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Forum Shopping and the Quality of Bankruptcy Adjudication under Chapter 11

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Abstract

This paper examines whether stronger creditor protection alters the competitive dynamics of bankruptcy court choice in U.S. Chapter 11 reorganizations. The permissive venue rules governing Chapter 11 filings have long enabled large firms to select among alternative courts, giving rise to a sustained debate over whether forum shopping encourages efficient adjudication or instead weakens discipline and favours debtor interests. Against this backdrop, the study investigates whether a major legal reform that strengthened creditor rights changed the relative performance of bankruptcy courts and the nature of competition among them.

Using the reform as an institutional shock, the paper evaluates whether court-level differences that were prominent under the earlier regime persisted once the legal environment became less debtor-friendly. The analysis focuses on broad indicators of reorganization efficiency and on the use of important procedural tools within the Chapter 11 process. It also considers whether the observed patterns are robust to alternative explanations related to case composition, evolving market participation, and the role of other major filing venues.

The findings speak to the race-to-the-top versus race-to-the-bottom debate by suggesting that stronger creditor protection can reshape incentives within the bankruptcy system and narrow previously observed differences across courts. More broadly, the paper challenges the presumption that one prominent venue inherently delivers a superior reorganization process and instead highlights the importance of legal design in influencing how court competition operates. The study contributes to research on bankruptcy, judicial competition, and institutional efficiency, and offers implications for ongoing policy debates concerning venue choice in corporate reorganisation.

Keywords: Chapter 11; Forum Shopping; Creditor Protection; Bankruptcy Court Competition