale with ease. ETL is the most popular method of collecting data from multiple sources and loading it into a centralized data warehouse. It first extracts the source, then transforms to comply with the standards, and finally load it into the system.

AI driven entity resolution can also be used for applying precision identity at data level. This is a task of disambiguating of real word entities and creating linkage and group within data. This will be useful for improving the data quality and also help in minimizing missing data.

By incorporating technology in the legal function, the automotive industry can deliver products much quickly and grow faster than ever. It also reduces the risk of errors and ensures quality in the overall process while protecting enterprises from costly litigations.

About the Authors



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