

Press Pause: SCOTUS Says an Appeal of Denied Request to Compel Arbitration Must Stay Case

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(by [Alexandra Graf](#))

Prior to the recently decided U.S. Supreme Court case *Coinbase, Inc. v. Bielski*, 216 L.Ed.2d 671 (2023), there was a circuit split as to whether an interlocutory appeal of a denied motion to compel arbitration forces the district court to stay the underlying proceedings. Pursuant to the Federal Arbitration Act, 9 U.S.C. § 16(a), “when a district court denies a party’s motion to compel arbitration, that party may make an interlocutory appeal.” This is a statutory exception to the typical rule that parties may not appeal before a final judgment is rendered. In a 5–4 decision, the Court held that the district court must stay its pretrial and trial proceedings while the interlocutory appeal on arbitrability is ongoing. This ruling incentivizes parties to enforce their arbitration clauses because a motion to compel arbitration is not shielded from appeal as other pretrial orders are, and the underlying matter will now be stayed until resolution of the appeal.

The U.S. Court of Appeals for the Fifth and Ninth Circuits previously held that whether the underlying district-court proceedings were stayed during an interlocutory appeal of this nature was a decision for the district court judge to make at their discretion. In the remaining circuits, the underlying case was automatically stayed upon an interlocutory appeal of a denied motion to compel arbitration. In resolving this circuit split, the Court relied on the *Griggs* rule, which is a longstanding concept of procedure that states that an appeal, including an interlocutory appeal, “divests the district courts of its control over those aspects of the case involved in the appeal.” *Griggs v. Provident Consumer Disc. Co.*, 459 U.S. 56, 58 (1982). The Court in *Coinbase* reasoned that to stay the underlying case is “common sense,” in part, because allowing a case to proceed simultaneously in the district court and the court of appeals wastes scarce judicial resources on a dispute that will “ultimately head to arbitration.”

Four justices dissented on the principle that district courts should have more discretion than the majority’s automatic-stay approach grants. The dissent argued that the majority’s approach “comes out of nowhere” and goes against the traditional approach that district-court judges may consider the facts and circumstances of the particular case when deciding whether to stay the underlying case upon an appeal of a denied motion to compel arbitration, which allows for “a balancing of all relevant interests.” The dissent also argued that the *Griggs* rule is a narrow principle that stands for the proposition that “two courts should avoid exercising control over the same order or judgment simultaneously.” Thus, it should not support the general stay rule that the majority has created because the interlocutory appeal of an order declining to compel arbitration is separate from the underlying district court case, which contains matters other than arbitrability.

Ultimately, the Court settled the circuit split by holding that an interlocutory appeal of the denial of a motion to compel arbitration stays the underlying district-court case. Those practicing in federal court should keep this in mind when litigating cases where an arbitration clause is involved. When deciding whether to appeal the denial of a motion to compel arbitration or to oppose a party seeking to compel arbitration, attorneys must weigh the factors of timing, cost, and overall strategy in advocating for the best interests of their client.

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