Who Are the Best Law Firms? Rankings from IPO Performance

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Recent scandals have brought rankings to the forefront of the legal profession. Several of the most prestigious academic institutions have withdrawn from being ranked, citing the problematic nature of the rankings. However, rankings persist for both legal academics and practice, and there is substantial sentiment to improve the methodologies, with little detail as to how to improve. In this paper, we rank law firms on their clients' IPO performance. We focus on the most relevant outcomes: litigation, first-day returns, disclosure, and legal fees. The focus on these measures provides benefits relative to other methodologies, which typically focus on inputs or size-related characteristics. Namely, this ranking is less manipulable and more accurately captures performance metrics that matter most to clients' shareholders. Our rankings control for observable and unobservable deal characteristics, which helps ensure we capture law firm quality, not client traits. With the rankings based on legal fees, potential clients can compare the benefits of a particular law firm (e.g., lower litigation or higher selling prices) against the additional cost of hiring a higher-quality law firm. Hence, our rankings allow for a value-for-the-money comparison of law firms for clients selling shares in an IPO.

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I. INTRODUCTION

In early 2023, U.S. News and World Report announced they were making significant changes to the methodology they use to rank law schools.[1] This change was primarily a response to criticisms about their system that eventually led several law schools to

1. Karen Sloan, *U.S. News & World Report, Facing Backlash, Revamps its Law School Rankings*, REUTERS (Jan. 2, 2023), https://www.reuters.com/legal/legalindustry/us-news-world-report-facing-backlash-revamps-its-law-school-rankings-2023-01-02 [https://perma.cc/7XYX-645V].

withdraw from being ranked.[2] Harvard and Yale started the movement, and several other schools, including those outside of the top tier, have joined in abstaining from the U.S. News annual ranking of law schools.[3]

These schools argue that the rankings create "perverse incentives" and limit their ability to focus on diversity while over-emphasizing input-related factors, such as GPA, LSAT, and (indirectly) student wealth.[4] This focus ostensibly limits incentives to provide need-based financial aid, given that merit-based financial aid is necessary to attract students with attractive input-related characteristics. Moreover, critics of these rankings suggest outcome-based metrics, such as bar passage rate, employment, and public interest careers, are under-weighted.[5]

Similar criticisms could be levied upon almost any ranking system. Despite these limitations, rankings are a ubiquitous and often beloved aspect of life today. Beyond law schools, we rank everything: sports teams, restaurants, celebrities, accounting professors, apps, Amazon products, and dog breeds.[6] Everyone wants to know who is the "best," despite knowing that such measures are flawed. Perhaps this speaks to a more profound nature to seek higher social status or reveals our cognitive limitations as we use a simple heuristic to help us make decisions about products, universities, sports teams, or hospitals.

While some have rejected rankings outright, rankings can be a useful, albeit imperfect, approach to understanding the relative quality of a product or service.[7] Given this utility, the alternative to boycotting the system is to build a better ranking methodology. Arguably, any improvement to a ranking methodology would focus on the most relevant outcomes and characteristics and put appropriate weights on these characteristics. Moreover, a better ranking system would limit the ability of the ranked to game the system by improving on less relevant characteristics or those traits that receive greater weight.

This study provides a ranking criterion for law firms that is more informative and less subject to manipulation than commonly used extant rankings. While our ranking system remains imperfect given the many unobserved and qualitative actions related to the quality of a law firm and its clients, we suggest our methods are a substantial improvement.

We use initial public offerings (IPOs) to develop our performance rankings. Given the large magnitude of the transactions, and the incremental economic value associated with IPOs, any improvement in the ability to rank law firm performance is likely economically meaningful. Specifically, the decision to have an IPO and the selection of legal counsel to

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2. *U.S. News & World Report Sees High Drop Out Rate Among Elite Law Schools*, ACCEPTED.COM (Nov. 30, 2022), https://blog.accepted.com/u-s-news-world-report-sees-high-drop-out-rate-among-elite-law-schools [https://perma.cc/Z67D-6W7B].

3. Jeremy Bauer-Wolf, *It Isn't Just Top-Ranked Law Schools Rejecting U.S. News Rankings Anymore*, HIGHER ED DIVE (Dec. 15, 2022), https://www.highereddive.com/news/campbell-university-rejects-us-news-top-ranked-law-schools-harvard-yale/638702 [https://perma.cc/3K6W-P74J].

4. John Manning, *Decision to Withdraw from the U.S. News & World Report Process*, HARV. L. TODAY (Nov. 16, 2022), https://hls.harvard.edu/today/decision-to-withdraw-from-the-u-s-news-world-report-process [https://perma.cc/G5Z3-KR46].

5. Bauer-Wolf, *supra* note 3.

6. *See*, *e.g.*, Amber Smith, *25 Best Dog Breeds of 2022*, DISCOVER MAG. (Jan. 1, 2023), https://www.discovermagazine.com/lifestyle/25-best-dog-breeds-of-2022 [https://perma.cc/83QT-79U4].

7. *See*, *e.g.*, Amanda Griffith & Kevin Rask, *The Influence of the US News and World Report Collegiate Rankings on the Matriculation Decision of High-ability Students: 1995–2004*, 26 ECON. EDUC. REV. 245 (2007). The authors find that prospective students' matriculation decisions respond to changes in US News rankings. *Id.*

aid in the process is one of the most significant decisions a growing company makes.[8] Shareholders risk losing a substantial amount of potential proceeds from selling shares too cheaply; valuable investments could be lost from lack of funds; and managers could face legal liability for misstatements or omissions.[9]

The size of these risks is difficult to understate. Before a company sells shares of its stock to the public on an exchange, there is little public information available about the company or the value of its shares. New and uninformed investors are typically offered shares at a lower price to entice them to take the risk that the share price might fall once it lists on an exchange.[10] This "underpricing" can best be understood by looking at the closing price of the shares after the first day of trading, which is on average 18% higher than the price at which investors bought the shares.[11] That is, issuing companies sell shares for 18% less than they are worth to entice investors to buy them. That is 18% in one day! Compare this to the typical S&P 500 return of about 7% *per year*. Company managers have to "give away" almost one-fifth of the value of the shares to go public, and this does not include the approximately 7% they pay for investment bank fees and 1.5% for legal fees and expenses.[12] With IPO valuations in the tens or hundreds of millions of dollars, the stakes are high, and companies have every incentive to reduce the underpricing of their shares.

Underpricing is primarily attributed to information asymmetry between issuing firms and prospective investors in an IPO.[13] This phenomenon is similar to how driving a new car off the dealer's lot instantly reduces the car's value. Now that the vehicle is used, a potential buyer may not know much about its history and problems. Hence, a used-car buyer offers a lower price to account for the risk that they are buying a lemon. In the context of an IPO, investors are afraid to purchase shares of the newly public company. The value of the shares in the market will be determined by the future cash flows the shareholders expect to receive.[14] Prudent buyers will be skeptical that the company will be as profitable as the managers say it will be. Hence, information asymmetry in the IPO market creates a dilemma for company management. From their perspective, the company cannot raise as much money as it otherwise would (without underpricing) because the managers must attract uninformed investors by offering lower prices.[15]

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8. IPOs' proceeds are economically large and significantly change a firm's capital structure. *See* Michelle Lowry, Roni Michaely & Ekaterina Volkova, *Initial Public Offerings: A Synthesis of the Literature and Directions for Future Research*, *in* 11 FOUNDATIONS AND TRENDS IN FINANCE 154 (Sheridan Titman ed., 2017).

9. Securities Act of 1933, 15 U.S.C. § 77 (1933); Securities Exchange Act of 1934, 15 U.S.C. § 78 (1934).

10. Kevin Rock, *Why New Issues are Underpriced*, 15 J. FIN. ECON. 187, 189 (1986).

11. Jay R. Ritter & Ivo Welch, *A Review of IPO Activity, Pricing, and Allocations*, 57 J. FIN. 4 (2002).

12. *Considering an IPO? First, Understand the Costs*, PRICEWATERHOUSECOOPERS, https://www.pwc.com/us/en/services/consulting/deals/library/cost-of-an-ipo.html [https://perma.cc/4BAD-5DG6]; Brayden Call, *Legal's Role in an IPO*, IPOHUB (May 30, 2023), https://www.ipohub.org/article/legals-role-in-an-ipo [https://perma.cc/7AV2-G6TH].

13. *See* Rock, *supra* note 10, at 188 (explaining how information asymmetry can lead to underpricing).

14. *See* Evan Tarver, *How is a Company's Share Price Determined with the Gordon Growth Model?*, INVESTOPEDIA (June 28, 2023), https://www.investopedia.com/ask/answers/061615/how-companys-share-price-determined.asp [https://perma.cc/355X-467K] ("Stock prices are meant to reflect the present value of a corporation's future cash flows and profits.").

15. *See* Rock, *supra* note 10, at 188 (explaining how the shares must be priced at a discount to attract uninformed buyers).

This conflict is where the law comes into play. In the United States, the Securities Act of 1933 and the Securities Exchange Act of 1934, among other laws, require issuing companies to make a battery of disclosures to help protect investors from buying shares without being informed.[16] The primary disclosure document is called the "prospectus." Issuers must provide this substantial disclosure document for an IPO.[17] The document discusses almost every aspect of a company.[18]

Lawyers play a critical role in aiding issuers with drafting this document.[19] They must help disclose information on the assets, governance, management, and risks the issuer faces, to name a few.[20] Throughout a diligence process, under which the lawyers and managers must take steps to uncover relevant information, lawyers must consult with managers, bankers, bankers' lawyers, and possibly other companies and law firms.[21] The amount of work is substantial. Better law firms will help management be candid, verify information about the company, and help draft disclosure documents while being mindful of the company's competitive concerns. That is, there are costs of over-disclosure since competitors could take advantage of the issuer's information.[22] A better law firm will balance these costs and benefits to help find the optimal level of disclosure that maximizes the value of the issuing company's proceeds.

One of the largest, if not the most significant, cost is litigation. Suppose the prospectus or other disclosures do not conform to securities laws. In that case, the issuer and its managers can be (personally) subject to a lawsuit from shareholders or regulators and can be liable.[23] To avoid future liability, lawyers must ensure that the disclosures are not false or misleading. This is the focus of our study. Rather than look at the attributes of lawyers, such as where they went to school or how big the law firm is, we use their clients' outcomes in the context of IPOs to rank firms. Specifically, our primary focus is to identify the law firms that are best at preventing future litigation and reducing underpricing (i.e., getting higher prices for their client's shares). We suggest that the ability to minimize litigation allows higher prices for issuers through an "insurance" effect.

The intuition is simple. Investors are incentivized to sue the issuing firm if the price of their shares drops after the shares are issued. If law firms improve the quality of the disclosure, there is a lower probability that negative information will be revealed later and result in a price drop. So, with higher-quality disclosure, the fear of litigation is reduced, and issuers can sell shares at higher prices. On the other hand, if issuers fear their lawyers are not as skilled at drafting their disclosures, they may sell their shares cheaply so that the price can't drop significantly enough to lead to costly litigation.

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16. Securities Act of 1933, 15 U.S.C. § 77 (1933); Securities Exchange Act of 1934, 15 U.S.C. § 78 (1934).

17. *See* Chris B. Murphy, *What Is a Prospectus? Example, Uses, and How to Read It*, INVESTOPEDIA (April 10, 2024), https://www.investopedia.com/terms/p/prospectus.asp [https://perma.cc/SPQ3-78LT] (discussing how the prospectus must contain the complete and final details of the investment offering).

18. *Id.*

19. *See* PRACTICAL LAW CORPORATE & SECURITIES, DUE DILIGENCE CHECKLIST: SECURITIES OFFERINGS, Westlaw 4-381-2990 (on file with the *Journal of Corporation Law*) (explaining the different roles attorneys play in the IPO of a company).

20. *Id.*

21. *See id.* (discussing who will play a role in the due diligence investigation).

22. *See*, *e.g.*, Audra L. Boone, Ioannis V. Floros & Shane A. Johnson, *Redacting Proprietary Information at the Initial Public Offering*, 120 J. FIN. ECON. 102, 102–04 (2016) (explaining the costs of over-disclosing).

23. Securities Act of 1933, 15 U.S.C. § 77 (1933); Securities Exchange Act of 1934, 15 U.S.C. § 78 (1934).

To empirically estimate the law firms' effect on litigation and underpricing, we employ the "fixed effect" models that we previously created to understand IPO offerings.[24] Unlike simple averages for law firms, these multivariate models control for many observable market and issuer characteristics. These models help ensure that any observed litigation is attributable to the law firm rather than the issuer or other market characteristics. This method also accounts for unobservable characteristics after applying matching model corrections proposed by Professors Akkus, Cookson, and Hortaçsu.[25] If a law firm works with a set of clients that tend to have some characteristics or risks that are unobservable to the researcher, the matching model helps control for the influence of these clients' risks on the law firm's attributed litigation rate. For example, we may not be able to observe how skillfully or how often CEOs use social media, which may be related to litigation risk. A lawyer adept in limiting CEOs' use of social media may reduce the likelihood of their client getting sued. Still, it may appear this lawyer is associated with *higher* litigation because he or she takes on risky clients. Our approach helps to eliminate this type of misleading outcome in performance-based rankings.

While this model may be more complex than, say, a simple probability of the law firm's clients being sued, this complexity adds several benefits. First, we avoid arbitrary weighting of certain characteristics in ranking law firms. We need not assess which law firm characteristics are important or how important they are. We only need to observe whether the law firm is associated with more or less litigation than its peers after controlling for confounding characteristics.

Second, we argue that this relatively complex model is harder to game by law firms. While other rankings often look at inputs (such as U.S. News' use of student LSAT), litigation is a primary output of interest. If a law firm wanted to manipulate this outcome, it would have to improve its disclosures to reduce litigation, which is a good outcome for clients. Note that this methodology controls for issuer characteristics, both observable and unobservable. Hence, litigation resulting from the client's characteristics shouldn't significantly affect the litigation attributable to the law firm, i.e., law firms cannot manipulate their place in the rankings by taking on "safe" client types. This is one way our model limits "gaming the system" by law firms.

Third, we tie the lawyer's work product, i.e., the quality of disclosure and litigation outcomes, back to issue prices and legal fees. This connection allows for a cost-benefit analysis by issuers. Specifically, an issuing company can see *ex-ante* how much a law firm could improve the price at which they could sell their shares and how much this would cost in terms of additional legal fees.

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24. *See* Thomas W. Bates, Jin (Roc) Lv & Jordan B. Neyland, *Do Lawyers Matter in Initial Public Offerings?*, SOC. SCI. RSCH. NETWORK (Nov. 10, 2022), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4274529 (explaining that legal counsel could create fixed effects similar to those of underwriters in determining the variation of IPO underpricing).

25. *See* Oktay Akkus, J. Anthony Cookson & Ali Hortaçsu, *Assortative Matching and Reputation in the Market for First Issues*, 67 MGMT. SCI. 2049, 2051 (2020) (explaining the development of a structural model using two-sided matching equilibrium to estimate determinants of value).

II. THE INSTITUTIONAL AND REGULATORY ENVIRONMENT

We provide a brief description of IPOs and the process for the offering. Then we describe the legal backdrop of IPOs and the importance of legal advisors.

A. *Initial Public Offerings: The Basics*

The term initial public offering is somewhat straightforward. "Offering" refers to a company's offering (selling) shares to a broad set of buyers. Since just about anyone can buy the shares, they are being offered to the "public" for purchase. Also, given that this is the first time the company has sold shares on this scale, it is the "initial" offering.[26] The goal of the IPO for the issuing company ("issuer") is to sell a significant number of shares, typically in the millions or tens of millions, and with that sale, raise a substantial sum of funds in the millions of dollars—often referred to as the "proceeds" from an IPO.[27] The company would then ostensibly use this money to invest in productive assets that would eventually help generate revenue and profit that could ultimately return to shareholders.

The IPO will be one of the largest, perhaps the largest, fundraising events that the issuing company has gone through. Finding large investors to fund its expanding operations becomes more difficult as a company grows.[28] The IPO provides a mechanism for raising funding from many investors rather than a small set of investors. While this helps raise funds, it creates dispersed ownership. The selling ("issuing") company will need to enlist the help of an investment bank with expertise in selling shares. This investment bank can help fulfill three functions: origination, underwriting, and distribution.[29] Due to the central role of the investment bank, choosing the right bank will be instrumental in the success of the IPO. For origination, the investment bank will help the managers of the issuer determine if the firm is ready for an IPO. If so, the bank will help determine how many shares and the price of the IPO. The company needs several approvals in this part of the process, including board and shareholder approval if the number of shares increases.[30] Then, the company must obtain approval from the SEC, which requires a registration statement and preliminary prospectus, some of the most vital legal documents in the IPO.

In the United States, investment banks typically act as "underwriters," buying the shares from issuers and selling them to investors for a profit. This difference between the lower buying and higher selling prices is the underwriter's "spread," which compensates the underwriter for selling the shares. The spread is typically 7% in U.S. markets.[31] Often, the buyers are large institutional shareholders with access to large pools of money they need to invest.

To market the issuer's shares, the underwriter engages in a process known as a "road show," in which the issuer's managers and underwriters travel to different cities and discuss the investment with potential investors, hoping to garner interest in the purchase of the shares. This road show leads to solicitations of offers to buy shares of the issuing

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26. THOMAS BATES ET AL., FUNDAMENTALS OF CORPORATE FINANCE 15 (5th ed. 2021).
27. *Id.*
28. *Id.*
29. *Id.*
30. *Id.*
31. BATES ET AL., *supra* note 26.

company, known as "book building." By collecting offers from institutional investors, the underwriter gains knowledge of the market and potential prices for selling the shares. Hence, this marketing effort is itself very informative for pricing the shares. Regarding the legal requirements, limited information can be shared during this process due to regulatory restrictions, and typically only certain (institutional) investors can participate in the book-building process and road shows.[32]

One underwriter can be a "lead" underwriter and work with other underwriters to help sell the shares. This group is known as an underwriting "syndicate." Syndicates are beneficial, especially for larger issues, for their ability to spread risk across several underwriters.[33] Each underwriter is entitled to a portion of the underwriting fees. Additional banks can be part of the "selling group" to help sell the shares.[34] For example, Facebook, Inc. used six different investment banks as underwriters of its IPO, including Morgan Stanley, J.P. Morgan, Goldman, Sachs & C., BofA Merrill Lynch, Barclays Capital, and Allen & Company LLC.[35] These are all large banks, which were necessary given the large size of Facebook's offering which raised approximately $6.8 billion.[36]

During this process, the managers, underwriters, and their legal advisers must conduct due diligence.[37] After completing this diligence, the lead underwriter discusses setting the final price with the company's managers. This is known as the "pricing call," which typically happens after trading hours.[38] Once the managers and underwriter agree on a price, the SEC is notified of the price via an amendment to the company's registration statement (the primary disclosure document).[39]

The underwriters then fulfill their distribution function, selling the shares to investors when the exchange opens the next day.[40] Underwriters are incentivized to sell as quickly as possible since the price reflects the previous day's information, and new events could affect the value of the shares. The stock will be available on an exchange such as the NYSE or NASDAQ. Further trading on this exchange does not raise funds for the issuer but allows investors to buy or sell the shares via a broker. This is how many retail (individual, less wealthy) investors will gain ownership of the shares. The ability to trade on a stock exchange is a vital part of the process for an IPO because it opens up the investor base to the general public. Anyone with a brokerage account and an internet connection can easily buy or sell the stocks. The access to trading also allows the initial owners of the pre-IPO issuing company to sell their shares, albeit with some restrictions. This benefit is especially important for founders who couldn't easily sell a small portion of their equity without listing on an exchange. Now, they can sell a small fraction of their shares with relative ease.

In short, there are two significant benefits of an IPO. The first is that issuing companies can raise large sums of money for investment. These funds would likely have been

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32. *Id.*
33. *Id.*
34. *Id.*
35. Facebook, Inc., Registration Statement (Form S-1/A) (Feb. 1, 2012).
36. *Id.*
37. *See generally Preparing for Due Diligence*, WILMERHALE LAUNCH, https://launch.wilmerhale.com/explore/exit/ipo/preparing-for-due-diligence [https://perma.cc/M758-M69K].
38. BATES ET AL., *supra* note 26.
39. *Id.*
40. *Id.*

difficult or impossible to obtain from other sources. Second, the stock becomes easily traded on an exchange. This provides an opportunity for new investors to buy the shares and old investors to sell the shares, in addition to providing information generally about the price of a company's shares.

B. The Legal and Regulatory Environment of IPOs

Lawyers play a central role in the IPO. A company wishing to sell securities, such as stock or bonds, to the public must comply with many regulatory requirements. In the United States, the regulations comprise a disclosure-based regime. Hence, companies that want to issue (sell) stock to the public must disclose a significant amount of information. These companies are concerned about potential liability from disclosure problems, primarily from making false statements or omitting material facts that make statements misleading. Disclosures can be substantial, including dozens of documents and hundreds of pages of information about the issuing company and the securities offered. The primary disclosure of interest is the registration statement, of which the largest and most significant component is the prospectus. The prospectus is essentially a document with all relevant information about the issuer, such as who the directors are, what the business does, what risks are involved with the company and other relevant information.

Drafting the prospectus and other disclosures is of first-order importance, and the managers of the issuing company work closely with their law firm and the underwriters to ensure relevant disclosures are made. The issuer's law firm plays a primary role in this collaborative effort. It must help balance the benefits of disclosure, including a reduced opportunity for litigation, against the potential negative effects, such as tipping off competitors about the company's strategy.

While the underwriter, managers, and directors are potentially liable for false statements in the disclosures, the liability of the issuing company is greatest because the company faces strict liability regarding any false statements or omissions under section 11 of the Securities Act of 1933.[41] Under section 11, any party that signs the registration statement is liable for a disclosure violation. These parties include the directors and managers of the firm, investment banking underwriter(s), auditor(s), and any other advisor who contributes to any part of the document.[42] In addition to section 11 liability, the Exchange Act of 1934 provides for disclosure liability under section 10(b) and its associated rule 10b-5.[43] Therefore, it is incumbent upon management and the issuer's lawyers to make appropriate disclosures to protect the interests of the issuing company. While the managers and directors of the issuing company also face liability from false statements, these parties can establish a "due diligence" defense. If the managers (or underwriters) make a reasonable effort to ensure the information is not misleading, they can avoid liability for misstatements or omissions.

The issuer's law firm faces a daunting task. They must uncover and verify myriad documents—compensation plans, governance-related documents, and countless other sources of information—to ensure that the managers have taken steps to reveal relevant information and ensure that the disclosures are not misleading. Even due diligence

41. Securities Act of 1933, 15 U.S.C. § 77(k) (1998).

42. *Id.*

43. Securities Exchange Act of 1934, 15 U.S.C. § 78 (2023); 17 C.F.R. § 240.10b–5.

checklists themselves can be several pages long.[44] To complicate disclosure matters, firms may want to only strategically disclose certain information. Concerns about competitors taking advantage of disclosures to the detriment of shareholders can incentivize managers and lawyers not to disclose relevant information.[45] Hence the issuer's law firm must help craft disclosures while walking the line between under-disclosure, its associated liability, and over-disclosure, which can be detrimental from a competitive standpoint. Overall, the issuer's law firm must navigate a potential minefield and finesse the disclosures to limit the possibility of disclosure liability while protecting the interests of shareholders.

III. PRIOR LITERATURE AND RANKINGS

Our paper contributes to several streams of literature on rankings in financial and legal markets. The literature generally focuses on two broad questions. First, what is the importance of a ranking and its economic consequences? Second, what problems or incentive issues arise with creating a ranking? The nature of these problems tends to rest on the fact that those being ranked either take steps or at least have incentives to improve their position in the rankings, even though such actions may not benefit—and may even harm—the end users of the rankings.

For simplicity, we segment the prior literature into three non-exclusive categories. The first focuses on rankings in financial markets. This research focuses on the importance of rankings in affecting or proxying the reputation of investment banks. The second line of research focuses on rankings related to academia, specifically in law. The third set of research, to which we directly contribute, studies the rankings and reputations of law firms.

A. Rankings and Reputation of Participants in Financial Markets

Regarding the transaction type, the research on the reputation of financial market participants that most closely aligns with our paper focuses on the reputation of investment banks. This literature uses a ranking system to create measures of "reputation." Professors Carter and Manaster wrote a seminal piece on the importance of investment bank (underwriter) reputation in IPOs.[46] They use a ranking based on "tombstone announcements."[47] A tombstone announcement, or a listing of a pending public offering, announces to the public the names of the underwriters for the issue.[48] The ranking allocates more reputation to underwriters named as lead—or are of higher rank—in firms' IPO disclosures.[49] They find higher ranked underwriters tend to have lower risk offerings and less underpricing, leading them to conclude that this ranking is a good measure of reputation.[50]

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44. DUE DILIGENCE CHECKLIST: SECURITIES OFFERINGS, *supra* note 19.

45. Boone, Floros, & Johnson, *supra* note 22, at 105.

46. Richard Carter & Steven Manaster, *Initial Public Offerings and Underwriter Reputation*, 45 J. FIN. 1045, 1045 (1990).

47. *Id.* at 1054.

48. *Id.*

49. *Id.*

50. Aside from tombstone rankings, prior research uses market share, sometimes referred to as "league tables" or "tiers" to rank investment banks and proxy for reputation. Since this measure comes directly from deal size, it relates directly to revenue, because fees are typically a percentage of deal size. We use the term

Professors Beatty and Ritter provide some theory and evidence that underwriters use their reputation to support the pricing of IPO stock.[51] Professors Corwin and Schultz suggest that the reputation of the non-lead underwriters can affect IPO underpricing, and reputation can be a factor in bringing an underwriter into a syndicate—i.e., the team of investment banks.[52] Professors Fernando, Gatchev, and Spindt study the matching of underwriters to issuers using a two-sided model in which the pairing choice is mutual. That is, it isn't just issuing companies picking the underwriter.[53] They suggest that underpricing indicates how much positive information the IPO reveals about the firm. They find evidence that issuers with higher returns on the first day are more likely to "up-switch" to a higher reputation underwriter in the future.[54]

While reputation can be associated with superior outcomes for issues, some literature suggests that reputation can be related to rent extraction and catering to investors rather than achieving the highest price for issuing companies.[55] Professors John, Knyazeva, and Knyazeva present evidence that high-reputation underwriters extract more rents when there is more information asymmetry in venture capital deals.[56] Professors Akkus, Cookson, and Hortaçsu present evidence that underwriter reputation is related to *both* value creation when issuers match with underwriters and catering to underwriters' clients when selling shares to investors, which tend to be larger investors with larger underwriters.[57]

Aside from underpricing, there is evidence that underwriter reputation is associated with other IPO outcomes. For example, high-reputation underwriters are associated with greater survival rates following an IPO.[58] In the bond market, there is evidence that reputable ("top-tier") investment banks are associated with better interest rates (yields) and can charge higher fees.[59] In addition to IPOs, several papers document the importance of rankings (reputation) on outcomes for investment banks in corporate acquisitions.[60] With these

"reputation" in this section to refer to these size-based rankings. For a discussion of some of the measures used, see Jayant R. Kale, Omesh Kini & Harley E. Ryan Jr., *Financial Advisors and Shareholder Wealth Gains in Corporate Takeovers*, 38 J. FIN. & QUAN. ANALYSIS 475, 482–83 (2003).

51. *See generally* Randolph P. Beatty & Jay R. Ritter, *Investment Banking, Reputation, and the Underpricing of Initial Public Offerings*, 15 J. FIN. ECON. 213 (1986) (explaining how Professors Beatty and Ritter show how underwriters utilize their reputation to bolster the pricing of IPO stock with theory and evidence).

52. *See generally* Shane A. Corwin & Paul Schultz, *The Role of IPO Underwriting Syndicates: Pricing, Information Production, and Underwriter Competition*, 60 J. FIN. 443 (2005) (suggesting that the reputation of non-lead underwriters can impact IPO underpricing).

53. *See generally* Chitru S. Fernando, Vladimir A. Gatchev & Paul A. Spindt, *Wanna Dance? How Firms and Underwriters Choose Each Other*, 60 J. FIN. 2437 (2005) (showing that the underwriter and firm relationships are based on mutual choice).

54. *Id*. at 2439.

55. Kose John, Anzhela Knyazeva & Diana Knyazeva, Sinners or Saints? Top Underwriters, Venture Capitalists, and IPO Underpricing (Sep. 12, 2018) (unpublished manuscript), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3245657.

56. *Id.*

57. Akkus, Cookson, & Hortaçsu, *supra* note 25, at 2070.

58. *See generally* Utpal Bhattacharya, Alexander Borisov & Xiaoyun Yu, *Firm Mortality and Natal Financial Care*, 50 J. FIN. & QUANTITATIVE ANALYSIS 61 (2015). The authors attribute the greater survival rates of issuers that use high-reputation underwriters to a selection process in which these underwriters are better able to identify quality issuers. *Id.*

59. *See generally* Lily Hua Fang, *Investment Bank Reputation and the Price and Quality of Underwriting Services*, 60 J. FIN. 2729 (2005).

60. See *infra* notes 61–67.

transactions, the investment bank acts as an adviser helping managers assess the quality of the deal rather than as an underwriter that sells securities for an issuing company. Notwithstanding the different nature of the transaction, evidence shows that rank, as a proxy for reputation, matters for acquisition outcomes.

Professors Derrien and Dessaint study investment bank advisors in corporate acquisitions.[61] They find that their rank in the league tables predicts success in obtaining future clients.[62] Due to this effect on revenue, the authors suggest that investment banks undertake activities to manage their rankings in league tables.[63] For example, investment bank advisers may offer fairness opinions.[64] They may also reduce fees to incentivize a client to select the bank.[65] Such rank management is more likely when the deal will move them up in the rankings or after a fall in the rankings.[66] This evidence is consistent with banks having strong incentives to manipulate their ranking.

Several papers look for evidence of superior stock price reactions to bidders that hire a reputable ("top-tier") investment bank. However, most research fails to find evidence that bidders' shareholders significantly value an investment bank's reputation. [67] Rather, reputation and rank, usually proxied by market share, relate to past deals brought to completion. That is, investment bank advisers seem to be rewarded for getting deals done rather than ensuring the deals are high quality.

B. Rankings and Reputation in Legal Academia

U.S. News & World Report (U.S. News) is "the oldest and best-known publication to rank America's premier colleges."[68] Their rankings of law schools likely still play a significant role in students' university selection.[69] U.S. News rankings' importance is hard to overstate. Bob Morse, who ran the annual "Best Colleges" guide at the undergraduate level, sums it up nicely. "'U.S. News doesn't advertise the rankings,' Morse said in a recent interview at the publication's headquarters. 'The schools advertise for us.'"[70] Professors Sauder and Lancaster study data on rankings and prospective students, and they confirm

61. *See generally* François Derrien & Olivier Dessaint, *The Effect of Investment Bank Rankings: Evidence from M&A League Tables*, 22 REV. FIN. 1375 (2018).

62. "League tables" reference rankings based on to sum of an investment bank's value of deals for the prior year. *Id*. at 1375–76.

63. *Id.* at 1375.

64. *Id.* at 1378.

65. *Id.* at 1378–79.

66. Derrien & Dessaint, *supra* note 61, at 1378–79.

67. *See* Helen M. Bowers & Robert E. Miller, *Choice of Investment Banker and Shareholders' Wealth of Firms Involved in Acquisitions*, 19 FIN. MGMT. 34, 40 (1990) (showing evidence of neutral (insignificant) bidder stock price movements); *see also* Allen Michel, Israel Shaked & You-Tay Lee, *An Evaluation of Investment Banker Acquisition Advice: The Shareholders' Perspective*, 20 FIN. MGMT. 40 (1991); *see* William C. Hunter & Julapa Jagtiani, *An Analysis of Advisor Choice, Fees, and Effort in Mergers and Acquisitions*, 12 REV. FIN. ECON. 65 (2003) (showing evidence that bidder share price reactions are worse with top-tier advisers); P. Raghavendra Rau, *Investment Bank Market Share, Contingent Fee Payments, and the Performance of Acquiring Firms*, 56 J. FIN. ECON. 293 (2000).

68. Daniel de Vise, *U.S. News College Rankings are Denounced but Not Ignored*, WASH. POST (Sept. 3, 2011), https://www.washingtonpost.com/local/education/us-news-college-rankings-are-denounced-but-not-ignored/2011/09/02/gIQAn6BzzJ_story.html [https://perma.cc/u67A-7VNH].

69. *Id.*

70. *Id*.

that students use the U.S. News rankings in their law school selection.[71] Its reach goes beyond student decisions to attend law schools. Legal scholars and law professors, who are likely to be aware of any problems and distortions with the rankings, often use the rankings to gauge the quality of a law review and the work published in such law reviews.[72]

The relative desirability of the journals is open to some debate. However, for those authors who are law professors (or hoping to become law professors), journal rank is determined by the U.S. News rank of the law school where the journal is published. There are other ways that professors could evaluate law journals, including the various Washington and Lee (W&L) journal-ranking methodologies. However, the majority view among law professors is this:

> Always go with U.S. News. The reason is that people reviewing your CV tend to have an idea of where that journal's school is ranked; nobody walks around with encyclopedic knowledge of W&L rankings, nor will most take the time to look it up. For instance, W&L ranks Lewis and Clark as #40 (USNEWS ranking = 92) and Alabama as #41 (USNEWS ranking = 28). NOBODY would consider a L&C placement as even comparable to an Alabama placement, much less superior.[73]

Beyond the importance of the U.S. News rankings to students and law professors, there is evidence that law firms focus on rankings when recruiting students. Professors Naven and Whalen study the most prestigious tier of the U.S. News rankings, the top 14 ("T14"). They find a causal effect of attending a law school in this group on the probability of obtaining a degree job in a large law firm.[74] The results are striking. Moving from the lowest T14 school to the highest non-T14 school decreases the probability of a "Big Law" job by 30 percentage points.[75] However, this seems to be about signaling and status, not talent, as there is no significant difference in bar passage around this boundary.[76]

Given the importance of rankings in assessing quality and its lack of perfect correlation with other—perhaps more informative—quality measures, there are substantial incentives to move up in the rankings at a low cost. That is, quality improvements may not be comparable to the change in ranking. Professors Bush and Peterson further claim that the "best" (most objective and measurable) inputs into the U.S. News rankings are not good

71. *See* Michael Sauder & Ryon Lancaster, *Do Rankings Matter? The Effects of U.S. News & World Report Rankings on the Admissions Process of Law Schools*, 40 L. & SOC'Y REV. 105 (2006) (confirming that students use the U.S. News rankings in their law school selection).

72. However, not all law professors rely on U.S. News rankings for assessing journal quality. The Washington & Lee (W&L) rankings are also popular for ranking law review quality. *See*, *e.g.*, Adam Chilton, Jonathan S. Masur & Kyle Rozema, *Rethinking Law School Tenure Standards*, 50 J. LEGAL STUD. 1 (2021); *see also* Christopher A. Cotropia & Lee Petherbridge, *Gender Disparity in Law Review Citation Rates*, 59 WM. & MARY L. REV. 771 (2018).

73. Michael D. Cicchini, *Law Review Publishing: Thoughts on Mass Submissions*, *Expedited Review*, *and Potential Reform*, 16 U.N.H. L. REV. 147, 150–51 (2017) (quoting *AnonProf Submission Angsting Spring 2017*, PRAWFSBLAWG (Feb. 18, 2017), https://prawfsblawg.blogs.com/prawfsblawg/2017/02/submission-angsting-spring-2017/comments/page/20/#comments [https://perma.cc/495A-M66P].

74. *See generally* Matthew Naven & Daniel Whalen, *The Signaling Value of University Rankings: Evidence from Top 14 Law Schools*, 89 ECON. EDUC. REV. 1, 2 (2022).

75. *Id*.

76. *Id*. at 3.

indicators of quality.[77] These perverse incentives have led to much criticism of the rankings, and there is no shortage of allegations and findings of manipulations of the rankings by schools.

For example, law schools will send excessive advertising to increase applications or devise schemes to increase spending numbers artificially. One school had the university charge for building maintenance and then send the money back rather than having the university pay directly for maintenance.[78] Some law schools may reject students with high test scores and GPAs out of fear that the student will choose a higher-ranked school since this increases their acceptance rate (which would make the school seem less selective).[79] In a review of transcripts from an NYU law school retreat, Professor Yamada notes that the law faculty discussed the effect of an evening program on its overall prestige to fit in with more prestigious schools, albeit before U.S. News rankings, and they eventually phased out the program due to incentives.[80] He argues that the current rankings system provides even more acute incentives to do things like weight selectivity over student outcomes, which perhaps should be a higher priority.[81]

C. Law Firm Rankings and Reputation

Our work most directly contributes to the literature on the importance of law firm reputation or prestige, which typically uses a method of ranking law firms and attributes high reputation to those at the top of the list based on the ranking methodology. In addition to the ranking methodologies from various periodicals described below, academic research has developed a couple of distinct measures to capture the reputation of law firms.

In the context of mergers and acquisitions, several papers proxy for reputation or "top" law firms to capture the influence of lawyers on outcomes. Professors Krishnan and Masulis rely on a market-share-based measure to proxy for top law firms.[82] Similar work studies top law firms with quality proxies based on preference by informed plaintiffs or a law firm's ability to garner higher fees.[83] Professors Karsten, Malmendier, and Sautner use an index of expertise built from lawyer characteristics like experience and education.[84] Professors Badawi and Webber look at the price reactions to litigation following an acquisition and see how these reactions vary with law firm quality.[85] They use the Legal 500 and "Securities Class Action Services (SCAS) list of the plaintiffs' firms with the highest

77. Darren Bush & Jessica Peterson, *Jukin' the Stats: The Gaming of Law School Rankings and How to Stop It*, 45 CONN. L. REV. 1235, 1242 (2013).

78. Jane Easter Bahls, *Ranking the Rankings*, 27 STUDENT LAW., no. 17, 1999, at 1.

79. Jane Easter Bahls, *The Ranking Game*, 31 STUDENT LAW., no. 16, Mar. 2003, at 1.

80. David C. Yamada, *Same Old, Same Old: Law School Rankings and the Affirmation of Hierarchy*, 31 SUFFOLK U.L. REV. 249, 255–56 (1997).

81. *Id*.

82. C. N. V. Krishnan & Ronald W. Masulis, *Law Firm Expertise and Merger and Acquisition Outcomes*, 56 J.L. & ECON. 189, 195 (2013).

83. C. N. V. Krishnan, Steven Davidoff Solomon & Randall S. Thomas, *Who are the Top Law Firms? Assessing the Value of Plaintiffs' Law Firms in Merger Litigation*, 18 AM. L. & ECON. REV. 122, 131–32 (2016).

84. Christel Karsten, Ulrike Malmendier & Zacharias Sautner, *Lawyer Expertise and Contract Design—Evidence from M&A Negotiations*, 132 ECON. J. 644, 645 (2022).

85. Adam B. Badawi & David H. Webber, *Does the Quality of Plaintiffs' Law Firm Matter in Deal Litigation?*, 41 J. CORP. L. 359, 359 (2015).

aggregate securities settlements by RiskMetrics" to proxy for top law firms.[86] In general, research finds that top law firms are associated with superior returns to their clients and/or a higher probability of deal completion.

Aside from significant evidence on the role of lawyers in M&A, there is also evidence that top lawyers are associated with different client outcomes in terms of relationships and disclosures.[87] For example, clients may stay with law firms across transactions, especially larger firms, and clients may even follow top-ranked "star" lawyers across firms.[88] For disclosure, Professors Choudhary, Schloetzer, and Sturgess use law firm size and compensation data to identify high-reputation law firms, and they find top law firms are associated with less disclosure.[89]

Most closely related to our work, a line of research focuses on the reputation of lawyers in IPOs. Professor Coates finds that larger, more prestigious law firms are associated with issuers adopting more takeover defenses.[90] In terms of pricing, some prior work uses the American Lawyer or Vault Top 100 rankings to measure law firm prestige and finds that prestige is related to greater underpricing.[91] Professors Moran and Pandes use profit per partner to proxy for "elite" law firms that work for underwriters and find they are associated with lower underpricing.[92] They suggest this is due to a certification effect from the high-reputation law firms. However, Professor Beatty and Welch found only a small relation between underpricing and law firm market share.[93] We contribute to this line of literature by providing a more robust measure of law firm quality.

IV. DATA AND METHODOLOGY

In this section, we describe the data used in the study and the methodology to estimate the outcomes used in the ranking of law firms.

A. Data

Our rankings come from the empirical model we previously created to understand IPO offerings.[94] The sample of IPOs comes from Thomson Financial Securities Data Company

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86. *Id*. at 362.

87. John C. Coates et al., *Hiring Teams*, *Firms*, *and Lawyers: Evidence of the Evolving Relationships in the Corporate Legal Market*, 36 L. & SOC. 999, 1003 (2011).

88. *Id*. at 1000.

89. Preeti Choudhary, Jason D. Schloetzer & Jason D. Sturgess, *Boards*, *Auditors*, *Attorneys and Compliance with Mandatory SEC Disclosure Rules*, 34 MANAGERIAL & DECISION ECON. 471, 477–78 (2013). In terms of disclosure, they study notifications for late filings of 10-K's with the SEC and find less compliance with the late filing notifications with top law firms. *Id.*

90. John C. Coates, *Explaining Variation in Takeover Defenses: Blame the Lawyers*, 89 CALIF. L. REV. 1301, 1304 (2001).

91. *See generally* Royce de R. Barondes, Charles Nyce & Gary C. Sanger, *Underwriters' Counsel as Gatekeeper or Turnstile: An Empirical Analysis of Law Firm Prestige and Performance in IPOs*, 2 CAP. MKT. L.J. 164 (2007) (revealing a correlation between prestige and increased underpricing within the legal industry).

92. Pablo Moran & J. Ari Pandes, *Elite Law Firms in the IPO Market*, 107 J. BANKING & FIN. 105612, at *2 (2019).

93. Randolph P. Beatty & Ivo Welch, *Issuer Expenses and Legal Liability in Initial Public Offerings*, 39 J.L. & ECON. 545, 578 (1996).

94. Bates, Lv, & Neyland, *supra* note 24.

(SDC). This is a common data source in financial economics research.[95] We take all issuing companies from the years 1986 to 2016. We keep corporations, excluding closed-end funds, real estate investment trusts (REITs), American depository receipts (ADRs), unit offerings, and limited partnerships. We exclude issues for less than $5 per share since these "penny stocks" are subject to different regulatory requirements.[96] Compustat provides accounting data for the issuers, and the Center for Research in Security Prices (CRSP) provides stock returns for the issues.[97] This leaves a final sample of 7,460 IPOs during our sample period.

Data on litigation comes from Stanford University's class action database.[98] Unfortunately, this data only goes back to 1996, so our sample is further restricted in the litigation rankings. This dataset provides information on whether shareholder litigation occurred. We focus on claims under section 10(b) of the Exchange Act and its associated Rule 10b-5, as well as claims under section 11 of the Securities Act. We code litigation if an issuer is subject to a shareholder suit within three years following the IPO.[99] Note that by this measure, litigation is increasingly frequent over time.

We look to the language in the prospectus to get an idea of how much law firms influence disclosure. Disclosure data comes from the SEC Analytics Suite from Wharton Research Data Services (WRDS).[100] This dataset contains a dictionary of legal terminology and related terms that have been studied in prior research on corporate disclosures.[101]

B. Methodology—Linear Models and Probit

For each law firm, we require at least 10 IPOs over the sample period to help ensure a minimum sample per law firm so that the estimates are unlikely to be spurious. We focus only on the "lead" law firm. Some issuers report using multiple law firms, but the first listed is likely to be the one primarily responsible for overall disclosure quality. For law firms that merge during the sample period, we treat the constituent parties and the merged entity as independent, with rankings for each of the three if there are at least ten observations for each. That is, the pre-merger law firms and the post-merger law firms each have their own fixed effect.[102] Similarly, when a deal has multiple underwriters listed, we control for underwriter fixed effects by assigning the first listed underwriter as the "lead"

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95. *E.g.*, Tim Loughran & Jay Ritter, *Why has Underpricing Changed Over Time?*, 33 FIN. MGMT. 5 (2004) (using the SDC data to study a large sample of IPOs).

96. *See* Margaret H. McFarland, *SEC Adoption of Penny-Stock Disclosure Rules Under the Securities Enforcement Remedies and Penny Stock Reform Act of 1990*, FINRA 92-38 (July 1, 1992) https://www.finra.org/rules-guidance/notices/92-38 [https://perma.cc/9ACB-VWVH].

97. These are also very common data sources in the financial economics literature.

98. The database is available at https://securities.stanford.edu/filings.html.

99. The three-year benchmark has been used in prior literature. Michelle Lowry & Susan Shu, *Litigation Risk and IPO Underpricing*, 65 J. FIN. ECON. 309, 315 (2002). The benchmark also corresponds to some statutory limitations. 15 U.S.C. § 77m (1998).

100. WHARTON RESEARCH DATA SERVICES, https://wrds-www.wharton.upenn.edu [https://perma.cc/2AEP-CEH8].

101. *See* Tim Loughran & Bill McDonald, *When is a Liability Not a Liability? Textual Analysis, Dictionaries, and 10-Ks*, 66 J. FIN. 35 (2011).

102. We use the term "fixed effect" to describe binary indicator variables being included in the model. For each law firm (or underwriter), we have a variable that equals one if the law firm was the lead law firm for that issuer. If that law firm was not the lead law firm, then the variable equals zero.

underwriter. Lead law firms and underwriters that do not have at least ten deals during the sample period do not have a fixed effect. The model essentially groups these less-frequent law firms and underwriters into one group.

We estimate separate models for each outcome variable following Professors Bates, Lv, and Neyland, and we refer readers to this work for a more thorough discussion of the models.[103] In short, models of underpricing, disclosure, and legal fees are linear models. For litigation, the dependent variable is binary, indicating if there was a class action lawsuit within three years (1) or no lawsuit within three years (0). Since we are not trying to estimate a binary (one/zero) outcome but how a variable determines the probability of litigation, we use a probit model, which allows the estimation of each variable's effect on the likelihood of observing litigation within three years.[104]

The models include several control variables associated with IPOs, markets, and issuing firms. Controlling for these variables helps ensure that the estimates of the law firms' effects on IPO outcomes result from the lawyers' activities, not these other characteristics.

We list the control variables here and give brief definitions.

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103. Bates, Lv, & Neyland, *supra* note 24, at 2–3.

104. WILLIAM H. GREENE, ECONOMETRIC ANALYSIS (Pearson, 8th ed. 2017).

Variable	Definition
Issuing firm age	Age is the number of years from the founding year to the IPO year, from Professor Jay Ritter[105]
IPO proceeds	Proceeds raised by both the primary and secondary shares issued during the IPO, from SDC.
Overhang	The ratio of shares retained by pre-IPO shareholders to the shares issued, estimated as (total shares outstanding - shares issued)/shares issued.
Presence of a venture capitalist	An indicator variable that is equal to one if the IPO is venture capital backed.
Secondary shares	Secondary shares as a percentage of total shares offered.
Institutional shareholdings	Institutional shareholdings are derived from institutions that make a 13F filing and are measured as the percentage of total shares outstanding.
The number of IPOs in the month	The number of IPOs issued during the calendar month before the IPO observation.
Avg. underpricing in the month	The average underpricing of all IPOs in the calendar month before the IPO.
15-Day Market Return	The mean of daily market returns in the 15 trading days leading up to the IPO.
15-Day Market Return Std. Dev.	The standard deviation of value-weighted market returns over the 15 trading days leading up to the IPO.
Industry indicators	A set of binary variables for industry based on the issuer's Fama-French 48 Industrial Classifications.[106]
Year indicators	A set of binary variables for the years in the sample that equal one if the IPO happened in a given year, zero otherwise.

These control variables are based on prior literature that demonstrates their importance and incorporates their effects into models of IPO outcomes.[107]

105. Jay R. Ritter, *IPO Data*, U. FLA. WARRINGTON COLL. BUS. (Feb. 2, 2024), https://site.warrington.ufl.edu/ritter/ipo-data [https://perma.cc/F2NQ-D83F].

106. *See* Kenneth R. French, *Detail for 48 Industry Portfolios*, DARTMOUTH, https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/Data_Library/det_48_ind_port.html [https://perma.cc/8YFR-KNQL] (providing industry definitions).

107. *See*, *e.g.*, Daniel J. Bradley & Bradford D. Jordan, *Partial Adjustment to Public Information and IPO Underpricing*, 37 J. FIN. QUANTITATIVE ANALYSIS 595, 607–09 (2002); Michel A. Habib & Alexander P. Ljungqvist, *Underpricing and IPO Proceeds: A Note*, 61 ECON. LETTERS 381, 381 (1998) (suggesting that "[a]n inverse relation between underpricing and IPO proceeds holds true because of dilution, even as uncertainty remains unchanged"); William L. Megginson & Kathleen A. Weiss, *Venture Capitalist Certification in Initial Public Offerings*, 46 J. FIN. 879, 879 (1991) ("examin[ing] whether the presence of venture capitalists, as investors in

C. Methodology–Matching Model

The models described control for observable characteristics that could influence IPOs. It is important to control for them to ensure we don't falsely attribute some outcome to a law firm when it was due to one of these other characteristics. For example, there are "hot" markets and a law firm that only represented issuers in hot markets may appear more talented.[108] However, they simply may have had good timing. Controlling for the year of the IPO reduces this potential misattribution.

While these models reduce the influence of other factors on the relation of interest (i.e., the relation between a law firm and litigation), unobservable variables can still confound the estimates. Due to their unobservable nature, it's challenging to find an example, but a hypothetical is illustrative. Imagine a law firm known for its skill with employment and labor issues, in addition to being a good firm to hire for an IPO. Due to this skill, they may attract issuers with additional risks associated with labor. Suppose these labor risks are associated with an increased propensity for disclosure litigation (perhaps shareholders say managers should have disclosed more about potential strikes in the prospectus). In that case, this law firm will appear to be underperforming, as it is associated with more litigation. However, the law firm is skilled, which is why "high-risk" clients are attracted to this law firm in the first place. Hence, we must control for unobservable risks.

We use a relatively new "assortative matching" model.[109] This method explicitly incorporates the choice set of the issuer and law firm. The model assumes that the issuer could have chosen any law firm in the market but chose the one that would unlock the most share value, and vice-versa for law firms and the set of issuers they represent. Since this choice incorporates unobserved factors in the matching (such as the labor risk described above), we can use the output from this model (the "residual") to control for unobserved characteristics.[110]

After we control for unobservable variables in our models of IPO outcomes, we get an estimate of the law firms' effects on litigation, disclosure, underpricing, and legal fees. Note that adding this residual into the models of litigation, disclosure, and legal fees has little effect on the model empirically, suggesting the unobservable variables don't have much influence on the relation between a law firm and either of these IPO outcomes.[111] Hence, we expect unobservable variables to have little effect on rankings.

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a firm going public, can certify that the offering price of the issue reflects all available and relevant inside information.").

108. *See* Jay R. Ritter, *The "Hot Issue" Market of 1980*, 57 J. BUS. 215, 215 (1984) (as an example of a "hot" time in IPOs).

109. Akkus, Cookson, & Hortaçsu, *supra* note 25, at 2051–52.

110. The model assumes that the value from the observed match (an issuer and the law firm it chooses) is higher than the value of an alternate match (an issuer with a law firm it didn't choose). This allows the estimation of a model with a "censored" regression. For technical details, see Akkus, Cookson, & Hortaçsu, *supra* note 25, at 2064.

111. In terms of contribution to describing outcomes, the residual adds little to the adjusted R-squared and its coefficient is insignificant in models of litigation, disclosure, and fees.

V. THE BENEFITS OF THE METHODOLOGY

Several different publications are using various methods to rank law firms. Why do we need another ranking? We propose that other methodologies fall short in many aspects and leave rankings as an imperfect means of judging quality. We now turn to some of the benefits of the ranking methods.

A. Outputs Are Better Than Inputs

When UC Berkeley withdrew from the U.S. News law school rankings, Dean Erwin Chemerinsky expounded on the school's motivation to withdraw.

> Although rankings are inevitable and inevitably have some arbitrary features, there are aspects of the U.S. News rankings that are profoundly inconsistent with our values and public mission," Berkeley Law Dean Erwin Chemerinsky said in a note to the school community. Berkeley's law school came in at No. 9 in the latest U.S. News ranking. Specifically, Mr. Chemerinsky said, the rankings penalize schools that help students pursue careers in public service law, motivate schools to enroll more high-income students who don't need to borrow to earn their degrees, discount graduates who are pursuing advanced degrees, and reward schools that spend more on a per-student basis, when "there is no evidence that this correlates to the quality of the education received."[112]

In short, the issue according to Dean Chemerinsky is the rankings focus on student interests, student wealth, prior student education, and school spending. This prioritizes things that students and universities bring to the law school, in other words, inputs. Critics argue that rankings should focus more on student achievements and outcomes, that is, outputs.[113] We posit that rankings of law firms suffer from similar issues due to their reliance on inputs. Several ranking systems rely on size proxies for quality, which are not clients' primary outcomes of interest. For example, the AM Law 100 uses total revenue, profits per lawyer, and other dollar-value-based metrics to rank law firms.[114] National Law Journal uses a simple headcount of lawyers.[115]

Other ranking systems collect data from a team of researchers who work at the ranking periodical or from surveys. These data collection efforts accumulate information about law firm characteristics that, like first-year law students' metrics, show what they bring to the table at the beginning, such as "prestige," "reputation," "preeminent national presence," and even website quality.[116] Surprisingly, one notable exception is U.S. News' lawyer

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112. Melissa Korn, *UC Berkeley Joins Yale, Harvard in Withdrawing from U.S. News Law-School Ranking*, WALL STREET J. (Nov. 17, 2022), https://www.wsj.com/articles/uc-berkeley-joins-yale-harvard-in-withdrawing-from-u-s-news-law-school-ranking-11668710094 (on file with the *Journal of Corporation Law*).

113. *Id.*

114. The American Lawyer, *The 2024 Am Law 100*, LAW.COM (May 29, 2024), https://www.law.com/americanlawyer/am-law-100 [https://perma.cc/TZK9-LBNZ].

115. AML Staff, *The 2024 NJL 500: Ranked by Head Count*, LAW.COM (Jun. 20, 2023), https://www.law.com/nationallawjournal/2023/06/20/the-2023-nlj-500-ranked-by-head-count [https://perma.cc/N9MK-RVAM]. The appendix includes detailed descriptions of the other rankings methodologies.

116. *See,* e.g., VAULT, *Vault Law 100*, https://vault.com/best-companies-to-work-for/law/top-100-law-firms-rankings [https://perma.cc/CBJ2-3T82]. The appendix presents details on several rankings.

rankings. They include client surveys, and clients are arguably the party most able to judge the quality of a lawyer's work. However, they also get input from law firms and ask about national prominence. So, they are still subject to the criticism that they overweight input-related characteristics rather than outputs such as client outcomes.

B. The Size Problem

We note that focusing on inputs can be problematic when quality is more likely captured with outputs. This concern is particularly salient when the input of interest may pick up something other than what you want to capture. Measures such as revenue and headcount are simply picking up law firm size. Moreover, other measures such as reputation, prestige, and pre-eminence are also likely to proxy for size, or at least correlate with size, rather than a more objective form of quality.[117] For example, auditors, another issuer agent responsible for some IPO disclosures, are posited to have their reputation and quality proxied by their audit firm size.[118]

However, these models that tie firm size to reputation often rely on the notion that the firm has something to lose from deviating from a high quality of output, such as future profits (rents).[119] For example, an auditor could lose a valuable audit client if it fails to detect an accounting issue, or a firm could lose consumers and high profits from its product as friends and family tell each other that the quality has declined, and one should no longer buy the product.

The proposition that a law firm will lose valuable profit if they provide sub-par quality may not hold as well as in other markets. First, an issuer, with limited exception, only has one IPO in its life. A law firm would not be worried about losing future IPO revenue from the issuer, since none exists. This lack of lost future income reduces the incentive not to deviate and not to produce lower-quality output. In the case of an IPO, a lower-quality output could have fewer comprehensive disclosures, potentially leading to higher litigation rates against the issuer.

Second, law firms may not lose future revenue from other clients. One mechanism for ensuring high-quality output is communicating information about the product quality to other potential buyers (clients). However, an issuer may not want to communicate this information since it would be tantamount to telling others that the disclosure was low quality, opening up the issuer to shareholder litigation. In addition, the other clients could be competitors to the issuer, and it is doubtful whether or not an issuer would want to help a rival.

Finally, size may result from past performance but may not relate to future beneficial client outcomes. Prior research suggests a similar limitation in the mutual fund industry.[120] As skilled investment managers get more funds, investment opportunities become scarcer, and managers cannot continue to outperform as the fund grows. Since these managers attract investment until they can no longer outperform, they capture the rents. This process

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117. *See* Linda E. DeAngelo, *Auditor Size and Audit Quality*, 3 J. ACCT. ECON. 183 (1981) (showing other forms of proxy).

118. *Id.*

119. For one of the seminal papers on the relation between product quality, rents, and the incentive to deviate, see generally Benjamin Klein & Keith B. Leffler, *The Role of Market Forces in Assuring Contractual Performance*, 89 J. POL. ECON. 615 (1981).

120. *See* Jonathan B. Berk & Richard C. Green, *Mutual Fund Flows and Performance in Rational Markets*, 112 J. POL. ECON. 1269 (2004) (suggesting a similar limitation in the mutual fund industry).

leaves only normal investment returns for investors, and it appears investors get the same returns despite variations in fund manager skills.[121] While this precise mechanism may not apply to law firm-client relationships, as an analogy, it is possible that as law firms increase their capacity to take on big clients, there are fewer opportunities for creative drafting. Or perhaps the firm must hire additional attorneys with less skill or experience at the margin. Hence, looking directly at outputs, such as disclosures and litigation, is important to assess quality because other proxies, such as size, may not lead to better outcomes.

C. Multivariate Models Control for Non-Skill Factors

The statistical models used to generate the rankings control for various factors in a multivariate setting. A multivariate approach helps minimize the possibility of misattribution of skill or performance to a law firm due to some other factor. That is, factors outside the influence of the law firm may unduly influence rankings based on size or surveys. For example, prior research documents that there are "hot" and "cold" markets in IPOs where there are more or fewer IPOs, and underpricing varies with these cycles.[122] Some firms may get more clients simply due to hot market conditions, increasing revenue, though this revenue does not necessarily indicate skill. Similarly, some law firms may work more with younger client firms. Suppose older, more established issuers have less risk of disclosure liability because there is less uncertainty about their future. In that case, law firms that represent younger issuers may appear less skilled due to smaller revenues and perhaps more litigation, but this is potentially more about their clients, not the law firm's skill.

Survey-based evidence may also not reflect various conditions or actual performance, as "reputation" may not reflect skill.[123] Reputation could be based on past personal or professional relationships. So, reputation could only loosely correlate with performance. In addition, reputation could be due to salience. Hypothetically, a law firm that wins a large, visible securities case could be viewed as being of higher quality, even if almost any similarly situated law firm would have achieved the same outcome. Again, visibility could only loosely relate to client performance. We control for year, issuer characteristics, and market characteristics to alleviate concerns arising from misattributing performance to factors outside the law firm's control. This methodological approach allows a more robust interpretation of the results relative to methods that don't control for confounding factors that could limit the interpretation of the rankings.

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121. *Id.* at 1269–71.

122. *See, e.g.*, Jean Helwege & Nellie Liang, *Initial Public Offerings in Hot and Cold Markets*, 39 J. FIN. & QUANTITATIVE ANALYSIS 541 (2004); Alexander P. Ljungqvist, Vikram Nanda & Rajdeep Singh, *Hot Markets, Investor Sentiment, and IPO Pricing*, 79 J. BUS. 1667 (2006); Chris Yung, Gonul Colak & Wei Wang, *Cycles in the IPO Market*, 89 J. FIN. ECON. 192 (2008).

123. Compare the survey-based rankings of financial analysts in Institutional Investor Magazine and Wall Street Journal analyst rankings, which are performance-based. The overlap of winners is limited. Institutional Investor surveys financial institutions and the Wall Street Journal uses the performance of analyst forecasts in their rankings. They are available online (with a subscription). https://www.institutionalinvestor.com/section/all-america-research-team. https://www.wsj.com/public/resources/documents/all97col1.html (on file with the *Journal of Corporation Law*).

D. Litigation—The Output of Interest

We propose that eventual litigation against the issuer provides one of the best, albeit imperfect, metrics for assessing the quality of a law firm. Litigation manifests from disclosures having materially false statements or omissions in the disclosures, that is, the registration statement, including the prospectus. Such litigation is frequently in the form of class actions, so the stakes are large, often in the millions or tens of millions of dollars. For example, electric truck maker Rivian faced shareholder litigation in 2021, alleging that "it wouldn't meet its 2021 production and delivery targets and that its vehicles were underpriced."[124] In this case, one could claim that Rivian and its lawyers should have disclosed more about the possibility it would not meet production targets. Given the central role of disclosures in affecting the likelihood of litigation, proper drafting is paramount to reducing issuer liability following an IPO. One could argue that the disclosures, primarily the prospectus, and their quality best indicate a law firm's IPO skill. However, there is a significant problem of observability with using disclosures directly as a proxy for legal skill.

While the empiricist can observe the disclosure, one cannot observe what *should* have been disclosed. If that were available, we could look at the distance between the actual and hypothetical best disclosures to see how close a law firm is to the target. Without this counterfactual, it is challenging to assess law firm quality from lengthy, complex disclosures directly. However, as the distance between the ideal disclosure and the actual disclosure increases, there is more room for a shareholder to find a misstatement or omission that could support litigation. Hence, litigation should correlate highly with a lack of disclosure quality. Since disclosure is the law firm's purview and ties to the litigation probability, we use disclosure-related litigation within three years after the IPO as the primary outcome of interest for ranking law firm quality.

E. The Benefits of a Litigation-Based Measure

The litigation-based measure does not suffer from the limitations of input-based rankings. It is highly influenced by the work of the law firms, unlike measures in law school rankings, such as GPA and LSAT that are determined without any influence from the law school. Hence, it can help gauge if the law firm's efforts improved the disclosure and economic consequences for the issuer. Importantly, litigation is highly public and visible. There is no problem with observability as there is with judging law firm quality by looking at disclosure. On average, the propensity for litigation, holding all else constant, speaks to law firm quality at drafting and preventing litigation.

Additionally, a litigation-based measure for law firm rankings limits the ability of those ranked to manipulate their position. The incentives to engage in such "gaming" of the rankings are apparent from recent scandals involving university rankings. Columbia University infamously fell from #2 to #18 after a whistleblower disclosed flaws in reporting

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124. Peter Hayes, *Rivian Hit with Shareholder Suit Alleging IPO Misstatements*, BLOOMBERG L. (Mar. 23, 2022), https://news.bloomberglaw.com/securities-law/rivian-hit-with-shareholder-suit-alleging-ipo-misstatements (on file with the *Journal of Corporation Law*).

and the university's methods of reporting data to U.S. News.[125] Similarly, the University of Oklahoma allegedly submitted false rankings data to U.S. News for twenty years![126]

It would be difficult for a law firm to manipulate litigation data in any meaningful way. Litigation is filed in court and is a public record and would be difficult to hide. Any manipulation, such as filing a false claim against an issuer, would likely lead to massive reputational consequences, lost revenue, and perhaps disbarment. Given that the effect on rankings from such manipulation would be relatively small, it is difficult to imagine a law partner sanctioning such activity. Instead, the only significant manipulation that seems to align with a law firm's incentives is to reduce litigation through improving disclosure.

VI. RESULTS AND RANKINGS

We present the rankings of the law firms in Tables 1 to 4.[127] We rank the law firms independently across four outcomes: litigation probability, initial returns, underpricing, disclosure, and legal fees per proceeds. That is, the ranking in one measure does not influence the ranking in another. So, the rankings should be considered together when assessing the overall quality of a law firm. For example, a "cheap" law firm, in terms of having low legal fees, may not be better if they are inferior in preventing litigation.

A. Litigation Ranking

Table 1 presents the rankings based on litigation outcomes.[128] These rankings are based on the marginal effects of a selection-corrected probit model of litigation. In other words, we estimate the probability that an issuer will face disclosure-based litigation within three years after an IPO. This estimation controls for other factors so that we can isolate each law firm's effect on the litigation probability. In the fourth column of Table 1, we present the "average marginal effect" for each law firm on the likelihood of litigation. In short, we estimate what the probabilities of litigation are 1) with a particular law firm representing the issuer and 2) without that law firm representing the issuer. The difference between #1 and #2 tells us how much that law firm changes the probability of getting sued. Hence, a law firm with a lower (more negative) number reduces litigation to a greater extent than a law firm with a higher marginal effect. Since preventing litigation is central to a disclosure lawyer's mandate, we expect this to be a meaningful gauge of a law firm's quality.

Table 1 ranks law firms by their estimated effect on the probability of litigation. The first column presents the rank of the law firm, with #1 being the "best" in terms of the estimated influence of the law firm on disclosure litigation within three years after the IPO. The second column is the law firm's name, as taken from Thomson Financial Securities Data Company. The third column shows the number of sample IPOs for which a law firm

125. Chris McGreal, *Columbia Whistleblower on Exposing College Rankings: 'They are Worthless'*, THE GUARDIAN (Sept. 16, 2022), https://www.theguardian.com/us-news/2022/sep/16/columbia-whistleblower-us-news-rankings-michael-thaddeus [https://perma.cc/4V8D-7ZML].

126. Eric Levenson, *University of Oklahoma Gave False Data to U.S. News College Rankings for 20 Years*, CNN (May 24, 2019), https://www.cnn.com/2019/05/23/us/university-oklahoma-best-colleges-ranking/index.html [https://perma.cc/5BW8-N8V6].

127. *See infra* Tables 1–4.

128. *See infra* Table 1.

advised issuing companies. The fourth column shows the law firm's average marginal effect (AME) on the issuer's probability of facing a disclosure lawsuit. Note that these are *relative*. That is, law firms with positive marginal effects do not necessarily increase litigation probability.

Table 1: Law Firms and Litigation Probability

Rank	Law Firm	Number of IPOs	Litigation Risk (AME)
1	Kirkpatrick & Lockhart LLP	15	-0.219
2	Buchanan Ingersoll Professional Corp	14	-0.219
3	Appleby Spurling & Kempe	10	-0.219
4	Drinker Biddle & Reath LLP	13	-0.219
5	Fredrikson & Byron	15	-0.219
6	Hutchins & Wheeler	11	-0.219
7	Cleary Gottlieb Steen & Hamilton	22	-0.219
8	Graham & James	10	-0.219
9	Bryan Cave Leighton Paisner LLP	19	-0.219
10	Hunton & Williams	20	-0.219
11	Godfrey & Kahn	10	-0.219
12	Baer Marks & Upham Inc	10	-0.219
13	Parker Chapin Flattau & Klimpl	20	-0.219
14	Maslon Edelman Borman & Brand	10	-0.219
15	Sheppard, Mullin, Richter & Hampton	10	-0.219
16	Milbank Tweed Hadley & McCloy	17	-0.219
17	Coudert Brothers	11	-0.219
18	Riordan & McKinzie	22	-0.219
19	Ballard Spahr Andrews & Ingersoll	20	-0.219
20	Powell Goldstein Frazer & Murphy	21	-0.219
21	Muldoon, Murphy & Faucette	16	-0.219
22	Pepper Hamilton & Scheetz	15	-0.219
23	Lindquist & Vennum	13	-0.219
24	Elias, Matz, Tiernan & Herrick	20	-0.219
25	Haythe & Curley	10	-0.219
26	Jenkens & Gilchrist	11	-0.219
27	Irell & Manella	16	-0.219
28	Baker & Hostetler LLP	15	-0.219
29	Ater, Wynne, Hewitt, Dodson & Skerritt (OR)	11	-0.219
30	Blank, Rome, Comisky & Mccauley	13	-0.219
31	Wolf Block Schorr & Solis-Cohen LLP	15	-0.219

32	Dewey, Ballantine, Bushby, Palmer & Wood	10	-0.219
33	Waller Lansden Dortch & Davis	16	-0.219
34	Bachner, Tally, Polevoy & Misher	25	-0.219
35	General Counsel	51	-0.219
36	Covington & Burling	12	-0.219
37	Brown Rudnick Freed & Gesmer	12	-0.219
38	Olshan Grundman Frome & Rosenzweig	14	-0.219
39	Jones Walker Waechter Poitevent Carrere & Denegre	14	-0.219
40	McGuire Woods Battle & Boothe	10	-0.219
41	Troy & Gould Professional Corp.	12	-0.219
42	Davis, Graham & Stubbs	13	-0.219
43	Gardere & Wynne	11	-0.219
44	Mayer Brown & Platt	29	-0.16
45	Akin, Gump, Strauss, Hauer & Feld	35	-0.152
46	Winston & Strawn	21	-0.15
47	Wachtell Lipton Rosen & Katz	29	-0.149
48	DLA Piper LLP	25	-0.143
49	WilmerHale	26	-0.141
50	Andrews Kurth LLP	40	-0.137
51	Weil Gotshal & Manges	71	-0.135
52	Cahill Gordon & Reindel	23	-0.134
53	Simpson Thacher & Bartlett	73	-0.131
54	Cravath, Swaine & Moore	36	-0.13
55	O'Melveny & Myers	40	-0.126
56	Kirkland & Ellis	111	-0.119
57	Hughes & Luce LLP	12	-0.118
58	Greenberg Traurig	18	-0.117
59	Davis Polk & Wardwell	59	-0.117
60	King & Spalding	23	-0.111
61	White & Case LLP	20	-0.111
62	Thompson & Knight PC	15	-0.107
63	Pillsbury Madison & Sutro	44	-0.101
64	Debevoise & Plimpton	37	-0.095
65	Foley Hoag & Eliot LLP	28	-0.094
66	Stradling Yocca Carlson & Rauth	29	-0.092
67	Fulbright & Jaworski	59	-0.092
68	Conyers Dill & Pearman	65	-0.088
69	Hogan & Hartson	47	-0.086

70	Skadden, Arps, Slate, Meagher & Flom	140	-0.084
71	Ropes & Gray	61	-0.082
72	Baker & McKenzie	28	-0.08
73	Fried Frank Harris Shriver & Jacobson	46	-0.079
74	Shearman & Sterling	34	-0.079
75	Willkie Farr & Gallagher	45	-0.074
76	Vinson & Elkins LLP	73	-0.074
77	Haynes & Boone	11	-0.073
78	Dorsey & Whitney LLP	44	-0.071
79	Bass Berry & Sims PLC	20	-0.07
80	Venture Law Group	59	-0.065
81	Alston & Bird	25	-0.063
82	Schulte Roth & Zabel LLP	14	-0.061
83	Sullivan & Cromwell	27	-0.061
84	Testa Hurwitz & Thibeault	64	-0.061
85	Latham & Watkins	175	-0.06
86	Han Kun Law Offices	10	-0.059
87	Jones Day Reavis & Pogue	38	-0.056
88	Hutchins Wheeler & Dittmar	12	-0.055
89	Dechert Price & Rhoads	12	-0.051
90	Pepper Hamilton LLP	10	-0.049
91	Holme Roberts & Owen	12	-0.048
92	Kaye, Scholer, Fierman, Hays & Handler	13	-0.046
93	Commerce & Finance Law Offices	17	-0.046
94	Snell & Wilmer	11	-0.045
95	Paul, Hastings, Janofsky & Walker	16	-0.033
96	Perkins Coie	42	-0.033
97	Katten Muchin & Zavis	13	-0.032
98	Pillsbury Winthrop Shaw Pitt LLP	18	-0.031
99	Gibson Dunn & Crutcher	76	-0.028
100	Palmer & Dodge	15	-0.022
101	Jones Day	10	-0.019
102	Brobeck Phleger & Harrison LLP	139	-0.017
103	Faegre & Benson	13	-0.014
104	Wilson Sonsini Goodrich & Rosati	409	-0.011
105	Goodwin Procter LLP	53	-0.009
106	Reboul MacMurray Hewitt Maynard & Kristol	11	0.003
107	Morris Manning & Martin LLP	13	0.003

108	Dechert	13	0.003
109	Baker & Botts	34	0.004
110	Sidley & Austin	25	0.004
111	Cooley Godward LLP	113	0.006
112	Gunderson Dettmer Stough Villeneuve Franklin & Hachi	60	0.007
113	Hale & Dorr LLP	108	0.016
114	Cooley LLP	56	0.017
115	Orrick Herrington & Sutcliffe LLP	21	0.02
116	Foley & Lardner	34	0.02
117	Cooley Godward Castro Huddleson & Tatum	87	0.029
118	Heller Ehrman White & McAuliffe	29	0.03
119	Wyrick, Robbins, Yates & Ponton	10	0.037
120	Morrison & Foerster	63	0.038
121	Goodwin Procter & Hoar	43	0.047
122	Fenwick & West LLP	92	0.048
123	Honigman Miller Schwartz And Cohn	12	0.05
124	Bracewell & Patterson	19	0.056
125	Gardner Carton & Douglas	10	0.077
126	Morgan Lewis & Bockius	87	0.083
127	Greenberg Traurig Hoffman Lipoff Rosen & Quentel	33	0.089
128	Mintz Levin Cohn Ferris Glovsky & Popeo	35	0.091
129	Paul, Weiss	39	0.094
130	Dewey Ballantine	10	0.099
131	Bingham Dana & Gould	23	0.112
132	Proskauer Rose LLP	13	0.123
133	Piper & Marbury	20	0.123
134	O'Sullivan Graev & Karabell LLP	13	0.138
135	Kelley Drye & Warren	15	0.142
136	Bingham McCutchen LLP	13	0.159
137	Maples & Calder	10	0.166
138	Wilmer Cutler & Pickering	25	0.175
139	Stroock & Stroock & Lavan	17	0.178
140	Bell Boyd & Lloyd	10	0.199
141	Gray Cary Ware & Freidenrich	51	0.207
142	Choate, Hall & Stewart LLP	15	0.22
143	Proskauer Rose Goetz & Mendelson	20	0.228
144	Akerman, Senterfitt & Edison	12	0.238

145	Baker Botts LLP	11	0.318
146	Holland & Knight LLP	11	0.388
147	Shereff Friedman Hoffman & Goodman	11	0.402

For the underlying data and methodology, see Part IV. The marginal effects in Table 1 tend to be negative, consistent with the notion that law firms reduce the probability of litigation. However, it is essential to note that the marginal effects are relative to a baseline, which is like an average of the law firms with less than ten observations in the sample (oversimplifying some technical specifics a bit). Outside of the top 100, the marginal effects shift to positive numbers, but this does not mean an issuer would have been better without any law firm! Rather, positive marginal effects reflect the fact that that law firm had on average, worse litigation outcomes than the typical law firm with less than ten observations in the sample. Moreover, a low ranking in terms of litigation does not imply inferior outcomes across other measures. For example, perhaps such firms charge lower fees, and issuers could prefer saving money in terms of legal costs, albeit with a higher probability of litigation in the future. Several factors should be taken into consideration together to determine which law firm is "best" for an issuer.

At the top of the list, we see Kirkpatrick & Lockhart LLP taking the top spot. Peeking across the other rankings, we see that they were in the top 5 regarding underpricing and disclosure. This result is consistent with the notion that law firms that reduce litigation risk via disclosure can help issuers sell securities for a higher price. Issuers don't have to sell cheaply to prevent price drops and related litigation.[129] However, we also see that Kirkpatrick & Lockhart LLP has a reversal in the fees ranking, placing outside of the top 100. This difference suggests that the law firm charges for its skill.

Across the top 10 in Table 1, the law firms are relatively large, consistent with the notion that big law firms recruit the best talent from the best law schools. However, number 11 is Godfrey & Kahn, and at the time of writing this, the firm had less than 200 lawyers and only ten transactions in the sample.[130] This suggests that high performers are not limited to the largest law firms, which is consistent with prior work on investment bank advisers in corporate acquisitions that shows that smaller advisers can provide superior outcomes in fixed-effect analysis.[131]

Outside of the top 10, there isn't much variation in litigation outcomes. The top 40 are associated with about 21.9% lower litigation than the benchmark. While they appear to have the same effect on litigation, this is due to rounding. With more decimal places, each law firm has a distinct impact on the probability of litigation, allowing for a ranking without ties. However, in an economic sense, there isn't much variation in litigation outcomes within the top 40.

There is more variation outside of the top 40. Once we get to the 100th-ranked law firm, the estimated effect on litigation is only about 2.2% lower than the benchmark. That

129. This connection between litigation and pricing is known as the insurance hypothesis. *See, e.g.*, Lowry & Shu, *supra* note 99, at 309.

130. *See Godfrey & Kahn*, LAW.COM, https://www.law.com/law-firm-profile/?id=122&name=Godfrey-%26-Kahn-S.C [https://perma.cc/7DNB-WXAX].

131. *See generally* Jack Bao & Alex Edmans, *Do Investment Banks Matter for M&A Returns*, 24 REV. FIN. STUD. 2286 (2011).

is, moving from the 100th firm to a top 40 firm would decrease the probability of litigation by almost 20%. If litigation settlements are frequently in the millions or tens of millions of dollars, the cost savings from litigation avoidance could be in the millions in expectation, excluding other litigation costs.[132]

Note some limitations regarding the lack of time series variation. We cannot detect increases or decreases in the propensity for litigation for a law firm across time. One exception is that merged firms are estimated separately from the constituent firms. We can see some time series variation looking at Piper & Marbury, which was not in the top 100 in the sample. However, after Piper & Marbury merged with DLA (after an earlier merger with Rudnick & Wolfe), the new firm, DLA Piper, had substantially better performance regarding litigation outcomes, ranking at number 48.

B. Underpricing Ranking

Table 2 presents the rankings of law firms by their estimated effect on underpricing. The estimated coefficient reveals how much an individual law firm reduces first-day returns. Despite the typical notion that managers want to see the share price go up on any given day to show good performance, managers and shareholders don't necessarily want to see the stock price jump up on the first day.[133] Intuitively, imagine you sell something in the morning, and by the afternoon, you find out that the thing has been resold at a much higher price. You likely could have sold at a much higher price had you known how much others would be willing to pay for it. Rather, underwriters and issuers' managers take the lead in setting a price. Hence, the mechanism that ties law firms to pricing must be indirect. An insurance hypothesis suggests that as law firms decrease litigation risk, issuers have less need to lower their offer price.[134] Lowering the price reduces the probability of a price drop and hence reduces the probability of damages and/or showing materiality in a disclosure suit. In short, by lowering expected litigation, a law firm provides confidence to issuers that they can price higher.

This table ranks law firms by their estimated effect on first-day returns, also known as "underpricing." The first column presents the rank of the law firm, with #1 being the "best" in terms of the estimated influence of the law firm on initial returns. Note that lower returns are considered superior, as the issuing company would not have left as much "money on the table" as with higher returns, which could signify that the shares were sold too cheaply. The second column is the law firm's name, as taken from Thomson Financial Securities Data Company. The third column shows the number of sample IPOs for which a law firm advised issuing companies. The fourth column shows the estimated coefficient that reflects the average effect of a law firm on issuers' first-day returns. For underlying data and methodology, see Part IV.

132. Litigation costs could include legal fees, management time, and potentially regulatory fines.

133. One notable exception is when executives have perverse incentives, such as when allocations are "spun" to them from underwriters. *See, e.g.*, Xiadong Liu & Jay R. Ritter, *The Economic Consequences of IPO Spinning*, 23 REV. FIN. STUD. 2024 (2010).

134. Lowry & Shu, *supra* note 99, at 311.

Table 2: Law Firms and First-Day Returns (Underpricing)

Rank	Law Firm	Number of IPOs	Underpricing
1	Maslon Edelman Borman & Brand	10	-60.348
2	Muldoon, Murphy & Faucette	16	-56.5
3	Kaye, Scholer, Fierman, Hays & Handler	13	-52.885
4	Kirkpatrick & Lockhart LLP	15	-51.053
5	Greenberg Traurig	18	-50.616
6	Han Kun Law Offices	10	-50.346
7	Choate, Hall & Stewart LLP	15	-50.152
8	Riordan & McKinzie	22	-49.93
9	Snell & Wilmer	11	-48.86
10	Appleby Spurling & Kempe	10	-47.854
11	Godfrey & Kahn	10	-47.564
12	Schulte Roth & Zabel LLP	14	-47.535
13	Lindquist & Vennum	13	-47.13
14	Dewey Ballantine	10	-46.786
15	Housley Goldberg & Kantarian	11	-46.73
16	Powell Goldstein Frazer & Murphy	21	-45.311
17	Fredrikson & Byron	15	-45.079
18	Katten Muchin & Zavis	13	-44.396
19	Hunton & Williams	20	-43.705
20	O'Sullivan Graev & Karabell LLP	13	-43.453
21	Thompson & Knight PC	15	-43.223
22	King & Spalding	23	-42.93
23	Sullivan & Cromwell	27	-42.668
24	Alston & Bird	25	-42.662
25	Bass Berry & Sims PLC	20	-42.641
26	Coudert Brothers	11	-42.318
27	Haynes & Boone	11	-42.254
28	Sheppard, Mullin, Richter & Hampton	10	-42.102
29	Stradling Yocca Carlson & Rauth	29	-42.047
30	McGuire Woods Battle & Boothe	10	-41.844
31	Haythe & Curley	10	-41.716
32	Gardere & Wynne	11	-41.588
33	Akerman, Senterfitt & Edison	12	-41.542
34	Olshan Grundman Frome & Rosenzweig	14	-41.058
35	Irell & Manella	16	-40.964
36	Pepper Hamilton LLP	10	-40.939

37	Bryan Cave LLP	19	-40.899
38	Dewey, Ballantine, Bushby, Palmer & Wood	10	-40.844
39	Debevoise & Plimpton	37	-40.603
40	Drinker Biddle & Reath LLP	13	-40.496
41	Andrews Kurth LLP	40	-40.493
42	Ballard Spahr Andrews & Ingersoll	20	-40.374
43	Baer Marks & Upham Inc	10	-40.125
44	Davis, Graham & Stubbs	13	-39.701
45	Jenkens & Gilchrist	11	-39.628
46	Morris Manning & Martin LLP	13	-39.622
47	Reboul MacMurray Hewitt Maynard & Kristol	11	-39.616
48	Blank, Rome, Comisky & Mccauley	13	-39.396
49	Goodwin Procter & Hoar	43	-39.326
50	Bachner, Tally, Polevoy & Misher	25	-39.207
51	White & Case LLP	20	-38.717
52	Baker & Botts	34	-38.553
53	Parker Chapin Flattau & Klimpl	20	-38.47
54	Weil Gotshal & Manges	71	-38.124
55	Jones Day	10	-37.99
56	Fried Frank Harris Shriver & Jacobson	46	-37.756
57	Wolf Block Schorr & Solis-Cohen LLP	15	-37.663
58	Baker & McKenzie	28	-37.57
59	Ware & Freidenrich	19	-37.485
60	Sidley & Austin	25	-37.378
61	Faegre & Benson	13	-37.335
62	Dorsey & Whitney LLP	44	-37.268
63	Hutchins Wheeler & Dittmar	12	-37.068
64	Mayer Brown & Platt	29	-37.05
65	General Counsel	51	-36.934
66	Bingham McCutchen LLP	13	-36.778
67	Maples & Calder	10	-36.673
68	Jones Walker Waechter Poitevent Carrere & Denegre	14	-36.406
69	Orrick Herrington & Sutcliffe LLP	21	-36.388
70	Buchanan Ingersoll Professional Corp	14	-36.332
71	Pillsbury Winthrop Shaw Pitt LLP	18	-36.274
72	Willkie Farr & Gallagher	45	-36.144
73	Holland & Knight LLP	11	-36.102

74	Brown Rudnick Freed & Gesmer	12	-35.821
75	Holme Roberts & Owen	12	-35.575
76	Bracewell & Patterson	19	-35.553
77	Wyrick, Robbins, Yates & Ponton	10	-35.408
78	Akin, Gump, Strauss, Hauer & Feld	35	-35.383
79	Dechert Price & Rhoads	12	-35.259
80	Hughes & Luce LLP	12	-35.19
81	Baker & Hostetler LLP	15	-35.128
82	Cahill Gordon & Reindel	23	-34.74
83	Jones Day Reavis & Pogue	38	-34.603
84	Kelley Drye & Warren	15	-34.56
85	Ater, Wynne, Hewitt, Dodson & Skerritt (OR)	11	-34.47
86	Hutchins & Wheeler	11	-34.362
87	Honigman Miller Schwartz & Cohn	12	-34.226
88	Paul, Hastings, Janofsky & Walker	16	-33.966
89	Mintz Levin Cohn Ferris Glovsky & Popeo	35	-33.667
90	Waller Lansden Dortch & Davis	16	-33.562
91	Ropes & Gray	61	-33.292
92	Covington & Burling	12	-33.247
93	Perkins Coie	42	-32.995
94	Simpson Thacher & Bartlett	73	-32.642
95	Wachtell Lipton Rosen & Katz	29	-32.572
96	Davis Polk & Wardwell	59	-32.414
97	Elias, Matz, Tiernan & Herrick	20	-32.33
98	Winston & Strawn	21	-32.204
99	Fulbright & Jaworski	59	-32.072
100	Greenberg Traurig Hoffman Lipoff Rosen & Quentel	33	-32.055
101	Hogan & Hartson	47	-31.071
102	Dechert	13	-31.041
103	Shearman & Sterling	34	-31.027
104	Brobeck Phleger & Hantson (CA)	25	-30.934
105	Vinson & Elkins LLP	73	-30.696
106	Graham & James	10	-30.603
107	Bingham Dana & Gould	23	-30.49
108	Kirkland & Ellis	111	-30.439
109	Foley & Lardner	34	-30.429
110	Piper & Marbury	20	-30.089

111	Cooley Godward Castro Huddleson & Tatum	87	-29.959
112	Proskauer Rose Goetz & Mendelson	20	-29.496
113	Gray Cary Ware & Freidenrich	51	-29.392
114	Gardner Carton & Douglas	10	-29.329
115	Morgan Lewis & Bockius	87	-29.234
116	Shereff Friedman Hoffman & Goodman	11	-28.922
117	O'Melveny & Myers	40	-28.876
118	DLA Piper LLP	25	-28.844
119	Paul, Weiss	39	-28.557
120	Stroock & Stroock & Lavan	17	-28.476
121	Cleary Gottlieb Steen & Hamilton	22	-28.431
122	Skadden, Arps, Slate, Meagher & Flom	140	-28.314
123	Commerce & Finance Law Offices	17	-28.246
124	Pillsbury Madison & Sutro	44	-28.151
125	Milbank Tweed Hadley & McCloy	17	-27.898
126	Conyers Dill & Pearman	65	-27.576
127	Pepper Hamilton & Scheetz	15	-27.557
128	WilmerHale	26	-27.07
129	Heller Ehrman White & McAuliffe	29	-27.035
130	Gibson Dunn & Crutcher	76	-27.005
131	Cravath, Swaine & Moore	36	-26.568
132	Wilmer Cutler & Pickering	25	-26.25
133	Baker Botts LLP	11	-26.008
134	Troy & Gould Professional Corp.	12	-25.019
135	Goodwin Procter LLP	53	-24.201
136	Morrison & Foerster	63	-24.026
137	Testa Hurwitz & Thibeault	64	-24.002
138	Hale & Dorr LLP	108	-23.603
139	Proskauer Rose LLP	13	-23.207
140	Latham & Watkins	175	-21.678
141	Cooley Godward LLP	113	-21.558
142	Cooley LLP	56	-20.985
143	Foley Hoag & Eliot LLP	28	-20.754
144	Fenwick & West LLP	92	-20.215
145	Palmer & Dodge	15	-19.864
146	Venture Law Group	59	-16.371
147	Brobeck Phleger & Harrison LLP	139	-15.196
148	Wilson Sonsini Goodrich & Rosati	409	-14.225

149	Gunderson Dettmer Stough Villeneuve Franklin&Hachi	60	-11.86
150	Bell Boyd & Lloyd	10	-10.872

Topping the list is Maslon Edelman Borman & Brand, a relatively small firm with less than 100 lawyers.[135] They are associated with returns 60% better than the benchmark! All of the top 10 outperform with returns more than 45% better than the benchmark. At the 100th ranking, the return is better by around 32%, suggesting returns would have been about 13% to 28% lower using a top 10 law firm relative to a firm around the 100th ranking. This translates into significantly higher prices for issuing firms and would translate into significant sums of additional proceeds from issuance.

The top of the rankings shares a few of the same names. Kirkpatrick & Lockhart LLP and Appleby Spurling & Kempe are in the top 10 for underpricing and litigation. Godfrey & Kahn and Riordan & McKinzie are in the top 20 for both. These examples indicate that litigation performance links to pricing, which seems odd because law firms have little to do with price setting.

C. Disclosure ranking

Table 3 presents the results of the ranking of law firms based on disclosure from the prospectus. The connection between law firms and underpricing likely comes through their influence on litigation. Law firms influence disclosure litigation in the IPO by directly working with the issuer's managers to draft the disclosures.[136] Because disclosure liability stems from making false statements or omissions necessary to make disclosures not misleading, carefully crafting a disclosure can reduce the opportunity for shareholder litigation after the IPO. While differentiating between high- and low-quality disclosure is a nuanced and possibly subjective exercise, we rely on a textual analysis based on a legal terminology dictionary to have an easily quantifiable, albeit imperfect, proxy for disclosure quality. The measure is the legal terminology as a percentage of the prospectus text.[137] To support this measure, we note that it correlates with litigation probability, suggesting it captures variation in disclosure quality.[138]

This table ranks law firms by their estimated effect on disclosure in the registration statement, as proxied by the percentage of the text with "legal terminology" in the prospectus. The first column presents the rank of the law firm, with #1 being the "best" in terms of the estimated influence of the law firm on disclosure. Note that more legal terminology as a percentage of the text is considered superior, as it is empirically associated with less litigation. The second column is the law firm's name, as taken from Thomson Financial Securities Data Company. The third column shows the number of sample IPOs for which a law firm advised issuing companies. The fourth column shows the estimated coefficient that reflects the average effect of a law firm on issuers' disclosure.

135. *See Professionals*, MASLON LLP, https://www.maslon.com/professionals [https://perma.cc/H458-MPV6].
136. 15 U.S.C. § 77a; 15 U.S.C. § 78a.
137. Loughran & McDonald, *supra* note 101.
138. Bates, Lv & Neyland, *supra* note 24, at 53.

Table 3: Law Firms and Disclosure

Rank	Law Firm	Number of IPOs	Disclosure
1	Elias, Matz, Tiernan & Herrick	20	0.499
2	Han Kun Law Offices	10	0.449
3	Hutchins & Wheeler	11	0.367
4	Kirkpatrick & Lockhart LLP	15	0.312
5	Maples & Calder	10	0.296
6	Commerce & Finance Law Offices	17	0.279
7	Baer Marks & Upham Inc	10	0.277
8	Bachner, Tally, Polevoy & Misher	25	0.262
9	Jones Walker Waechter Poitevent Carrere & Denegre	14	0.235
10	Sheppard, Mullin, Richter & Hampton	10	0.208
11	Irell & Manella	16	0.208
12	White & Case LLP	20	0.2
13	Conyers Dill & Pearman	65	0.185
14	Bell Boyd & Lloyd	10	0.181
15	Jones Day Reavis & Pogue	38	0.153
16	Mayer Brown & Platt	29	0.145
17	Appleby Spurling & Kempe	10	0.137
18	Andrews Kurth LLP	40	0.135
19	Cahill Gordon & Reindel	23	0.134
20	Shearman & Sterling	34	0.12
21	Graham & James	10	0.116
22	Snell & Wilmer	11	0.114
23	O'Sullivan Graev & Karabell LLP	13	0.1
24	Paul, Hastings, Janofsky & Walker	16	0.091
25	Haythe & Curley	10	0.087
26	Sullivan & Cromwell	27	0.083
27	King & Spalding	23	0.082
28	Goodwin Procter & Hoar	43	0.082
29	Parker Chapin Flattau & Klimpl	20	0.081
30	Baker Botts LLP	11	0.08
31	Bass Berry & Sims PLC	20	0.074
32	Baker & McKenzie	28	0.062
33	Fried Frank Harris Shriver & Jacobson	46	0.061
34	Thompson & Knight PC	15	0.055
35	O'Melveny & Myers	40	0.054
36	Kaye, Scholer, Fierman, Hays & Handler	13	0.054

37	Debevoise & Plimpton	37	0.05
38	Dechert Price & Rhoads	12	0.046
39	Cleary Gottlieb Steen & Hamilton	22	0.043
40	Gibson Dunn & Crutcher	76	0.043
41	Pillsbury Winthrop Shaw Pitt LLP	18	0.042
42	Cooley Godward Castro Huddleson & Tatum	87	0.041
43	Buchanan Ingersoll Professional Corp	14	0.038
44	Foley & Lardner	34	0.032
45	Troy & Gould Professional Corp.	12	0.031
46	Schulte Roth & Zabel LLP	14	0.031
47	Bingham Dana & Gould	23	0.031
48	Hutchins Wheeler & Dittmar	12	0.028
49	Godfrey & Kahn	10	0.022
50	Venture Law Group	59	0.019
51	Vinson & Elkins LLP	73	0.016
52	Akin, Gump, Strauss, Hauer & Feld	35	0.015
53	DLA Piper LLP	25	0.015
54	Pepper Hamilton LLP	10	0.015
55	Blank, Rome, Comisky & Mccauley	13	0.011
56	Paul, Weiss	39	0.01
57	Akerman, Senterfitt & Edison	12	0.009
58	Milbank Tweed Hadley & McCloy	17	0.007
59	Ballard Spahr Andrews & Ingersoll	20	0.007
60	Piper & Marbury	20	0.006
61	Weil Gotshal & Manges	71	0.002
62	Proskauer Rose LLP	13	0.001
63	Baker & Hostetler LLP	15	0
64	Bryan Cave LLP	19	-0.001
65	Drinker Biddle & Reath LLP	13	-0.002
66	Skadden, Arps, Slate, Meagher & Flom	140	-0.003
67	Palmer & Dodge	15	-0.003
68	Latham & Watkins	175	-0.011
69	Olshan Grundman Frome & Rosenzweig	14	-0.012
70	Katten Muchin & Zavis	13	-0.013
71	Simpson Thacher & Bartlett	73	-0.015
72	Davis Polk & Wardwell	59	-0.015
73	Morrison & Foerster	63	-0.016
74	Stroock & Stroock & Lavan	17	-0.017

75	Cravath, Swaine & Moore	36	-0.018
76	Alston & Bird	25	-0.018
77	Jones Day	10	-0.02
78	Riordan & McKinzie	22	-0.021
79	Hogan & Hartson	47	-0.024
80	Willkie Farr & Gallagher	45	-0.024
81	Cooley LLP	56	-0.026
82	Brobeck Phleger & Harrison LLP	139	-0.029
83	Testa Hurwitz & Thibeault	64	-0.031
84	Muldoon, Murphy & Faucette	16	-0.032
85	Baker & Botts	34	-0.032
86	Greenberg Traurig Hoffman Lipoff Rosen & Quentel	33	-0.032
87	Reboul MacMurray Hewitt Maynard & Kristol	11	-0.038
88	Kelley Drye & Warren	15	-0.038
89	Wachtell Lipton Rosen & Katz	29	-0.039
90	Foley Hoag & Eliot LLP	28	-0.042
91	Dewey Ballantine	10	-0.048
92	Hunton & Williams	20	-0.053
93	Orrick Herrington & Sutcliffe LLP	21	-0.053
94	Bracewell & Patterson	19	-0.053
95	Wilson Sonsini Goodrich & Rosati	409	-0.055
96	Goodwin Procter LLP	53	-0.055
97	Heller Ehrman White & McAuliffe	29	-0.058
98	Kirkland & Ellis	111	-0.06
99	Dorsey & Whitney LLP	44	-0.061
100	Choate, Hall & Stewart LLP	15	-0.061
101	Morris Manning & Martin LLP	13	-0.063
102	Cooley Godward LLP	113	-0.066
103	Honigman Miller Schwartz And Cohn	12	-0.066
104	Mintz Levin Cohn Ferris Glovsky & Popeo	35	-0.066
105	Powell Goldstein Frazer & Murphy	21	-0.067
106	Stradling Yocca Carlson & Rauth	29	-0.069
107	McGuire Woods Battle & Boothe	10	-0.07
108	Hughes & Luce LLP	12	-0.075
109	Coudert Brothers	11	-0.076
110	Pillsbury Madison & Sutro	44	-0.077
111	Greenberg Traurig	18	-0.079
112	Dechert	13	-0.08

113	Waller Lansden Dortch & Davis	16	-0.084
114	Gardere & Wynne	11	-0.084
115	Gunderson Dettmer Stough Villeneuve Franklin&Hachi	60	-0.084
116	Perkins Coie	42	-0.089
117	Morgan Lewis & Bockius	87	-0.089
118	Covington & Burling	12	-0.09
119	Bingham McCutchen LLP	13	-0.091
120	Fenwick & West LLP	92	-0.093
121	Haynes & Boone	11	-0.098
122	Ropes & Gray	61	-0.104
123	Gray Cary Ware & Freidenrich	51	-0.106
124	Fulbright & Jaworski	59	-0.108
125	Wilmer Cutler & Pickering	25	-0.111
126	Davis, Graham & Stubbs	13	-0.121
127	Hale & Dorr LLP	108	-0.123
128	Holland & Knight LLP	11	-0.123
129	Winston & Strawn	21	-0.124
130	Wyrick, Robbins, Yates & Ponton	10	-0.128
131	Fredrikson & Byron	15	-0.134
132	WilmerHale	26	-0.134
133	Proskauer Rose Goetz & Mendelson	20	-0.159
134	Faegre & Benson	13	-0.167
135	Pepper Hamilton & Scheetz	15	-0.193
136	General Counsel	51	-0.202
137	Sidley & Austin	25	-0.205
138	Lindquist & Vennum	13	-0.214
139	Jenkens & Gilchrist	11	-0.215
140	Dewey, Ballantine, Bushby, Palmer & Wood	10	-0.221
141	Holme Roberts & Owen	12	-0.24
142	Wolf Block Schorr & Solis-Cohen LLP	15	-0.269
143	Maslon Edelman Borman & Brand	10	-0.271

At the top of the list is Elias, Matz, Tiernan & Herrick. With a coefficient of 0.499, this means that legal terminology is about half a percentage point higher on average in prospectuses drafted by this firm. The top 10 include around 0.20% to 0.50% more legal terminology than a benchmark, while firms around the top 100 have about 0.06% less legal terminology. We don't suggest that simply adding words such as "plaintiff" or "arbitration" will improve the quality of the disclosure. However, more comprehensive disclosure is likely to include more consideration and statements about legal issues that the issuer faces.

By disclosing such risks, the issuing company may be less likely to face litigation related to such issues.

D. Legal Fees Ranking

Legal fees comprise the fourth ranking. Because larger deals require more work, we scale the legal fees by the size of the IPO, that is, proceeds.[139] Fees capture the pecuniary cost of hiring a law firm and expenses, and all else equal, lower fees save the issuer money. Of course, we don't necessarily expect all else to be equal, and companies may get what they pay for. This table ranks law firms by their estimated effect on legal fees as a percentage of proceeds. The first column presents the rank of the law firm, with "#1" being the "best" in terms of the estimated influence of the law firm on disclosure. Note that lower fees as a percentage of the deal's value are considered superior, as legal services are provided for a lower cost. The second column is the law firm's name, as taken from Thomson Financial Securities Data Company. The third column shows the number of sample IPOs for which a law firm advised issuing companies. The fourth column shows the estimated coefficient of a law firm's effect on legal fees scaled by proceeds. For the underlying data and methodology, see Part IV.

Table 4: Law Firms and Legal Fees Per Proceeds

Rank	**Law Firm**	**Number of IPOs**	**Legal-Fees-to-Proceeds**
1	Davis, Graham & Stubbs	13	-0.224
2	Bass Berry & Sims PLC	20	-0.221
3	Greenberg Traurig	18	-0.216
4	Thompson & Knight PC	15	-0.196
5	Lindquist & Vennum	13	-0.19
6	Baer Marks & Upham Inc	10	-0.179
7	Wyrick, Robbins, Yates & Ponton	10	-0.15
8	Fredrikson & Byron	15	-0.148
9	Buchanan Ingersoll Professional Corp	14	-0.13
10	Jenkens & Gilchrist	11	-0.101
11	Stradling Yocca Carlson & Rauth	29	-0.061
12	Hutchins Wheeler & Dittmar	12	-0.061
13	Jones Walker Waechter Poitevent Carrere & Denegre	14	-0.049
14	Baker Botts LLP	11	-0.04
15	Parker Chapin Flattau & Klimpl	20	-0.032
16	Waller Lansden Dortch & Davis	16	-0.028

139. *See generally* Robert Anderson & Jeffrey Manns, *The Inefficient Evolution of Merger Agreements*. 85 GEO. WASH. L. REV. 57 (2017) (suggesting lawyers can increase complexity in drafting to increase billable hours, which is consistent with the notion that deals that require more effort are associated with larger legal fees).

17	Faegre & Benson	13	-0.01
18	Morris Manning & Martin LLP	13	0.008
19	Piper & Marbury	20	0.011
20	Gardner Carton & Douglas	10	0.012
21	Brobeck Phleger & Hantson (CA)	25	0.015
22	Perkins Coie	42	0.02
23	McGuire Woods Battle & Boothe	10	0.02
24	Cooley LLP	56	0.031
25	Hughes & Luce LLP	12	0.038
26	Coudert Brothers	11	0.042
27	Graham & James	10	0.047
28	Andrews Kurth LLP	40	0.067
29	Maslon Edelman Borman & Brand	10	0.07
30	Snell & Wilmer	11	0.071
31	Akerman, Senterfitt & Edison	12	0.071
32	Fulbright & Jaworski	59	0.074
33	Greenberg Traurig Hoffman Lipoff Rosen & Quentel	33	0.075
34	Gardere & Wynne	11	0.075
35	Vinson & Elkins LLP	73	0.085
36	Ware & Freidenrich	19	0.085
37	Hale & Dorr LLP	108	0.086
38	Venture Law Group	59	0.09
39	Ater, Wynne, Hewitt, Dodson & Skerritt (OR)	11	0.094
40	Foley & Lardner	34	0.101
41	Haynes & Boone	11	0.103
42	Bingham McCutchen LLP	13	0.105
43	Testa Hurwitz & Thibeault	64	0.106
44	Goodwin Procter LLP	53	0.107
45	Olshan Grundman Frome & Rosenzweig	14	0.109
46	Heller Ehrman White & McAuliffe	29	0.111
47	Dorsey & Whitney LLP	44	0.115
48	Pillsbury Madison & Sutro	44	0.116
49	General Counsel	51	0.133
50	Blank, Rome, Comisky & Mccauley	13	0.135
51	Commerce & Finance Law Offices	17	0.142
52	Kirkland & Ellis	111	0.146
53	Pillsbury Winthrop Shaw Pitt LLP	18	0.148
54	Baker & Hostetler LLP	15	0.166

55	Riordan & McKinzie	22	0.166
56	Palmer & Dodge	15	0.169
57	O’Sullivan Graev & Karabell LLP	13	0.174
58	Bingham Dana & Gould	23	0.175
59	Godfrey & Kahn	10	0.178
60	Dechert Price & Rhoads	12	0.183
61	Cooley Godward LLP	113	0.184
62	Wilson Sonsini Goodrich & Rosati	409	0.184
63	Brobeck Phleger & Harrison LLP	139	0.185
64	Kelley Drye & Warren	15	0.185
65	Alston & Bird	25	0.187
66	Holme Roberts & Owen	12	0.188
67	Stroock & Stroock & Lavan	17	0.197
68	Gray Cary Ware & Freidenrich	51	0.203
69	Cooley Godward Castro Huddleson & Tatum	87	0.209
70	Muldoon, Murphy & Faucette	16	0.215
71	Akin, Gump, Strauss, Hauer & Feld	35	0.218
72	Dechert	13	0.223
73	Winston & Strawn	21	0.231
74	Bachner, Tally, Polevoy & Misher	25	0.233
75	Ropes & Gray	61	0.241
76	Hunton & Williams	20	0.249
77	Paul, Hastings, Janofsky & Walker	16	0.254
78	Hogan & Hartson	47	0.263
79	Fenwick & West LLP	92	0.268
80	Wolf Block Schorr & Solis-Cohen LLP	15	0.273
81	Housley Goldberg & Kantarian	11	0.276
82	Han Kun Law Offices	10	0.282
83	Sidley & Austin	25	0.283
84	Jones Day Reavis & Pogue	38	0.285
85	Honigman Miller Schwartz And Cohn	12	0.287
86	Gunderson Dettmer Stough Villeneuve Franklin&Hachi	60	0.29
87	Drinker Biddle & Reath LLP	13	0.292
88	Reboul MacMurray Hewitt Maynard & Kristol	11	0.295
89	Hutchins & Wheeler	11	0.305
90	Powell Goldstein Frazer & Murphy	21	0.31
91	Latham & Watkins	175	0.311

92	O'Melveny & Myers	40	0.314
93	Pepper Hamilton & Scheetz	15	0.319
94	Morgan Lewis & Bockius	87	0.323
95	Morrison & Foerster	63	0.337
96	Foley Hoag & Eliot LLP	28	0.339
97	Ballard Spahr Andrews & Ingersoll	20	0.341
98	Baker & McKenzie	28	0.348
99	Davis Polk & Wardwell	59	0.351
100	Orrick Herrington & Sutcliffe LLP	21	0.36
101	Bryan Cave LLP	19	0.364
102	Bell Boyd & Lloyd	10	0.364
103	Baker & Botts	34	0.369
104	Elias, Matz, Tiernan & Herrick	20	0.375
105	WilmerHale	26	0.379
106	DLA Piper LLP	25	0.38
107	Troy & Gould Professional Corp.	12	0.382
108	Willkie Farr & Gallagher	45	0.393
109	Mayer Brown & Platt	29	0.393
110	Irell & Manella	16	0.4
111	King & Spalding	23	0.407
112	Shereff Friedman Hoffman & Goodman	11	0.41
113	Kirkpatrick & Lockhart LLP	15	0.418
114	Bracewell & Patterson	19	0.42
115	Goodwin Procter & Hoar	43	0.422
116	Kaye, Scholer, Fierman, Hays & Handler	13	0.428
117	Gibson Dunn & Crutcher	76	0.44
118	Conyers Dill & Pearman	65	0.442
119	Simpson Thacher & Bartlett	73	0.443
120	Shearman & Sterling	34	0.464
121	Maples & Calder	10	0.47
122	Choate, Hall & Stewart LLP	15	0.478
123	Holland & Knight LLP	11	0.481
124	Proskauer Rose Goetz & Mendelson	20	0.492
125	Covington & Burling	12	0.501
126	Haythe & Curley	10	0.503
127	Weil Gotshal & Manges	71	0.53
128	Mintz Levin Cohn Ferris Glovsky & Popeo	35	0.536
129	Brown Rudnick Freed & Gesmer	12	0.541

130	Skadden, Arps, Slate, Meagher & Flom	140	0.547
131	Wilmer Cutler & Pickering	25	0.547
132	Sullivan & Cromwell	27	0.569
133	Cravath, Swaine & Moore	36	0.583
134	Cleary Gottlieb Steen & Hamilton	22	0.591
135	Jones Day	10	0.637
136	Dewey, Ballantine, Bushby, Palmer & Wood	10	0.639
137	Pepper Hamilton LLP	10	0.668
138	Schulte Roth & Zabel LLP	14	0.708
139	Sheppard, Mullin, Richter & Hampton	10	0.712
140	Paul, Weiss	39	0.72
141	Proskauer Rose LLP	13	0.736
142	Katten Muchin & Zavis	13	0.742
143	Debevoise & Plimpton	37	0.756
144	Wachtell Lipton Rosen & Katz	29	0.787
145	Milbank Tweed Hadley & McCloy	17	0.804
146	Dewey Ballantine	10	0.83
147	Fried Frank Harris Shriver & Jacobson	46	0.835
148	Cahill Gordon & Reindel	23	0.842
149	White & Case LLP	20	0.867
150	Appleby Spurling & Kempe	10	1.464

Notwithstanding any caveats about what may drive fees, Table 4 presents the results of ranking law firms based on their fees charged. Davis, Graham & Stubbs tops the list with legal fees about 0.22% less than a benchmark as a percentage of proceeds. The top 10 are about 0.10% to 0.22% lower than the benchmark. At the 100th ranking, fees are about 0.36% higher than the benchmark. In other words, moving from one of the cheapest law firms to the 100th cheapest would cost around 0.5% of the proceeds. Given that average fees, relative to proceeds, are around 1.2% of proceeds, moving up to around 1.7% would be a substantial additional cost.[140] At the end of the ranking, fees for some law firms can be over 0.8% higher than the benchmark, and moving from one of the cheapest to one of the most expensive law firms could double the amount the issuer pays as a percentage of proceeds. Of course, one might expect this ranking to be negatively correlated with the other rankings if markets are rational and quality is priced into the fees.[141] Anecdotally, we see this in Kirkpatrick & Lockhart LLP. They are in the top 10 for litigation rates, disclosure, and underpricing. However, this quality does not come cheap. They are outside of the top 100 in terms of fees.

140. *Id.*

141. While we do not expect the market to be perfectly efficient, we do not believe frictions or departures from the efficient market hypothesis create any anomalies. *See generally*, Lynn A. Stout, *The Mechanisms of Market Inefficiency: An Introduction to New Finance.* 28 J. CORP. L. 635 (2003).

VII. Limitations and Caveats

We propose that our empirical method and choice of outcome measures provide a significant improvement over conventional ranking methods for law firms. Yet, it is imperfect and suffers from some limitations. We address those in this section.

A. Time-Invariance

One of the benefits of our methodology is that we study law firms across time. This helps ensure that our measure of quality is not transient. However, this is also a limitation. In as much as law firm skill varies across time, our measures would not capture the full effect of the change. Hence, any efforts to improve the quality of the disclosures and legal advice provided by a law firm would largely go unnoticed, as this improvement in skill would be averaged with the prior deals of the law firm. This limitation would be significant for law firms with large turnover since high or low-quality associates that join or leave the firm could lead to substantial changes in the overall talent of the IPO team at the law firm, but the firm would not receive related ranking changes.

One exception to this rule that changes are not incorporated quickly is law firm mergers. Mergers between law firms likely lead to significant changes in the composition of the personnel and teams that work on IPOs. This change probably leads to a new level of law firm skill that would be reflected in the disclosures and, as we posit, the litigation rates of their clients. Our methodology separately estimates fixed effects for the pre-merger law firms and the combined entity. Since we estimate these three separate effects, we don't make assumptions about how the skill of the combined law firm relates to the pre-merger constituent law firms. So, we will detect changes in the IPO outcomes following the merger as soon as the merged entity represents ten or more clients. This allows for the incorporation of the large difference at the law firm following the merger into the rankings, which hopefully reflects any significant changes post-merger.

B. Exclusion of Less Frequent Participants

Another limitation of the study is that we don't rank law firms with few observations during the sample period. Specifically, we don't estimate effects for law firms with less than ten deals (IPOs) for which they were the lead law firm. In effect, some law firms that advise only a few mandates, usually smaller ones, could be very talented and deserve recognition within this ranking system.

However, too few observations create an empirical challenge. The outside observer cannot know if a law firm's performance is related to skill or transitory luck. Despite not including smaller high-skill law firms that deserve recognition, note that other law firms are not disproportionately penalized for bad luck. For example, one significant disclosure-based litigation event could tarnish a smaller law firm's record. Significant litigation only occurs in approximately 20% of IPOs. With less than 10 IPOs for a law firm, its litigation rate would appear much larger than it might deserve relative to its skill if the litigation didn't result directly from its work product.

C. Coarse Disclosure

The law firm's primary role is to help the issuer navigate securities laws and aid with drafting disclosures. This role suggests that one of the most critical and central pieces of work product is the prospectus and its content. When assessing the law firm's quality, judging this disclosure would be one of the essential pieces to consider. However, the quality of this disclosure is highly subjective and qualitative. Given the size of these documents, it is difficult, if not impossible, to account for all the drafting nuance and sophistication.[142] Prospectuses include many technical details of the company, financials, governance characteristics, and industry information that would be difficult for an auditor or industry professional to interpret regarding appropriateness for disclosure quality.

In addition to the difficulty in quantifying such a qualitative disclosure, there are observability issues. An outside observer cannot know what has not been disclosed, and omissions are a significant source of disclosure liability. Even if a researcher could develop methods for gauging the sophistication and quality of the disclosures, there are no direct means of judging the decisions on what to disclose. The set of items that could have been disclosed is inherently unobservable. Due to these challenges in judging disclosure quality, we consider disclosure quality in two ways. First, we use dictionaries of legal terminology to simplify the textual analysis of the prospectuses. This allows for a direct assessment of the disclosure, but it comes at the cost of oversimplification of nuance. This method also cannot address the problem of observability of undisclosed items. Second, we focus on an indirect measure of disclosure quality, post-IPO disclosure-related litigation. This indirect method provides a means of judging disclosure quality. Rather than trying to identify quality from the language and content of the disclosure, this proxy relies on the market's assessment of the disclosure quality and its shortcomings.

This indirect method suffers from some constraints. As the market also cannot identify what has not been disclosed that should have been disclosed, this proxy has the same observability problems as does the individual observer. So, mapping the actual disclosure to an ideal one can still be problematic when relying on this market-based measure. Also, the probability of litigation is not only a function of disclosure quality. Factors on the counterparty's side of the litigation decision can affect the likelihood of litigation. For example, there may be more financing for litigation, more vitriol in the public, and sentiment to push for greater disclosure or recent judicial decisions that change the legal standards for elements of the law that promote or hinder litigation.[143] Some of these factors are secular, while others are more transient like sentiment, and can be captured by controlling for time (year of issuance). Other variables like judicial decisions reflect market-wide effects that affect law firms fairly equally and hence, do not influence the relative ranking of the law firms. Some variables, like financing, may influence the plaintiff type but not necessarily the issuer type. Other residual factors may be random and hence wash out on average. The only remaining characteristics of interest are those that influence litigation against issuers

142. The Facebook prospectus was over 150 pages, including disclosures on governance, financials, management, and other technical aspects of their business and industry that could be challenging to assess on quality. Facebook, Inc., Registration Statement (Form S-1) (Feb. 1, 2012).

143. *See, e.g.*, Susan Lorde Martin, *Litigation Financing: Another Subprime Industry that Has a Place in the United States Market*, 53 VILL. L. REV. 83 (2008) (discussing litigation financing and its effect on litigation).

that vary only across law firms. Such factors may be rare or capture something about law firm skill, which is what we want to estimate with our methodology.

VIII. CONCLUSION

We rank law firms on four IPO-based metrics: litigation rates, underpricing, disclosure, and legal fees. The rankings come from a fixed-effect methodology that controls for issuer, market, and other characteristics. This method controls for both observable and unobservable variables. We focus on these four metrics because they are outputs that reveal how much issuers benefit from the law firm's presence rather than inputs that are less directly consequential to issuing companies. We suggest that these rankings are less susceptible to manipulation.

We reveal significant variations in IPO outcomes across law firms of different ranks. Moving from a top-ranked law firm to the 100th-ranked firm would increase estimated litigation rates by around 20%, increase underpricing by around 20%, decrease legal disclosures by around 0.5% of the prospectus language, and increase legal fees by around 0.5% of deal proceeds. Hence there are clear distinctions between law firms in terms of client outcomes, and the choice of law firm seems to be one of the most important decisions a company selling securities needs to make.

We suggest these rankings could help issuers decide which type of law firm they prefer. We note that, as with any ranking system, there are limitations, and factors outside the scope of this study can be influential to a potential issuer. However, we propose that this ranking system offers many advantages relative to existing ranking systems, such as a focus on outcomes and, relatedly, a limited ability of issuers to manipulate the rankings to the detriment of the end users.

APPENDIX – DESCRIPTION OF ALTERNATIVE LAW FIRM RANKING METHODOLOGIES

Vault Law 100

Vault Law 100 is one of the premier law firm rankings, Vault describes its ranking methodology as follows:

> How does Vault come up with its list of the Top 100 firms in the country? The first step is to compile a list of the most renowned law firms by reviewing the feedback we receive from previous surveys, consulting our previous lists, poring over legal publications, talking to lawyers in the field, and checking out other published rankings. We then asked these top firms to distribute a password-protected online survey to their associates. This year, more than 20,000 associates from all over the country returned anonymous surveys to Vault. We heard from lawyers in Atlanta, Boston, Chicago, Cleveland, Dallas, Houston, Los Angeles, Miami, New York, Orlando, Palo Alto, Philadelphia, Phoenix, San Francisco, and Seattle—among many other locations. The online survey asked attorneys to score each of the law firms on a scale of 1 to 10 based on how prestigious it is to work for the firm. Associates were asked to ignore any firm with which they were unfamiliar and were not allowed to rate their firms.
>
> We collected all the surveys and averaged the scores for each firm. The firms were then ranked in order, starting with the highest average prestige score as No. 1 on down to determine the Vault Law 100. Remember that in the Top 100, Vault is not assessing firms by profit, size, lifestyle, number of deals, or quality of service; we are ranking the most prestigious law firms based on the perceptions of practicing lawyers at peer firms.[144]

The Am Law 100 ranks law firms across several metrics including:

- Gross revenue
- Profits per equity partner
- Profits per lawyer
- Revenue per lawyer
- Average partner compensation[145]

The Am Law 100 is reported by ALM publications throughout the United States, including The American Lawyer, the Connecticut Law Tribune, the Daily Business Review (Miami), the Daily Report (Atlanta), The Legal Intelligencer (Philadelphia), The National Law Journal/Legal Times, the New Jersey Law Journal, The New York Law Journal, The Recorder (San Francisco) and Texas Lawyer. Most law firms provide their financials voluntarily for this report. Some choose not to cooperate, so we make estimates based on our reporting. All data is investigated by our reporters.

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144. VAULT, *supra* note 116 (click on "Survey Methodology" drop down).
145. The American Lawyer, *supra* note 114.

If we discover we made an error in reporting a previous year's financials, we correct the numbers and base the percentage changes in future years on restated numbers.

Definitions:

- GROSS REVENUE is fee income from legal work and revenue from ancillary businesses that generate profits shared by the firm's partners.
- NET INCOME is total compensation to equity partners.
- PROFIT MARGIN is the percentage of gross revenue devoted to net income.
- LAWYER COUNTS are average full-time equivalent (FTE) figures for the 2020 calendar year. Temporary and contract attorneys are not included. Retired partners and of counsel are not counted as partners, nor are payments made to them included in net income.
- EQUITY PARTNERS are those who receive no more than half their compensation on a fixed-income basis.
- NONEQUITY PARTNERS are those who receive more than half their compensation on a fixed-income basis.
- LEVERAGE is total lawyers (excluding equity partners) divided by the number of equity partners.

Calculated Metrics:

- COMPENSATION-ALL PARTNERS is net income (total payouts to equity partners) plus the fixed-income compensation paid to nonequity partners. A related metric, Average Compensation-All Partners, is net income plus compensation to nonequity partners, divided by the number of equity and nonequity partners. These metrics provide a snapshot of compensation to the entire partnership, both equity and nonequity.
- PROFITABILITY INDEX is profits per partner divided by revenue per lawyer. It demonstrates how efficiently a firm converts revenues into profits.
- PROFITS PER LAWYER is net income divided by the total number of lawyers. It reduces the importance of such factors as leverage in assessing firm profitability.
- PROFITS PER PARTNER is net income divided by the number of equity partners. This represents the average compensation to equity partners.
- REVENUE PER LAWYER is gross revenue divided by the total number of lawyers, measured on an average FTE basis. We have long considered this metric the best measure of a firm's overall financial health.[146]

On the poster and the A-to-Z chart, full firm names are used. On all other charts we publish shortened firm names. We round gross revenue, net income, profits per partner, revenue per lawyer, profits per lawyer and average compensation-all partners to the nearest $1,000.

146. Ben Seal, *The AM Law 100 Methodology: How We Make the List*, AM LAW (Apr. 20, 2021), https://www.law.com/americanlawyer/2021/04/20/the-am-law-100-methodology-how-we-make-the-list/?slreturn=20240105191213 [https://perma.cc/CH55-SEFV].

Firms that are tied in the rankings are listed in alphabetical order. How We Designate Location Firms are placed in the “international” or “national” categories according to the distribution of their lawyers.

- INTERNATIONAL FIRMS are those with 40% or more of their lawyers outside the United States.
- VEREINS are broken out separately on our charts because their organizational structure, particularly regarding profit sharing among offices, differs significantly from other, traditionally structured Am Law 100 firms.
- NATIONAL FIRMS are those with no more than 45% of their lawyers located in any single region of the U.S. We recognize eight regions for this purpose: New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont); New York City; Mid-Atlantic (Delaware, Maryland, New Jersey, New York [excluding New York City], Northern Virginia and Pennsylvania); Washington, D.C.; South/Southeast (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Southern Virginia, Tennessee and West Virginia); Midwest (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin); West/Southwest (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Oklahoma, Texas, Utah and Wyoming) and West Coast/Pacific Rim (Alaska, California, Hawaii, Oregon and Washington).

U.S. News Best Law Firms 2023

<u>1. Eligibility</u>

Firms that have at least one lawyer who has been recognized in the previous edition of Best Lawyers in a practice area and metro area currently ranked by “Best Law Firms” are eligible to receive a ranking. For more information on Best Lawyers, please visit www.bestlawyers.com.

Practice Areas:

Practice area rankings are produced both nationally and within 188 metropolitan areas across the United States. Because some practice areas have minimal presence in particular legal markets, or because there was not enough data garnered for proper evaluation, some practice areas that are covered in our research are not represented in the national rankings or various metropolitan rankings. The 2023 “Best Law Firms” national rankings cover 75 practice areas, while as many as 127 practice areas are covered on the metropolitan lists.

Metro Areas:

Metropolitan areas are defined by assessing the population of eligible law firms geographically to guarantee enough comparative data to produce accurate results. There are eight states that had a high percentage of eligible law firms located in one large metropolitan area. Because there are also eligible law firms outside of those metropolitan areas, but not enough to create accurate results for separate metropolitan rankings, results are produced for the entire state. The states that fall into this category are: Alaska, Colorado, Delaware, Hawaii, Idaho, New Jersey, Rhode Island, and Utah.

2. Submission Process

As part of our formal submission process, eligible firms are sent submission packets in January. This packet includes information about a firm's eligibility as well as a law firm survey. Clients are asked to provide feedback on firm practice groups, addressing expertise, responsiveness, understanding of a business and its needs, cost-effectiveness, civility, and whether they would refer another client to the firm. Clients also have the option to write in the names of law firms they've worked with on other matters and within practice areas beyond those they were asked to comment on by the submitting firm. Some clients choose to write a comment about their experience with the law firm. These comments are for reference only and are not used as data points in the formal evaluation process. On individual lawyer ballots, lawyers also cast votes and are asked to consider expertise, responsiveness, whether they would refer a matter to a firm, and whether they consider a firm a worthy competitor. For the ninth year, a Law Firm Leaders Survey was implemented to provide personal insight on the legal landscape surrounding the nationally ranked practice areas. We ask this group to vote on law firms that have a preeminent national presence within specified legal practice areas they know well. In addition to information from these surveys, the 2023 rankings incorporate 12.2 million evaluations of more than 115,00 individual leading lawyers from more than 22,000 firms. In addition to lawyer and client feedback, law firms are asked to provide us with general demographic and background information on the law firm and attorneys, and other data that speaks to the strengths of a law firm's practice areas.

3. Ranking by Tiers

All of the quantitative and qualitative data is combined into an overall "Best Law Firms" score for each firm. This data is then compared to other firms within the same metropolitan area and at the national level. Because firms are often separated by small or insignificant differences in overall score, we use a tier system rather than ranking law firms sequentially. The first tier in each metropolitan area includes those firms that score within a certain percentage of the highest-scoring firms; the second tier, those firms that score within a certain percentage of the next highest-scoring firms, and so on. The national rankings are based on metropolitan rankings as well as on the number of offices each firm has with a metropolitan ranking and on the level of legal activity in each metropolitan area. The number of tiers included in each practice area or metropolitan area ranking varies, and some specialties may not be ranked in metro areas in which there is not enough data to provide rankings in a particular specialty. Of the 16,545 firms that were eligible to submit information for the 2023 edition ranking process, 15,825 firms received metropolitan rankings, 2,071 firms received national rankings and 10,358 of those firms received first-tier national and/or metropolitan rankings.

4. Law Firm of the Year

A singular "Law Firm of the Year" recognition was awarded in the 75 nationally ranked practice areas. Law firms receiving the "Law Firm of the Year" designation have an outstanding overall performance in our research of a given specialty. All of the same factors for determining national rankings also apply to these awards. Client reviews, peer-attorney feedback, and the "Law Firm Leader Surveys" help single-out the top firm in a given practice. Additionally, a firm can only win in two categories in a particular edition.

5. Award Announcement

Law firms are notified via email of their upcoming rankings in advance of the Public Release. This gives firms time to prepare press releases, website updates, social media posts, advertisements, and other announcement materials prior to the November release. If you work for a firm and would like to be added to our announcement distribution list, please contact us at info@bestlawyers.com to request an account.

6. Public Release

On November 3, 2022, the 2023 Edition of "Best Law Firms" was released to the public on bestlawfirms.usnews.com. All rankings and tiers are accessible online. Additionally, the "Best Law Firms" annual print publication was released, which highlights the National and Metro Tier 1 ranked firms. This publication reaches a print audience of more than 30,000 general counsel and more than 100,000 readers online.

The Trademark Lawyer

Throughout the year, The Trademark Lawyer magazine carries out extensive research to highlight leading firms in the IP and trademark field in each jurisdiction to recognize the hard work and improvement firms have achieved and to aid clients select the best firm for their needs. Over four issues we cover the following jurisdictions: South America, Europe & The UK, Asia Pacific, The Americas + The Middle East & Africa

Countries within jurisdictions may differ from year to year.

We publish the Top 10 law firms for each country in each jurisdiction based on the research we have carried out. The Top 10 is published in alphabetical order. Ranked firms can purchase a Rankings Package, details listed below, but firms cannot pay for a position in our rankings – the Top 10 are produced from our research.

When compiling our law firm rankings, we do not ask for a submission fee or an inclusion fee, we do not discriminate against any firm that does not support our publications financially, so if your firm is chosen it is upon merit and will appear within our rankings with no compulsory financial expense.

Research and selection criteria:

Our Editorial and Research Team considers many factors when determining the Top 10 law firms for each country in each jurisdiction.

Some of the aspects researched are:

- Existing market reputation in the field;
- Cited achievements within the last year;
- Work in niche areas and unique strengths;
- Accessibility;
- Client testimonials;
- Regularity of informative materials being promoted and engagement by the firm (e.g. news/articles, press releases, interaction, and presence on social channels);
- Website ranking and usability;
- Customer testimonials and recommendation;
- Diversity, equity, and inclusion performance as a firm;
- Third party rankings and achievement recognition;

- Activity in the legal space (e.g., with associations, conferences, webinars).

We conduct research into which firms should feature, but firms may also recommend themselves, or be recommended by third parties, for consideration via a nomination form found below.

The selection process is carried out to the best of our research team's ability with the materials accessible and from an unbiased standpoint. Our selection process is not affixed to our sales team and firms cannot pay to feature in the rankings; a Rankings Package is only available for purchase to ranked firms after our research team has produced the final list. A selection of factors will be considered for each firm, not all factors will be considered from each firm and some factors may carry more weight than others.

The selection is based on available resources and The Trademark Lawyer rankings should be used as a resource and a guide only. We recommend that all organizations seeking legal advice conduct their research in addition before selecting a firm that best suits their requirements.

National Law Journal

The NLJ 500 is a reputable ranking organization for American law firms. The following is NLJ's description of its methodology.

The NLJ 500 is the National Law Journal's survey of the 500 largest law firms in the United States covering the previous calendar year. Data is collected from firms at the same time as the Am Law financial numbers. ALM sent surveys this year to more than 900 law firms to determine the 500 largest U.S.-centric firms by headcount. Firms smaller than No. 350 are divided into two tiers instead of earning individual ranks.

Lawyer totals are based on the average number of full-time equivalent (FTE) attorneys for the period between Jan. 1 and Dec. 31, 2021. For firms that did not participate in the survey, ALM research estimates lawyer counts based on information that is available on firm websites and collected in ALM's Legal Compass database as of Dec. 31, 2021. Those numbers are reduced by 5 percent to estimate the average FTE lawyers for the calendar year. In the case of a tie of total lawyers, firms are ranked by their total number of partners, and ties at that level are broken by the total number of equity partners. Equity partners are defined as lawyers who earn more than half their compensation from firm profits rather than from salaries. "Other" lawyers are non-partner and non-associate-track attorneys, such as "Of Counsel". Temporary and contract attorneys as well as non-lawyer billing professionals and staff at firms are not included in these head counts. A firm must have more lawyers based in the U.S. than in any other single country to be included on this list.[147]

The Legal 500

The Legal 500 a reputable ranking organization for American law firms. The following is The Legal 500's description of its methodology.

147. ALM Staff, *The NLJ 500: Ranked by Head Count*, NAT'L L.J., (June 23, 2021), https://www.law.com/nationallawjournal/2021/06/23/the-nlj-500-main-chart-3 (on file with *the Journal of Corporation Law*).

<u>The basis for inclusion:</u>

Our team of experienced researchers – which includes both qualified journalists and lawyers – spend several months each year conducting in-depth research into the market. The primary source of our information is the law firms themselves, and the information they provide is often not for public consumption. This allows us to properly assess them against one another, practice area by practice area. We also gather feedback from peers and clients to assess their overall visibility and reputation. The process culminates in detailed rankings and editorial, providing buyers of legal services with an objective analysis of the US market that is updated annually.

<u>Elite approach:</u>

Where other guides to the market seek to be exhaustive, we are exclusive, deliberately focusing on the true superstars of the profession. We organize each practice area into a single national ranking, eschewing a state-by-state approach. Only a small number of firms in the US have a truly national presence coupled with the capability to handle sophisticated and complex work; these are the ones we choose to highlight here. This is not a game of numbers – indeed many of the fi rms included are small, single-office fi rms –but simply a question of quality.

<u>Emphasis on teams, not individuals:</u>

With the notable exception of our leading trial lawyers list, we do not rank individual lawyers. We do highlight certain key individuals within the editorial paragraphs, but our principal aim is to provide a snapshot of the market based on our assessment of the overall strength and depth of a practice group.[148]

148. *The Legal 500: Overview*, LEGAL 500, https://www.legal500.com/c/united-states [https://perma.cc/4QL9-RA95].