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Supreme Court Holds That Appealing The Denial Of A Motion To Compel Arbitration Automatically Stays District Court Proceedings

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Decided June 23, 2023 ***Coinbase, Inc. v. Bielski*****, No. 22-105 Today, the Supreme Court held 5-4 that appealing the denial of a motion to compel arbitration automatically stays district court proceedings pending resolution of that appeal. Background:** The Federal Arbitration Act ("FAA") authorizes interlocutory appeals from orders refusing to compel arbitration. 9 U.S.C. § 16(a). The FAA does not expressly address stays pending appeal, and a circuit split developed. The majority position, adopted by the Third, Fourth, Seventh, Tenth, Eleventh, and D.C. Circuits, held that stays pending appeal are mandatory. The minority position, adopted by the Second, Fifth, and Ninth Circuits, held that the usual, four-factor standard for discretionary stays pending appeal applies. Bielski brought putative class-action claims against Coinbase in the Northern District of California. Coinbase moved to compel arbitration under its user agreement. After the district court denied Coinbase's motion, Coinbase appealed and sought a stay pending appeal. The district court declined to stay its proceedings, holding that under Ninth Circuit precedent a stay pending appeal was not mandatory and that a discretionary stay was not warranted. The Ninth Circuit likewise denied a stay. **Issue:** Is a stay pending appeal of the denial of a motion to compel arbitration mandatory? **Court's Holding:** Yes. Appealing the denial of a motion to compel arbitration automatically stays district court proceedings pending resolution of the appeal.

> *"The sole question before this Court is whether a district court must stay its proceedings while the interlocutory appeal on arbitrability is ongoing. The answer is yes."*

Justice Kavanaugh, writing for the Court **What It Means:**

- Today's decision is a win for defendants who appeal the denial of a motion to compel arbitration. Defendants who appeal the denial of a motion to compel arbitration cannot be forced to continue litigating in the district court during the appeal. In practice, this decision also should stay any district court discovery deadlines. This is a significant change for litigants in the Second, Fifth, and Ninth Circuits, which all previously refused to grant such automatic stays.
- In reaching this decision, the Supreme Court applied the general rule that an interlocutory appeal divests a district court of control over the issues on appeal. Because the issue on appeal is whether the case can go forward in the district court, the district court lacks power to require further litigation.
- The Court reasoned that "many of the asserted benefits of arbitration (efficiency, less expense, less intrusive discovery, and the like) would be irretrievably lost" without a stay during appeal, even if the court of appeals agrees that arbitration is required. This is especially true in class actions, where "the possibility of colossal liability can lead to . . . blackmail settlements." Slip op. 5–6.

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The Court's opinion is available here.

Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding developments at the Supreme Court. Please feel free to contact the following practice leaders:

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