

Does the Stock Market Anticipate Events and Decisions of the United States Supreme Court in Corporate Cases?

Yehuda Davis
Rutgers Business School - Newark and New Brunswick
Rutgers University
Department of Accounting and Information Systems
yehuda.davis@rutgers.edu

Suresh Govindaraj*
Rutgers Business School - Newark and New Brunswick
Rutgers University
Department of Accounting and Information Systems
suresh@business.rutgers.edu

Kate Suslava
Bucknell University
Freeman College of Management
kate.suslava@bucknell.edu

*Corresponding author.

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ABSTRACT

This paper investigates stock market reactions to events in the United States Supreme Court (SC) relating to cases where at least one party involved is a public firm. Typically, cases that reach the SC level would have passed through multiple lower courts. Consequently, much of the information content of these cases would be publicly known and priced by the financial markets. If the market has perfectly anticipated that the SC would grant (a rare event) the *writ of certiorari* (accept a case), the tone of the subsequent legal arguments, and the final decision, then there should be no reaction to any of these events, as and when they unfold. If there are market reactions or re-pricing of stocks, then it would indicate that the financial market could not anticipate or predict the activities of the SC. Using a comprehensive dataset of more than 500 cases, we show that the market reacts to both the grant of *certiorari* and to the announcement of the case decision. In other words, the stock market could not predict the SC actions accurately. We also find that specific case characteristics, such as parties involved, the type of legal issue, and press coverage explain some of the cross-sectional variations in the stock returns across cases.

Keywords: *abnormal stock returns; Supreme Court; media coverage; writ of certiorari.*

JEL Classifications: K22, K40, D53.

Data Availability: Data used in this study are available from public sources identified in the study.

1. Introduction

The Supreme Court (SC) is one of the three pillars of the federal structure of governance in the United States. The Constitution established the SC of the United States to have both original and appellate jurisdiction, where the SC original jurisdiction is limited to cases involving disagreements between states or ambassadors, while appellate jurisdiction means that the SC can review the decisions of lower courts. The latter constitutes the majority of SC cases.

The SC appellate procedure starts with a petition from parties who are not satisfied with the decisions of lower courts. There are three important dates in the SC appellate process: (i) granting of the *writ of certiorari*, or accepting a case; (ii) oral arguments by the petitioner and respondent; and (iii) the announcement of the final decision. It requires four or more of the nine Justices' votes to accept the case (granting a *writ of certiorari*), and less than 1 percent of the petitions are accepted (see Thompson and Wachtell, 2009). Next, the petitioner and the respondent file their corresponding SC briefs and the SC subsequently publicly hears their oral case arguments. After the oral arguments, the Justices discuss, cast votes and decide on the case in a private conference. After that, one of the Justices in the majority is assigned to write the SC opinion. The preparation and the review of the SC opinion might take several months after the case is heard in the SC. Once the SC opinion is prepared, it is presented to the Justices for a review. Before it is released to the public, a majority of Justices must agree to the contents of the opinion. The SC releases their opinion on days when the SC is hearing other oral arguments. Practically no information leaks out before the day the decision is announced.

The importance of the SC in society has been well understood over time, and its impact has been researched, scrutinized, and analyzed in innumerable articles in the academic literature and the popular press from different points of view, ranging from the political, to gender and ethnicity, to socio-economic beliefs and more – past and present. If the case has reached the SC, by definition, it must be an important issue. Both academics and non-academics often spend an extraordinary amount of time trying to look for clues that will help them predict the actions of the SC justices in any given case. These attempts have met with limited success (see, for example, Katz et al., 2017).

However, the one area where research has been sparse is from the point of view of the financial markets.¹ This could possibly be attributed to the fact that modern finance is a relatively young field, in addition to the fact that the financial data required for analysis has only become available in the last few decades. Perhaps an even more important reason could be that data on legal cases is not yet easily available to conduct archival statistical research. Our work aims to contribute to this stream of legal and financial literature.

The main motivation for our work is to study if the financial market, specifically the stock market, is smart enough to correctly predict (on average) and assess the impact of the actions of the justices (granting of the *writ of certiorari*, and the final decision) of the SC, and actions of the petitioner and respondent in the oral arguments, in cases relating to and affecting business valuation. Unlike many prior studies that look at precedents, as well as social, personal and political characteristics of the individual justices, we use the collective wisdom of the financial market to see (i) if SC activities are predictable, and (ii) to study the direction and impact of the SC related activities on the stock prices of the concerned firms.

There has been a voluminous body of literature showing that financial markets are, on average, quite efficient at processing information, accurately forecasting the future, and unbiasedly pricing expected events (see for example Campbell et al., 1996). Even though there has been a recent surge in the financial economics literature showing that markets are subject to biases, bubbles, and excesses (see for example Shefrin, 2008), both academics and practitioners generally agree that it is hard to beat the market consistently. If the market can predict the actions of the SC, that would further solidify this reputation of the market. If not, then it further enhances the reputation of the SC as an institution that is unpredictable and perhaps independent.

As mentioned earlier, the academic literature in the area of economic analysis of Supreme Court decisions is quite sparse. In fact, we are not aware of any prior work relating to *writ of certiorari* and financial markets. It is only quite recently that researchers have begun to investigate the SC decisions that have a business entity as a party to a SC case. Epstein et al. (2012) show that a SC regime can be classified as pro-business (for example, the court led by Chief Justice John Roberts since 2005) or anti-business (for example, the SC led by Earl Warren from 1953 to 1969). They

¹ Some of the earlier financial market-based studies typically used market reaction to assess the loss in value for firms sued for damages related to products sold by them (see for example Govindaraj et al., 2007, Bhagat et al., 1998)

find that during the pro-business regime, the number of business petitioners relative to the number of business respondents increases, as do the win rates for business entities. They demonstrate that a SC Justice's attitude towards business is determined by the appointing President's party affiliation and the Justice's ideology before their appointment to the SC. Katz et al. (2017) is (to our knowledge) the first and only study that is similar to ours in that they explicitly consider financial market reactions to the SC decisions. Their study identifies 211 SC cases over the 2000-2014 period that are likely to have an impact on specific firms in the market, and goes on to show that for a subset of these cases (79 out of 211), the share prices of these firms move, in absolute value, on the SC decision date. There are two potentially problematic issues with their study: (i) they do not show directional response of the stock prices to the SC decisions, just the absolute value; and (ii) the authors use their discretion in selecting SC decisions and publicly traded securities associated with the cases, which introduces a selection bias in their sample. Unlike their study, we investigate market reactions to these events using a broad sample of all SC decisions during the years 1946-2018 that have a publicly traded firm as either a petitioner or a respondent.

Section 2 develops our hypotheses, Section 3 describes our datasets, Section 4 describes the methodology used to test our hypotheses, Section 5 discusses our results, and Section 6 concludes our paper. Appendix A provides the definitions for all the variables used in our statistical models.

2. Hypothesis Development

As mentioned earlier, there are three important event dates in any appellate case before the SC, namely, granting the *writ of certiorari*, the argument date when the lawyers for the petitioner and respondent present their arguments publicly, and finally, the SC decision announcement date. The held assumption throughout is that the financial markets, and the stock market in particular, are efficient in processing information, unbiasedly envisaging the future, and pricing firms.² The sources of information could range from private sources to public coverage, such as the newspapers (the Wall Street Journal (WSJ), to name one). For each of these SC events, we discuss and develop arguments for how the stock market may react.

² While it is true that there is considerable evidence now that financial markets over- or under-react to events and information, and misprice assets at least in the short run (leading to the development of what is come to be known as behavioral economic theory), it is still true that these markets are efficient over a long period of time and across a large cross-section of firms. It is widely acknowledged that to bet and win against the collective wisdom of the financial markets consistently is very unlikely.

The SC grants *writ of certiorari* decisions to very few petitioners (less than 1 percent). If granted, it would be a momentous occasion with broad implications (Feldman and Kappner, 2016). Consequently, it is reasonable to expect that the stock market's expectation *ex ante* would be that the SC would deny a petition. So, acceptance should be a positive surprise for the petitioner. This event should trigger a positive stock price reaction if a firm is a petitioner who now has a chance to win and overturn the losses in the lower courts, and maybe a negative reaction if the firm is a respondent. But this is not so clear cut *a priori*. If the market has anticipated this rare event, especially given that the case has done its rounds in the lower courts, or if information has been leaked despite the precautionary measures of the SC, then it would simply not react to acceptance of the case. It can also be argued that if the litigation going forward is viewed as costly all around, the stock prices of the firm, whether petitioner or respondent, should fall (Govindaraj et al., 2007). Therefore, we take the agnostic position that there will be no market reaction when the *writ of certiorari* is granted.

The next significant event is the oral arguments in the SC, which is open to the public. It is possible for new information to come out during the arguments (Jacobi and Schweers, 2017), and it is then to be expected that the financial market will react if the information was unanticipated. Since this information can be positive or negative for the firm concerned, it is hard to predict if the stock market will react positively or negatively. We take the position as a null hypothesis that the market properly anticipates future events, on average, and there would be no stock price reaction.

Finally, the SC decision announcement; the third, and perhaps most important event. Every precaution is taken by the SC to keep the decision under wraps until the day it is announced. Clearly the winner has a lot to gain, and the loser a lot to lose.³ As before, the reaction of the stock market has to be conditioned on what has already been anticipated and priced. If the market has correctly anticipated this decision, there would be no reaction to this event. The market should only react to the decision if it was unanticipated or just partially anticipated, reacting positively for the firm if it is the winner, and negatively if the firm is the loser.

3. Data

³ The economic consequences of winning or losing a SC case can be hefty. For example, in the case *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, eBay could have suffered a huge setback had it lost its right to use “Buy It Now” feature, an essential part of its online auction.

Our data consists of SC case decisions and argument dates matched with their respective *certiorari* dates. For the SC case decisions and oral argument dates, we start with the 2018 Spaeth Supreme Court Database (SCDB), which contains 8,893 unique cases that were decided in the SC during the years 1946-2018. For each case, the database has the case name, which includes the name of the petitioner and respondent, the oral argument date, the direction of the decision, and the date that the decision was released to the public.

The majority of SC cases are unrelated to publicly traded firms, so we perform several steps to identify the cases that have a publicly traded firm as one of the parties. First, we drop all cases that have missing data on which party won, and any case where the party names were incorrectly recorded. Second, we split each case into two observations: one observation for the petitioner and one observation for the respondent. The maintainers of the SCDB classify each party into one of several hundred categories (e.g. “governmental employee,” “person accused of a crime,” “bank”) according to the way they are described in the case. Using this information, we drop any parties with a classification that is obviously not describing a firm (for example, “arrested person”). We also define our own, much broader, categories; specifically, we classify each opposing party as either (i) a government, (ii) a firm, (iii) an individual, or, (iv) other. Lastly, we manually checked our final sample to ensure that all parties are firms and are correctly matched to the Center for Research in Security Prices (CRSP) database.

In order to get the data for *certiorari* decision dates, we use the *Journal of the Supreme Court of the United States*.⁴ These journals are published annually, starting from 1889, and contain daily records of the SC's issuance of orders, case dispositions, and other information. Each one is around 1,000 pages long. Most important for our purposes is that the journal includes the date of the SC's decision for every petition for *writ of certiorari*. A detailed discussion of the text mining process is presented in Appendix B. Our *certiorari* dataset includes the names of the petitioner and respondent, and the date on which the *writ of certiorari* was granted. While most cases arrive on the SC's docket via a *writ of certiorari*, some cases forego this process and go directly to SC. These are generally cases involving States, which the SC is required to accept. Since there is no granting of *writ of certiorari* for these cases, there is no specific announcement date for the acceptance of

⁴ These journals are accessible in PDF format at <https://www.supremecourt.gov/orders/journal.aspx>

these cases. These cases are marked in the SCDB as “appeal jurisdiction”, and we do not use them in our *certiorari* date analysis.

For both SC decisions and SC *certiorari* databases, we remove some standard words from the end of the party names (e.g. “et al.”) and keep only the actual party name. Using the Stata utility *stdn_compname* (Wasi and Flaaen, 2015), we standardize the firm names in both of our private databases and the data from the CRSP database. We then merge the *certiorari* dataset and the SC dataset by matching on the names of the two parties in the case, and restricting to cases that occur within a reasonable period (not more than 2 years). We merge the combined dataset with CRSP daily returns data using the standardized firm name. We drop any firm with multiple share classes or multiple SC events within 5 days of each other. We retrieve earning announcement dates from Compustat and dividend declaration dates from CRSP, and we drop any observation that is confounded by these events. We require 7 months (140 trading days) of returns data prior to each event date. Lastly, we merge our final dataset with the press coverage variables from Epstein et al. (2012) on the unique SCDB case ID.

After these procedures, the final number of observations used for the *writ of certiorari* date analyses is 390; for the argument date we have 483 cases, and for the decision date we have 509 cases.⁵

4. Methodology

For both our *certiorari* decision and our case decision samples, we study the stock market reaction to the SC announcement using a well-known, standard statistical regression methodology (see, for example, Govindaraj et al., 2007). Specifically, we calculate abnormal returns using the Fama-French-Carhart 4-factor model (Carhart, 1997; Fama and French, 1993), using a 6-month (120 trading days) estimation window that ends one month (20 trading days) before the event. If the *writ of certiorari* grant date or argument date is within the estimation window of another event, we remove them from the window. For the *writ of certiorari* decision and oral argument dates, we cannot be certain that there was no leakage of information prior to the actual dates, and so we use

⁵ The *writ of certiorari* database has the least number of observations because there is no date given for cases that arrive via appeals jurisdiction.

a 5-day cumulative abnormal returns (CAR) event window centered on the event date. However, for the event where the decision on the case is announced, we are certain that information leakage is not a problem, because the announcement is a carefully controlled event. The public and the stock market receive the information exactly on the specified date. Therefore, we use the abnormal returns from just that day. In all of these cases, the results remain qualitatively unchanged even if we use different event CAR-window specifications.

In our first set of tests, we perform univariate t -tests of the mean CARs (along with the Wilcoxon signed-rank p -value) for petitioner-firms and respondent-firms in the *writ of certiorari* decision sample, and the winning firms and losing firms in the argument date and case decision samples. Our null hypothesis is that the mean CAR should be zero for the date on which *writ of certiorari* is granted, the argument date, and the decision event date.

Additionally, we divide each group into subsamples based on the category of the opponent (firm, government, or individual), the legal issue at hand (economic, federalism, judicial power, or civil rights), and press coverage (Wall Street Journal or New York Times). For each subsample, we report the t -statistics for the mean CARs, as well as the Wilcoxon signed-rank p -value.

For our multivariate regressions, we separate the *certiorari* decisions into petitioner and respondent and the case decisions into wins and losses. We then estimate the following model for each of the subsamples⁶:

$$CAR_i = \sum_{k=1}^4 \beta_k ISSUE_{i,k} + \sum_{k=5}^7 \beta_k CPARTY_{i,k} + \beta_8 MEDIA_i + \beta_9 MVAL_i + \sum_j \alpha_j FE_j + \epsilon_i$$

For the *certiorari* decisions dataset, CAR is the 5-day cumulative abnormal return for firm i , centered on the day the *certiorari* decision is announced, and for the SC case decisions dataset, CAR is the abnormal return on the day the case decision is announced. $ISSUE$ is an indicator variable that relates to the subject matter of the case and is coded as Civil Rights, Economic Activity, Judicial Power, or Federalism. It is set equal to one if the case is categorized under that issue in the SCDB, and zero otherwise. $CPARTY$ is an indicator variable classifying the category of the other party in the case. It represents one of the following categories: Government, Firm, or Individual, and is set equal to one if the opposing party falls into that category, and zero otherwise.

⁶ See Appendix A for definitions of these variables.

MEDIA is an indicator variable for whether or not the case decision garnered attention in the press. It can be either *WSJ*, which is set equal to one if the decision was cited by the Wall Street Journal, zero otherwise, or *NYT*, which is set equal to one if the decision was printed on the front page of the New York Times, and zero otherwise. Both of these variables come from the Epstein et al. 2012 dataset. We include a control for size (*MVAL*) that is calculated as the natural log of the market value of the firm, 5 days before the first event date related to the case (*certiorari*, argument, or decision date). We include controls for industry and period fixed effects based on the 2-digit SIC industries and the Chief Justices for the period.

5. Results

5.1. Descriptive statistics

Figure 1 shows the distribution of case decisions by year in our sample with each bar separated into wins and losses. Our total sample includes 509 observations (cases), with 218 wins and 291 losses. It spans a 73-year period from 1946 to 2018, which is the most comprehensive dataset researched to date. As a benchmark, Katz et al. (2017) use a sample of 211 cases, which is limited to cases that the authors considered likely to have affected market prices of publicly traded firms.⁷ There is a marked decrease in the number of cases the SC agrees to review, starting from the 1990s. Owens and Simon (2011) discuss this decline, and cite the Supreme Court Case Selections Act of 1988, which eliminated almost all cases that the SC was formerly mandated to hear, and an ideologically fractured Court as the primary reasons for the SC caseload reduction. There is also a noticeable increase in the proportion of wins in the later years of the sample, which meshes well with Epstein et al.'s (2012) conjecture that the Warren Court (1953-1969) was anti-business, whereas the Roberts Court (starting 2005) is more business friendly.

Insert Figure 1 here

Table 1 presents the statistics for our sample partitioned by petitioner and respondent, and further split into subcategories by the jurisdiction, the case issue, the opponent type, the industry, and the Chief Justice. Our sample is well-balanced between parties, with 259 petitioners and 250 respondents. About 80% of the cases in our sample are accepted by the SC via the *certiorari* process. As can be seen from Panel A, the most common cases concern economic issues. This is

⁷ As mentioned earlier, this introduces a selection bias.

not surprising, since our sample consists only of cases involving business entities. In Panel B we can see that about 70% of the cases that arrive under the appeals jurisdiction are against the government. This is consistent with the fact that cases involving the government are more likely to be constitutionally mandated to be heard by the SC.

In Panel C, the sample is presented by the Chief Justice at the time the case is decided, and by the industry that the firm is part of. In the interest of conciseness, we show only the five most frequent industries that appear before a particular Chief Justice. It is interesting to note that in the earlier years in the sample, railroads were the most common industry among the SC cases that involved publicly traded firms. However, in the later years they practically disappeared, probably because of their declining importance, and because the railroad rules and regulations were already well litigated and in place. For a more detailed presentation of the frequency of different industries over the years in our sample, see Figure 2.

Insert Figure 2 here

Epstein et al. (2012) present some evidence that the Warren court demonstrated an anti-business attitude, whereas the Roberts court is pro-business. Our data further supports their findings. Panel C shows that while the overall frequency of cases taken by the SC has declined, firms were far more likely to be a respondent in the Warren court (91 respondents to 57 petitioners) than in the Roberts court (22 respondents to 31 petitioners). This seems to indicate that firms are more likely to petition the SC when it is more business-friendly because the SC is more likely to accept the case. Additionally, firms might be estimating that they are more likely to win the case under a friendlier SC regime.

Insert Table 1 here

Table 2 presents the statistics for the SC wins and losses for case decision events. A notable finding in Panel A is that the trend for the SC to more likely rule in favor of the petitioner is clearly seen, with petitioners having more wins than losses (145 to 114 respectively), and respondents having far fewer (73 to 177 respectively). In Panel C, we can once again see the stark contrast between the Warren court and the Roberts court. Under Warren, firms suffer 107 losses to only 41 wins, whereas under Roberts, it is 22 losses to 31 wins. This table includes an additional panel that divides the sample by press coverage in the *Wall Street Journal* (WSJ) or the *New York Times* (NYT) or both. Since the press dataset is only available until 2011, the sample size decreases

slightly. In our sample, 79 out of 437 observations have press coverage either in the WSJ or the NYT or in both.

Insert Table 2 here

5.2 Cumulative Abnormal Returns at SC Announcement Dates

In Table 3, we provide aggregate, univariate statistics for the 3 different SC event dates, namely granting of *writ of certiorari*, argument date, and decision date in Panels A, B, and C, respectively. Panel A shows that both petitioners and respondents have negative mean CARs for the date when of *writ of certiorari* is granted. For petitioners, the mean CAR is -0.534%, and for respondents it is -0.705%, with the market reaction especially significant for the petitioners. This is consistent with the prior literature (and of course, does not support our null hypothesis of no reaction) that shows a negative market reaction to both parties in a lawsuit filing (Bhagat et al., 1998), and supports the conjecture that the market finds the projected legal battle in the SC costly for all parties. The significant negative reaction lends support for the hypothesis that stock market has not fully anticipated the actions of the SC.

Panel B indicates that there is no market reaction for the argument date, suggesting that either (i) the arguments of the petitioner and respondent have already been anticipated by the stock market, or (ii) the arguments do not, on average, provide information useful for predicting the outcome of the case. The strongest results are to be found for the decision event in Panel C. The winning firms have a mean (median) CAR of 0.554% (0.157%), significant at the 1% level, and the losing firms have a mean (median) CAR of -0.370% (-0.131%), significant at 5%. Based on these results, a firm that wins (loses) in the SC can expect an abnormal return of approximately 0.55% (-0.37%) on the announcement date. This supports the hypothesis that the stock market does not anticipate the decisions of the SC. This certainly suggest that the decisions of the SC are hard to predict, even for the wisdom of sophisticated investors and institutions that operate in the stock market.⁸

Insert Table 3 here

In Figures 3 and 4, we further confirm the market reaction to the *certiorari* and SC decision announcement. To create the figures, we split the *certiorari* sample into petitioners/respondents and the case decision sample into wins/losses. For each group, we calculate the mean abnormal

⁸ This result is certainly a comforting finding and speaks for the independence and unbiasedness of the SC.

return for each day in event time. The graphs show the cumulated mean abnormal return for each group over the event window of [-20, 10]. In Figure 3, we can see that there is a strong negative reaction for both petitioners and respondents around the *certiorari* decision announcement. In Figure 4, a positive jump for wins and a negative jump for losses is evident on the day of the decision, and does not appear to reverse. These results further support our findings that firms experience negative market returns around the *certiorari* announcement date and significant positive/negative returns on the date of a win/loss announcement.

Insert Figures 3 and 4 here

Next, we examine different factors that play a role in the market reaction to the *certiorari* and decision events. In Table 4, we present the mean CAR for groups of stocks sorted on legal issue, opponent type, and press coverage separately for firms that are petitioners (Panels A-C) and respondents (Panels D-F). Panel A shows that cases that relate to civil rights (-2.86%) and economic issues (-0.92%) are both significantly negative at the 5% level. With regard to Civil Rights, it appears that most of these cases are related to discrimination. The strong negative reaction, which recurs throughout our study, seems to indicate that the stock market investors do not like it when firms litigate cases related to this issue. Economic issues are the types of cases that likely lead to economically significant losses. As an example, in *Mobil Oil Corp. v. Federal Power Commission* (417 U.S. 283), the Federal Power Commission set maximum gas prices for certain areas, and was ordering Mobil Oil Corp. to refund any excess from sales made at higher rates prior to the establishment of the maximum. Mobil fought this all the way to the SC. In the 5-day window around the *certiorari* grant date of January 14, 1974, Mobil experienced abnormal returns of -5.67%. In terms of opponent type, Panel B indicates that the negative reaction for petitioner-firms appears to stem mostly from the cases against governments (CAR of -2.58%, statistically significant at the 1% level). When it comes to fighting the government, it seems that the market feels this is an uphill battle, perhaps due to the deep pockets and long lives that most government bodies have. In Panel C, the cases with press coverage have CARs that are more negative than the cases without press coverage, although they are statistically insignificant.

For the respondents, Panel D shows that respondents in cases related to civil rights, economic issues or judicial power, all have significant negative CARs. When it comes to the opponent type, Panel E shows negative, albeit insignificant, CARs across all categories. In Panel F, just like for

petitioners, respondents have a more negative CAR with press coverage, but none of the CARs are significant.

Insert Table 4 here

Table 5 provides a similar analysis for the case decision date. Panel A shows that the primary drivers of the positive AR for wins comes from cases relating to economic issues (AR of 0.85%). In Panel B, we can see that AR is consistently positive for winning firms regardless of their opponent, although it is statistically significant only for cases against governments and the Other category. This suggests that a win decision is received in a subtly nuanced fashion by the stock market. Perhaps the markets view a win against the government as truly of consequence. In Panel C, the ARs are all positive, regardless of whether or not the case had press coverage, and while the only statistically significant result is for firms without press coverage, the mean ARs are higher for the cases with press coverage.

On the loss side, Panel D shows that economic issues (-0.52%) and issues relating to judicial power (-0.67%) have significant negative reactions. Split by the opponent type, Panel E indicates that losses against the government result in significantly negative abnormal returns of -0.45%. Here again, we see how there are economically significant negative returns to legal battles with the government, further supporting the idea that the market views them in a very negative light. Lastly, in Panel F we can see that both groups of media coverage are much more negative than the group without coverage, and both are statistically significant at the 10% level.

Insert Table 5 here

5.3 Regression Analysis

We now extend our analysis from the univariate to multivariate linear regressions. We split the *certiorari* granted sample into petitioners and respondents, and the case decision sample into wins and losses. For each one, we test four different specifications of Equation (1). Overall, the regression results support our findings in the univariate tests. Table 6 displays the results for petitioners on the *certiorari* granted date. In all of the columns, the Civil Rights indicator is negative and significant, so it appears that the market takes a negative view of firms that litigate these types of cases. In columns 2-4, the Government indicator is also negative and significant. This further supports our earlier findings that market views a legal battle against a government to

be worse than a legal battle against any other party. The media indicators both load negative, although neither of the coefficients are significant. In all columns, our control for size (*MVAL*) is positive, but only significant in columns 3 and 4. This seems to indicate that the market believes that larger firms have a greater chance of a positive outcome in the SC.

Insert Table 6 here

For the respondents, Table 7 shows that once again, the coefficient on Civil Rights is negative and significant, supporting our previous findings. Cases under the category of Economic Issue or Judicial Power are also part of the driving force behind the negative CAR in the univariate results, as both coefficients are negative and significant, although Economic Issue loses its significance in columns 3 and 4. Cases involving economic issues would seemingly have more of a financial impact on a firm, so this result is unsurprising. Many cases that fall under the category of judicial power revolve around the validity of a lower court's decision to certify or not certify a class action lawsuit (e.g. Wal-Mart v. Dukes, 564 U.S. 338, 2011 and Microsoft Corp. v. Baker, 2017). Losing such a case would presumably lead to a class action lawsuit, which explains the more negative reaction to these cases. Firm size is once again positive in all 4 columns (significant in columns 1 and 2), which is indicative of investors' belief of an increased likelihood of winning for larger firms.

Insert Table 7 here

Table 8 has the results for firms that receive a favorable decision. In all columns, the Economic Issue and Judicial Power indicators are positive and significant. As mentioned earlier, economic issues are more likely to have a larger impact on a firm's value, and judicial power issues often involve class action certification. The results indicate that investors are treating these wins more positively than wins in other categories. The dummies for cases against a firm or an individual both have negative and significant coefficients, so these wins are probably considered less valuable in the eyes of investors, especially given the costs incurred for litigation. In columns 3 and 4, the media dummies load positive and significant, increasing the positive reaction to a win. This supports previous findings in the literature (Bushee et al., 2010; Twedt, 2016) that media enhances the response to firm-related events. Lastly, firm size loads negative but insignificant in all four columns.

Insert Table 8 here

Table 9 reports the results for the firms that lose in the SC. The Judicial Power indicator has negative and significant coefficients in columns 3 and 4. This provides further support for the rationale presented above. The opposing party does not seem to have any effect on the abnormal returns for the losing firms. Mirroring the winning-firm sample, both media indicators are significantly negative, giving further credence to our interpretation above. Firm size is positive and significant in columns 1, 3, and 4, which might indicate that larger firms are considered to be less affected by a loss in the SC.

Insert Table 9 here

6. Conclusion

In this paper, we have studied the stock market reactions to events at the SC level where at least one party, the petitioner or the respondent, is a publicly traded firm. The three events of interest are the granting of the *writ of certiorari* (a very rare event), when the public arguments are held, and finally, the date when the SC announces its decision. It is well known that the financial markets and investors are, in general, very efficient in processing information and also unbiasedly anticipating the economic impact of future economic events. Therefore, if the stock market correctly anticipates the future events of the SC, it should not be surprised and should not react. This is our null hypothesis. However, we find that there is a negative reaction in the stock market for a firm, whether petitioner or respondent, when the *writ of certiorari* is granted. This suggests that the market has not fully anticipated this event. At first glance, it is a bit counter-intuitive and surprising that the petitioner suffers a negative effect, given that the petition has been given a rare chance to be heard in the SC.⁹ We attribute this to the fact that the stock market views litigation as a costly process for any firm, no matter whether it is a petitioner or a respondent (see for example, Govindaraj et al., 2007). The oral argument event evokes no market response. This is consistent with the fact that since the cases are so well known even before they arrive at the SC, the arguments are rarely a surprise. The decision of the SC is truly a positive stock market event for the winner and negative stock market event for the loser. This result in itself is consistent with the expectation that a win has a huge positive reward, and a loss entails future economic losses for the firm. Perhaps more important, is the fact that this suggests that the market does not seem to be able to predict the

⁹ This result is particularly pronounced for cases concerning civil rights issues, or cases where the government is involved.

decision of the SC, and appears to be surprised by the decision. This finding is of particular interest because it suggests that it is hard for even the stock market, with its collective wisdom of sophisticated investors, to predict the actions of the SC. It suggests that the SC is unbiased and independent – a thought that should be comforting for the citizens of the United States.

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Appendix A: Variable Definitions

AR	Abnormal return on the decision announcement date, calculated as the buy-and-hold return on a stock minus the expected return over the same interval. We calculate the expected return using the Fama-French-Carhart 4-factor model. The Fama-French-Carhart factors are estimated over a 120-day trading window ending 20 days before the event.
CAR	Cumulative abnormal return in the interval $[-2, +2]$, where day 0 is the event date (<i>certiorari</i> or arguments), calculated as the sum of the daily buy-and-hold returns on a stock minus the expected returns over the same interval. We calculate the expected return using the Fama-French-Carhart 4-factor model. The Fama-French-Carhart factors are estimated over a 120-day trading window ending 20 days before the event.
Civil Rights	Dummy variable equal to one if a Supreme Court case dealt with a civil rights issue and zero otherwise. We obtain the issue classification from the 2018 Supreme Court Database (Spaeth et al., 2018). According to the database, Civil Rights includes non-First Amendment freedom cases which pertain to classifications based on race, age, indigency, voting, residency, military or handicapped status, gender, and alienage.
Economic Activity	Dummy variable equal to one if a Supreme Court case dealt with an economic issue and zero otherwise. We obtain the issue classification from the 2018 Supreme Court Database (Spaeth et al., 2018). According to the database, Economic Activity is largely commercial and business related; it includes tort actions and employee actions vis-a-vis employers.
Judicial Power	Dummy variable equal to one if a Supreme Court case dealt with a judicial power issue and zero otherwise. We obtain the issue classification from the 2018 Supreme Court Database (Spaeth et al., 2018). According to the database, Judicial Power concerns the exercise of the judiciary's own power.
Federalism	Dummy variable equal to one if a Supreme Court case dealt with an issue related to federalism and zero otherwise. We obtain the issue classification from the 2018 Supreme Court Database (Spaeth et al., 2018). According to the database, Federalism pertains to conflicts and other relationships between the federal government and the states, except for those between the federal and state courts.

Government	Dummy variable equal to one if the opponent in the Supreme Court case was a government body and zero otherwise. We obtain the opponent classification from the 2018 Supreme Court Database (Spaeth et al., 2018).
Firm	Dummy variable equal to one if the opponent in the Supreme Court case was a firm and zero otherwise. We obtain the opponent classification from the 2018 Supreme Court Database (Spaeth et al., 2018).
Individual	Dummy variable equal to one if the opponent in the Supreme Court case was an individual and zero otherwise. We obtain the opponent classification from the 2018 Supreme Court Database (Spaeth et al., 2018).
WSJ	Dummy variable equal to one if the WSJ published an article mentioning the Court's decision and zero otherwise. We obtain this variable from the Epstein dataset (Epstein et al., 2012).
NYT	Dummy variable equal to one if the New York Times published a story about the Court's decision on the front page and zero otherwise. We obtain this variable from the Epstein dataset (Epstein et al., 2012).
MVAL	The natural log of the market value of a firm, calculated as shares outstanding multiplied by the price of a share as of 5 days before the first event.

Appendix B: Supreme Court Journal data extraction

The SC Journals are available in PDF format. Up until 1993, the Journals are scanned images that were converted to text using optical character recognition (OCR), a process that often introduces errors into the converted text. From 1993 onward, the Journals contain the actual text, so there should be no OCR issues. Using regular expression search, we search each year's journal for entries that state that *writ of certiorari* was granted. Here is an example of such an entry from the 2017 journal:

No. 17-2. United States, Petitioner *v.* Microsoft Corporation. Petition for a writ of certiorari to the United States Court of Appeals for the Second Circuit granted.

and another one from the 1944 journal:

No. 806. Alma Motor Company, petitioner, *v.* The Timken-Detroit Axle Company et al. Petition for writ of certiorari to the Circuit Court of Appeals for the Third Circuit granted.

For each entry that we find, we extract the names of the parties and the date. The entries themselves are not dated; instead, the date is printed on each page as a header. Therefore, we extract the date that is at the top of the page. The date can also contain errors and extra spaces from the OCR process. If the OCR incorrectly identifies a digit in the date, any observations from that page would have the wrong date. To mitigate this problem, we verify that the day of the week is a match to the parsed date. Surprisingly, our manual checks confirmed that the journal itself often gets the day of the week wrong, as is evident from the following example of contradictory headers:

(JOURNAL)	THURSDAY, OCTOBER 31, 1990	219
(JOURNAL)	THURSDAY, NOVEMBER 1, 1990	221

If we find multiple consecutive dates with the same incorrect weekday, we consider the weekday to be a journal error and we use the actual date.

Figure 1: Observation frequency by year for case decisions

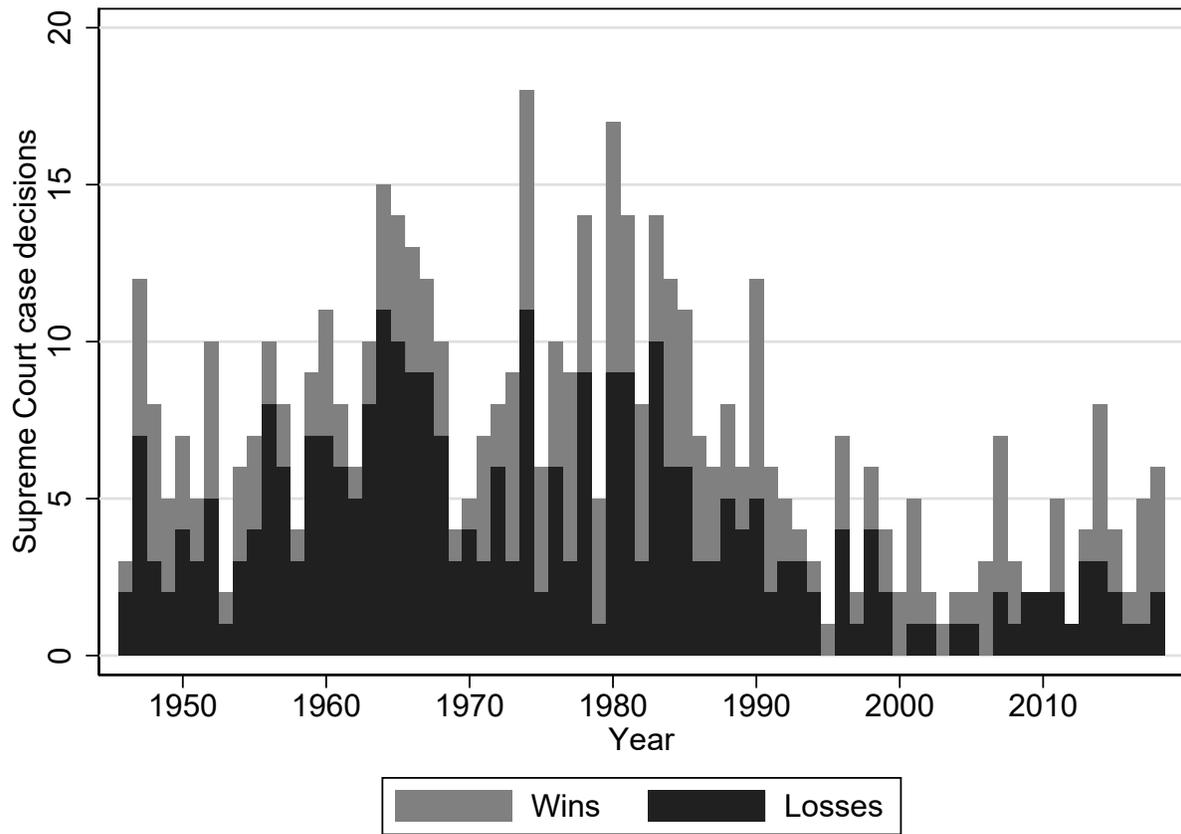


Figure 2: Observation frequency by year and industry

This figure shows the distribution of Supreme Court case decisions by industry, for the 15 most frequent industries. Each dot represents a year with a case decision in that particular industry. The larger the dot, the more case decisions there were in that particular year.

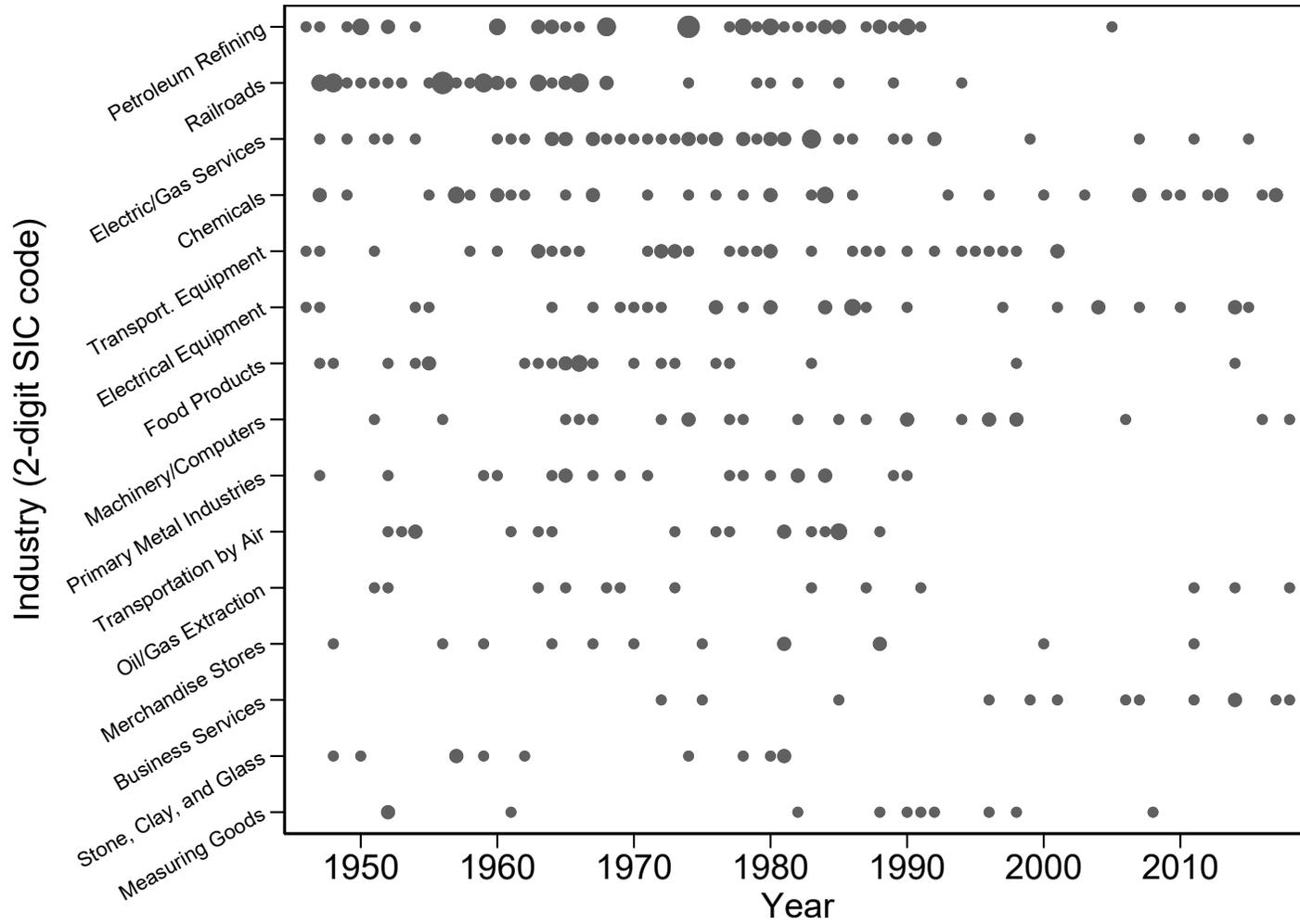


Figure 3: Graph of CAR centered on the certiorari announcement date split by petitioners and respondents

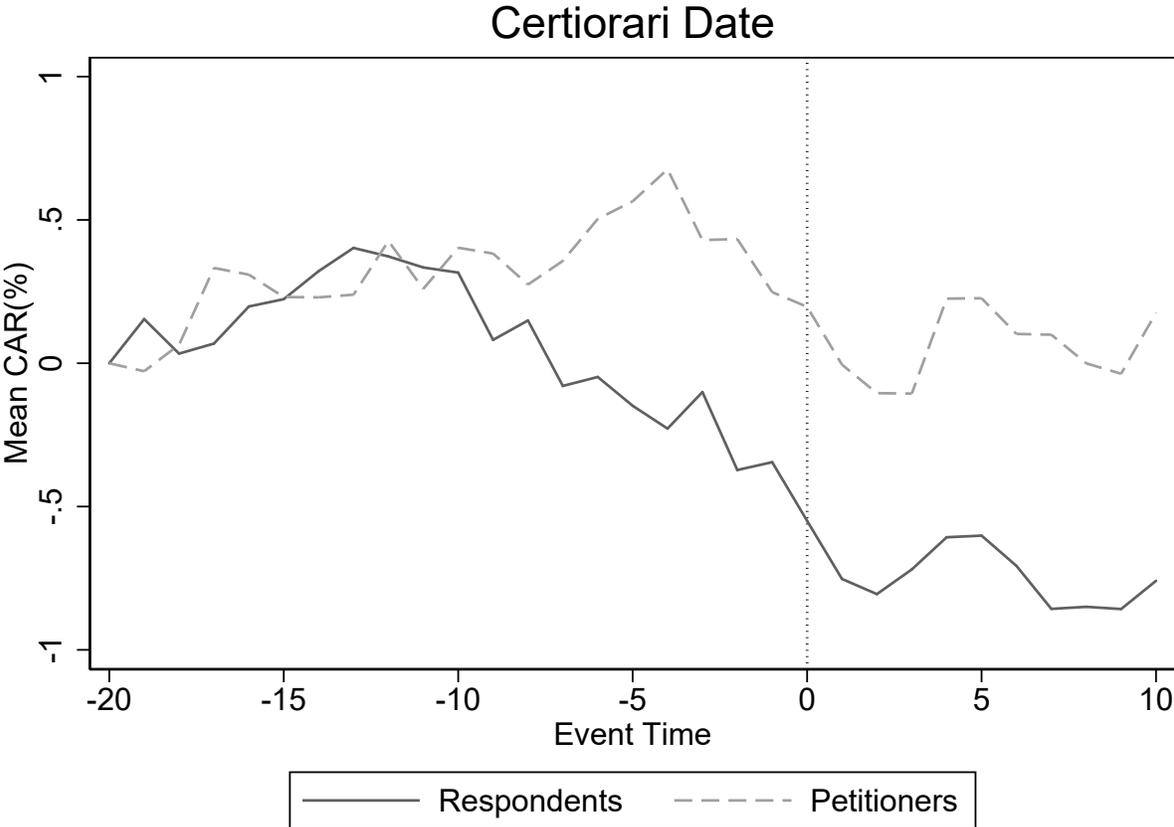


Figure 4: Graph of CAR centered on the case decision announcement date split by wins and losses

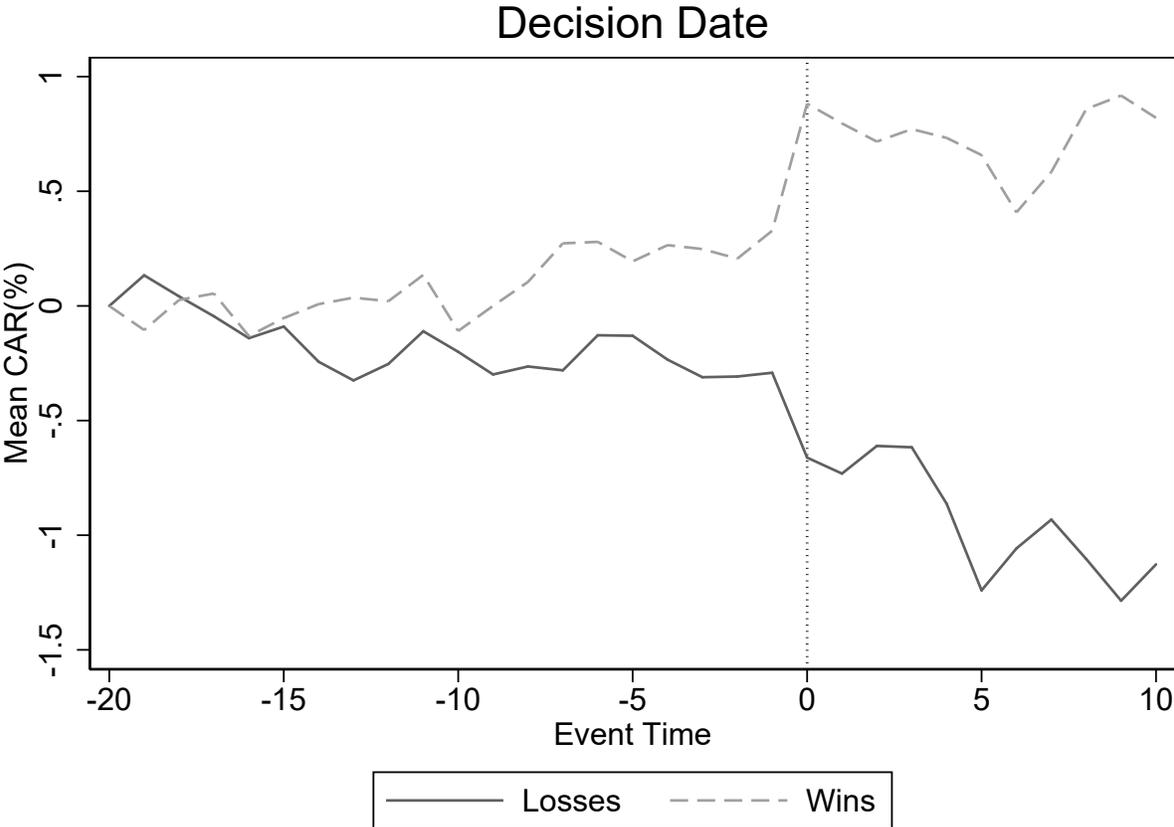


Table 1: Descriptive Statistics for Accepted (via *certiorari* or direct appeal) Supreme Court Cases

This table provides descriptive statistics for the legal cases that were accepted by the Supreme Court via either the grant of *certiorari* or the direct appeal process. The sample consists of all publicly traded firms in the 2018 Supreme Court Database (Spaeth et al., 2018) during the period 1946–2018. The data is presented for petitioners and respondents by legal issue (Panel A), opponent type (Panel B), and Chief Justice and industry (Panel C).

Panel A. Supreme Court Cases by Type of Legal Issue				
Jurisdiction	Legal Issue	Public Firm is a		Total
		Petitioner	Respondent	
Certiorari	Civil Rights	13	16	29
	Economic Issue	92	102	194
	Judicial Power	39	42	81
	Federalism	13	6	19
	Other	46	34	80
	Subtotal	203	200	403
Appeal	Civil Rights	0	1	1
	Economic Issue	38	25	63
	Judicial Power	4	11	15
	Federalism	5	6	11
	Other	9	5	14
	Subtotal	56	48	104
Total		259	250	509

Panel B. Supreme Court Cases by Opponent Type				
Jurisdiction	Opponent	Public Firm is a		Total
		Petitioner	Respondent	
Certiorari	Government	22	27	49
	Firm	49	38	87
	Individual	84	78	162
	Other	48	57	105
	Subtotal	203	200	403
Appeal	Government	39	32	71
	Firm	8	9	17
	Individual	3	3	6
	Other	6	4	10
	Subtotal	56	48	104
Total		259	250	509

Panel C. Supreme Court Cases by Chief Justice and Industry

Chief Justice	Industry (2-digit SIC)	Public Firm is a		Total
		Petitioner	Respondent	
Vinson (1946–1953)	Railroads	2	10	12
	Petroleum Refining	5	3	8
	Electric/Gas Services	2	2	4
	Food Products	1	2	3
	Chemicals	2	1	3
	Other	5	16	21
	Subtotal		17	34
Warren (1953–1969)	Railroads	9	19	28
	Petroleum Refining	4	10	14
	Food Products	4	8	12
	Chemicals	4	8	12
	Electric/Gas Services	2	10	12
	Other	34	36	70
	Subtotal		57	91
Burger (1969–1986)	Electric/Gas Services	16	6	22
	Petroleum Refining	13	8	21
	Electrical Equipment	7	6	13
	Transport. Equipment	5	8	13
	Chemicals	5	6	11
	Other	55	39	94
	Subtotal		101	73
Rehnquist (1986–2005)	Transport. Equipment	6	5	11
	Petroleum Refining	7	2	9
	Machinery/Computers	7	1	8
	Electrical Equipment	4	2	6
	Measuring Goods	2	4	6
	Other	27	16	43
	Subtotal		53	30
Roberts (2005–2018)	Chemicals	6	4	10
	Business Services	5	2	7
	Electrical Equipment	2	3	5
	Oil/Gas Extraction	1	2	3
	Machinery/Computers	2	1	3
	Other	15	10	25
	Subtotal		31	22
Total		259	250	509

Table 2: Descriptive Statistics for Supreme Court Decisions

This table provides descriptive statistics for the Supreme Court decisions. The sample consists of all publicly traded firms in the 2018 Supreme Court Database (Spaeth et al., 2018) during the period 1946–2018. The data is presented for wins and losses by legal issue (Panel A), opponent type (Panel B), Chief Justice and industry (Panel C), and press coverage (Panel D).

Panel A. Supreme Court Decisions by Type of Legal Issue				
Public Firm	Legal Issue	Public Firm		Total
		Wins	Loses	
Petitioner	Civil Rights	9	4	13
	Economic Issue	76	54	130
	Judicial Power	30	13	43
	Federalism	6	12	18
	Other	24	31	55
	Subtotal	145	114	259
Respondent	Civil Rights	3	14	17
	Economic Issue	37	92	129
	Judicial Power	18	35	53
	Federalism	4	8	12
	Other	11	28	39
	Subtotal	73	177	250
Total		218	291	509

Panel B. Supreme Court Decisions by Opponent Type				
Public Firm	Opponent	Public Firm		Total
		Wins	Loses	
Petitioner	Government	28	33	61
	Firm	36	21	57
	Individual	56	31	87
	Other	25	29	54
	Subtotal	145	114	259
Respondent	Government	14	46	60
	Firm	15	32	47
	Individual	31	51	82
	Other	13	48	61
	Subtotal	73	177	250
Total		218	291	509

Panel C. Supreme Court Decisions by Chief Justice and Industry

Chief Justice	Industry (2-digit SIC)	Public Firm		Total
		Wins	Loses	
Vinson (1946–1953)	Railroads	6	6	12
	Petroleum Refining	4	4	8
	Electric/Gas Services	1	3	4
	Food Products	0	3	3
	Chemicals	2	1	3
	Other	12	9	21
	Subtotal		25	26
Warren (1953–1969)	Railroads	8	20	28
	Petroleum Refining	1	13	14
	Food Products	4	8	12
	Chemicals	1	11	12
	Electric/Gas Services	3	9	12
	Other	24	46	70
	Subtotal		41	107
Burger (1969–1986)	Electric/Gas Services	10	12	22
	Petroleum Refining	8	13	21
	Electrical Equipment	5	8	13
	Transport. Equipment	6	7	13
	Chemicals	4	7	11
	Other	47	47	94
	Subtotal		80	94
Rehnquist (1986–2005)	Transport. Equipment	4	7	11
	Petroleum Refining	3	6	9
	Machinery/Computers	4	4	8
	Electrical Equipment	4	2	6
	Measuring Goods	2	4	6
	Other	24	19	43
	Subtotal		41	42
Roberts (2005–2018)	Chemicals	3	7	10
	Business Services	4	3	7
	Electrical Equipment	2	3	5
	Oil/Gas Extraction	1	2	3
	Machinery/Computers	2	1	3
	Other	19	6	25
	Subtotal		31	22
Total		218	291	509

Panel D. Press Coverage of Supreme Court Decisions involving a Public Firm

Public Firm	Press Coverage	Public Firm		Total
		Wins	Loses	
Petitioner	WSJ Coverage	10	9	19
	NYT Coverage	15	14	29
	None	100	85	185
Respondent	WSJ Coverage	7	21	28
	NYT Coverage	5	18	23
	None	54	119	173

Table 3: Cumulative Abnormal Returns for Supreme Court Cases

This table reports cumulative abnormal stock returns around the three dates: the date the Supreme Court announces its decision to grant *certiorari* (Panel A, 5-day window), the date when a case is argued in the Supreme Court (Panel B, 5-day window), and the date when the Supreme Court announces its decision (Panel C, 1-day window). Our sample consists of all publicly traded firms in the 2018 Supreme Court Database (Spaeth et al., 2018) during the period 1946–2018. Individual variable definitions are outlined in Appendix A. Significance level: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Panel A. Certiorari Granted Date		
	Petitioners	Respondents
Mean $CAR_{[-2, 2]}$	-0.534*	-0.705**
t -statistic	-1.833	-2.106
Median $CAR_{[-2, 2]}$	-0.464	-0.336
Wilcoxon Signed-Rank p -value	0.014	0.126
Number Positive/Negative	81/117	87/105
Observations	198	192
Panel B. Supreme Court Argument Date		
	Wins	Losses
Mean $CAR_{[-2, 2]}$	0.191	-0.258
t -statistic	0.601	-1.080
Median $CAR_{[-2, 2]}$	-0.278	-0.267
Wilcoxon Signed-Rank p -value	0.565	0.113
Number Positive/Negative	96/112	130/145
Observations	208	275
Panel C. Supreme Court Decision Announcement Date		
	Wins	Losses
Mean AR_0	0.554***	-0.370**
t -statistic	2.891	-2.101
Median AR_0	0.157	-0.131
Wilcoxon Signed-Rank p -value	0.010	0.020
Number Positive/Negative	128/90	131/160
Observations	218	291

Table 4: Cumulative Abnormal Returns t -tests for Certiorari Date by Subsample

This table reports the cumulative abnormal stock returns in the 5-day window around the *certiorari* announcement date for petitioners (Panels A–C) and respondents (Panels D–F). We examine CAR by legal issue (Panels A and D), by opposing party (Panels B and E), and by presence/absence of press coverage (Panels C and F). Our sample consists of all publicly traded firms in the 2018 Supreme Court Database (Spaeth et al., 2018) during the period 1946–2018. Individual variable definitions are outlined in Appendix A. Significance level: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Panel A. Abnormal Returns on Certiorari Date for Petitioners by Legal Issue				
Legal Issue	Observations	CAR _[-2,2] (%)	t -statistic	Wilcoxon Signed-Rank p -value
Civil Rights	13	-2.855**	-2.282	0.028
Economic Issue	87	-0.918**	-2.369	0.012
Judicial Power	36	0.334	0.588	0.753
Federalism	12	-1.103	-1.404	0.158
Other	50	0.248	0.338	0.791
Panel B. Abnormal Returns on Certiorari Date for Petitioners by Opponent Type				
Opponent	Observations	CAR _[-2,2] (%)	t -statistic	Wilcoxon Signed-Rank p -value
Government	23	-2.577***	-3.764	0.000
Firm	47	0.099	0.200	0.727
Individual	82	-0.509	-1.027	0.106
Other	46	-0.205	-0.331	0.891
Panel C. Abnormal Returns on Certiorari Date for Petitioners by Press Coverage				
Press Coverage	Observations	CAR _[-2,2] (%)	t -statistic	Wilcoxon Signed-Rank p -value
WSJ Coverage	11	-1.233	-1.579	0.155
NYT Coverage	18	-1.731	-1.405	0.064
None	143	-0.451	-1.405	0.088

Panel D. Abnormal Returns on Certiorari Date for Respondents by Legal Issue				
Legal Issue	Observations	CAR _[-2, 2] (%)	<i>t</i> -statistic	Wilcoxon Signed-Rank <i>p</i> -value
Civil Rights	17	-2.446*	-1.766	0.084
Economic Issue	96	-0.917*	-1.838	0.109
Judicial Power	40	-1.273**	-2.553	0.012
Federalism	5	-0.544	-0.357	0.893
Other	34	1.409*	1.833	0.007

Panel E. Abnormal Returns on Certiorari Date for Respondents by Opponent Type				
Opponent	Observations	CAR _[-2, 2] (%)	<i>t</i> -statistic	Wilcoxon Signed-Rank <i>p</i> -value
Government	23	-0.466	-0.745	0.543
Firm	37	-0.561	-0.919	0.512
Individual	77	-0.710	-1.230	0.222
Other	55	-0.894	-1.276	0.719

Panel F. Abnormal Returns on Certiorari Date for Respondents by Press Coverage				
Press Coverage	Observations	CAR _[-2, 2] (%)	<i>t</i> -statistic	Wilcoxon Signed-Rank <i>p</i> -value
WSJ Coverage	16	-1.127	-1.392	0.301
NYT Coverage	14	-1.513	-1.650	0.124
None	139	-0.665	-1.614	0.263

Table 5: Abnormal Returns t -tests for Decision Date by Subsample

This table reports the 1-day abnormal stock returns on the decision announcement date for wins (Panels A–C) and losses (Panels D–F). We examine AR by legal issue (Panels A and D), by opposing party (Panels B and E), and by presence/absence of press coverage (Panels C and F). Our sample consists of all publicly traded firms in the 2018 Supreme Court Database (Spaeth et al., 2018) during the period 1946–2018. Individual variable definitions are outlined in Appendix A. Significance level: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Panel A. Abnormal Returns for Supreme Court Wins by Legal Issue				
Legal Issue	Observations	AR ₀ (%)	t -statistic	Wilcoxon Signed-Rank p -value
Civil Rights	12	−0.804	−1.055	0.209
Economic Issue	113	0.848***	2.655	0.032
Judicial Power	48	0.346	1.257	0.234
Federalism	10	0.348	1.085	0.241
Other	35	0.414	1.154	0.196
Panel B. Abnormal Returns for Supreme Court Wins by Opponent Type				
Opponent	Observations	AR ₀ (%)	t -statistic	Wilcoxon Signed-Rank p -value
Government	42	0.640*	1.918	0.132
Firm	51	0.240	0.697	0.448
Individual	87	0.240	1.170	0.292
Other	38	1.598**	2.030	0.045
Panel C. Abnormal Returns for Supreme Court Wins by Press Coverage				
Press Coverage	Observations	AR ₀ (%)	t -statistic	Wilcoxon Signed-Rank p -value
WSJ Coverage	17	0.764	1.297	0.356
NYT Coverage	20	0.829	1.400	0.263
None	154	0.501**	2.021	0.080

Panel D. Abnormal Returns for Supreme Court Losses by Legal Issue				
Legal Issue	Observations	AR ₀ (%)	<i>t</i> -statistic	Wilcoxon Signed-Rank <i>p</i> -value
Civil Rights	18	-0.132	-0.359	0.112
Economic Issue	146	-0.523*	-1.825	0.426
Judicial Power	48	-0.666**	-2.127	0.063
Federalism	20	0.233	0.571	1.000
Other	59	-0.029	-0.073	0.177

Panel E. Abnormal Returns for Supreme Court Losses by Opponent Type				
Opponent	Observations	AR ₀ (%)	<i>t</i> -statistic	Wilcoxon Signed-Rank <i>p</i> -value
Government	79	-0.454*	-1.822	0.041
Firm	53	-0.634	-1.290	0.815
Individual	82	-0.227	-1.156	0.009
Other	77	-0.254	-0.538	0.849

Panel F. Abnormal Returns for Supreme Court Losses by Press Coverage				
Press Coverage	Observations	AR ₀ (%)	<i>t</i> -statistic	Wilcoxon Signed-Rank <i>p</i> -value
WSJ Coverage	30	-1.238*	-2.041	0.165
NYT Coverage	32	-1.112*	-1.926	0.145
None	204	-0.217	-0.993	0.208

Table 6: Regression Results for Petitioner-Firm Regressions

The table reports the results from regressions of the 5-day CAR for petitioner firms around the *certiorari* date on the type of legal issue (column 1), the type of opponent (column 2), and press coverage dummies (columns 3 and 4). Our sample consists of all publicly traded firms in the 2018 Supreme Court Database (Spaeth et al., 2018) during the period 1946–2018. Individual variable definitions are outlined in Appendix A. For simplicity, industry and chief justice dummies are included in the regression, but not reported in the table. Industry fixed effect is at 2-digit code SIC classification. *t*-statistics are reported in parentheses. Significance level: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Independent Variable	Dependent Variable: Petitioner CAR _[-2,2] When Certiorari Is Granted			
	(1)	(2)	(3)	(4)
Dummy for Legal Issue				
Civil Rights	-4.253*** (-2.93)	-4.998*** (-3.30)	-5.103*** (-3.21)	-4.859*** (-3.09)
Economic Issue	-0.207 (-0.25)	-0.882 (-0.96)	-0.894 (-0.90)	-0.837 (-0.86)
Judicial Power	1.470 (1.47)	0.763 (0.69)	0.533 (0.43)	0.490 (0.41)
Federalism	0.541 (0.32)	0.190 (0.11)	0.295 (0.15)	0.702 (0.36)
Dummy for Opponent				
Government		-2.353** (-1.98)	-2.343* (-1.91)	-2.435** (-2.07)
Firm		1.053 (0.93)	0.961 (0.79)	0.777 (0.64)
Individual		0.533 (0.52)	0.381 (0.35)	0.316 (0.30)
Dummy for Media				
WSJ			-0.067 (-0.04)	
NYT				-1.286 (-1.02)
MVAL	0.250 (1.29)	0.276 (1.37)	0.390* (1.73)	0.420* (1.92)
FE: Industry	Yes	Yes	Yes	Yes
FE: Chief Justice	Yes	Yes	Yes	Yes
Number of Observations	184	177	152	156
Adjusted R^2	0.079	0.122	0.131	0.147

Table 7: Regression Results for Respondent-Firm Regressions

The table reports the results from regressions of the 5-day CAR for respondent firms around the *certiorari* date on the type of legal issue (column 1), the type of opponent (column 2), and press coverage dummies (columns 3 and 4). Our sample consists of all publicly traded firms in the 2018 Supreme Court Database (Spaeth et al., 2018) during the period 1946–2018. Individual variable definitions are outlined in Appendix A. For simplicity, industry and chief justice dummies are included in the regression, but not reported in the table. Industry fixed effect is at 2-digit code SIC classification. *t*-statistics are reported in parentheses. Significance level: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Independent Variable	Dependent Variable: Respondent CAR _[-2,2] When Certiorari Is Granted			
	(1)	(2)	(3)	(4)
Dummy for Legal Issue				
Civil Rights	-2.696* (-1.72)	-3.514** (-2.42)	-3.153** (-2.07)	-3.267** (-2.15)
Economic Issue	-2.854** (-2.48)	-2.264** (-2.09)	-1.402 (-1.20)	-1.365 (-1.17)
Judicial Power	-3.370** (-2.61)	-2.975** (-2.51)	-2.318* (-1.88)	-2.464** (-2.01)
Federalism	-3.209 (-1.38)	-2.840 (-1.36)	-2.034 (-1.01)	-2.535 (-1.23)
Dummy for Opponent				
Government		1.063 (0.90)	0.606 (0.51)	0.851 (0.71)
Firm		0.619 (0.62)	0.089 (0.09)	0.317 (0.31)
Individual		1.411 (1.56)	0.891 (0.94)	1.103 (1.17)
Dummy for Media				
WSJ			-0.906 (-0.71)	
NYT				0.544 (0.41)
MVAL	0.641*** (3.13)	0.441** (2.31)	0.329 (1.61)	0.273 (1.34)
FE: Industry	Yes	Yes	Yes	Yes
FE: Chief Justice	Yes	Yes	Yes	Yes
Number of Observations	187	181	155	157
Adjusted R^2	0.124	0.143	0.228	0.210

Table 8: Regression Results for Winning-Firm Regressions

The table reports the results from regressions of the 1-day AR for the winning firms around the Supreme Court announcement date on the type of legal issue (column 1), the type of opponent (column 2), and press coverage dummies (columns 3 and 4). Our sample consists of all publicly traded firms in the 2018 Supreme Court Database (Spaeth et al., 2018) during the period 1946–2018. Individual variable definitions are outlined in Appendix A. For simplicity, industry and chief justice dummies are included in the regression, but not reported in the table. Industry fixed effect is at 2-digit code SIC classification. t -statistics are reported in parentheses. Significance level: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Independent Variable	Dependent Variable: Winning-Firm AR ₀ When Case Decision Is Announced			
	(1)	(2)	(3)	(4)
Dummy for Legal Issue				
Civil Rights	−0.650 (−0.55)	−0.971 (−0.97)	−0.726 (−0.66)	−0.795 (−0.74)
Economic Issue	2.433*** (3.45)	1.751*** (2.80)	2.113*** (2.93)	2.081*** (2.96)
Judicial Power	1.809** (2.28)	1.222* (1.80)	1.527* (1.94)	1.655** (2.14)
Federalism	1.814 (1.56)	0.975 (1.03)	1.349 (1.26)	1.319 (1.25)
Dummy for Opponent				
Government		−0.782 (−1.20)	−0.749 (−1.10)	−0.603 (−0.91)
Firm		−1.583** (−2.48)	−1.622** (−2.39)	−1.654** (−2.49)
Individual		−1.073* (−1.77)	−1.141* (−1.77)	−1.380** (−2.19)
Dummy for Media				
WSJ			1.298* (1.78)	
NYT				1.875** (2.52)
MVAL	−0.194 (−1.54)	−0.143 (−1.39)	−0.112 (−0.95)	−0.085 (−0.74)
FE: Industry	Yes	Yes	Yes	Yes
FE: Chief Justice	Yes	Yes	Yes	Yes
Number of Observations	206	195	167	170
Adjusted R^2	0.066	0.009	0.005	0.022

Table 9: Regression Results for Losing-Firm Regressions

The table reports the results from regressions of the 1-day AR for the losing firms around the Supreme Court announcement date on the type of legal issue (column 1), the type of opponent (column 2), and press coverage dummies (columns 3 and 4). Our sample consists of all publicly traded firms in the 2018 Supreme Court Database (Spaeth et al., 2018) during the period 1946–2018. Individual variable definitions are outlined in Appendix A. For simplicity, industry and chief justice dummies are included in the regression, but not reported in the table. Industry fixed effect is at 2-digit code SIC classification. t -statistics are reported in parentheses. Significance level: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Independent Variable	Dependent Variable: Losing-Firm AR_0 When Case Decision Is Announced			
	(1)	(2)	(3)	(4)
Dummy for Legal Issue				
Civil Rights	−0.053 (−0.06)	−0.267 (−0.37)	−0.118 (−0.15)	−0.107 (−0.14)
Economic Issue	−0.715 (−1.43)	−0.397 (−0.92)	−0.586 (−1.28)	−0.647 (−1.43)
Judicial Power	−0.911 (−1.52)	−0.662 (−1.25)	−1.014* (−1.73)	−1.045* (−1.82)
Federalism	0.335 (0.38)	0.686 (0.91)	0.647 (0.82)	0.701 (0.90)
Dummy for Opponent				
Government		−0.555 (−1.29)	−0.577 (−1.24)	−0.571 (−1.25)
Firm		−0.200 (−0.40)	−0.173 (−0.31)	−0.321 (−0.59)
Individual		−0.511 (−1.12)	−0.500 (−1.00)	−0.548 (−1.12)
Dummy for Media				
WSJ			−1.312** (−2.32)	
NYT				−1.379*** (−2.79)
MVAL	0.282*** (2.65)	0.118 (1.27)	0.208* (1.95)	0.202* (1.94)
FE: Industry	Yes	Yes	Yes	Yes
FE: Chief Justice	Yes	Yes	Yes	Yes
Number of Observations	282	274	242	245
Adjusted R^2	0.170	0.247	0.260	0.270