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Supreme Court Requires Stay Pending Appeal of Arbitration Denial



On June 23, the U.S. Supreme Court held that federal district courts must stay all proceedings pending appellate review of an order denying a motion to compel arbitration. *Coinbase, Inc. v. Bielski*, 599 U.S. ___, 2023 WL 4138983 (2023). Staying proceedings during an appeal will preserve the benefits of arbitration and avoid disproportionate settlement pressure.

The decision resolved a split among the circuit courts of appeals about whether a party is entitled to an automatic stay of district-court proceedings pending such review. The split arose because the Federal Arbitration Act provides a statutory right to an interlocutory appeal if a district court denies a motion to compel arbitration. That right is different than the standard rule that parties generally may not appeal before a final judgment. Most circuits to address the issue held that a district court must stay proceedings during an interlocutory appeal on arbitrability. But a few other circuits reached the opposite conclusion, holding that district courts had discretion to stay proceedings pending appeal.

The Supreme Court held that "a district court must stay its proceedings while the interlocutory appeal on arbitrability is ongoing." The Court reached that conclusion by relying on the *Griggs* principle that an appeal "divests the district court of its control over those aspects of the case involved in the appeal." Because the issue appealed is "whether the case belongs in arbitration or instead in the district court," the five-justice majority reasoned that "the entire case is essentially involved in the appeal."

The Court also explained that important policy considerations supported its holding. If district-court proceedings continued alongside an appeal on arbitration, the benefits of arbitration—"efficiency, less expense, [and] less intrusive discovery"—would be "irretrievably lost—even if the court of appeals later concluded that the case actually had belonged in arbitration all along." The Court also recognized that the risk was "especially pronounced in class actions" because "the possibility of colossal liability can lead to . . . blackmail settlements."

Many companies and consumers agree to resolve disputes via arbitration. Yet courts often decline to enforce such agreements. According to the U.S. Chamber of Commerce, between 2012 and 2022, federal appellate courts reversed denials of motions to compel arbitration in approximately 44% of decisions—nearly four times higher than the rate of reversal for private civil appeals during that same period. In appellate proceedings to correct those denials, companies no longer face the possibility of parallel actions that undermine arbitration benefits and create outsized settlement pressure.

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