Case Name and Number: *Coinbase, Inc.* v. *Bielski*, No. 22-105

Introduction: Today, the Supreme Court held in a 5-4 decision that a district court is required to stay all proceedings while an interlocutory appeal of the denial of a motion to compel arbitration is pending.

Background: Section 16(a) of the Federal Arbitration Act authorizes litigants to file an interlocutory appeal from the denial of a motion to compel arbitration, but the statute does not say whether the district court must stay proceedings while the interlocutory appeal is pending. In this case, Bielski filed a putative class action on behalf of Coinbase users, alleging that Coinbase failed to replace funds fraudulently taken from user accounts. Coinbase filed a motion to compel arbitration, which the district court denied. Coinbase filed an interlocutory appeal pursuant to Section 16(a) and simultaneously moved to stay proceedings in the district court while that appeal was pending. The district court denied the stay motion, and the Ninth Circuit likewise declined to stay the proceedings.

Issue: Whether an interlocutory appeal of a denial of a motion to compel arbitration requires the district court to stay proceedings while that appeal is pending.

Court's Holding: In an opinion written by Justice Kavanaugh and joined by Chief Justice Roberts and Justices Alito, Gorsuch, and Barrett, the Supreme Court concluded that a stay pending appeal is automatic. The Court explained that this result follows from the background divestiture principle set forth in *Griggs* v. *Provident Consumer Discount Co.* (1982), which held that an appeal "divests the district court of its control over those aspects of the case involved in the appeal." Because an interlocutory appeal of the denial of a motion to compel arbitration concerns whether the case even belongs in the district court, the Supreme Court concluded that the entire case is "involved in the appeal." The Court also reasoned that without an automatic stay, the benefits of arbitration—*e.g.*, efficiency, less expense, less discovery, and less burden on judicial resources—would be lost, and parties could be forced into "blackmail settlements" to avoid the district court proceedings they contracted to avoid through arbitration. Finally, the Court rejected the arguments raised by Bielski in an effort to overcome the *Griggs* principle.

Justice Jackson authored a dissent, which Justices Sotomayor and Kagan joined in full and which Justice Thomas joined in part. The dissent contended that Section 16 does not expressly authorize a stay and that the background *Griggs* principle operates more narrowly—it prevents the district court only from revisiting its order denying arbitration while that order is on appeal. The dissent thus would have concluded that stays pending appeals from denials of arbitration are up to the district judge's discretion.

Mayer Brown filed an *amicus* brief in support of Coinbase on behalf of the National Retail Federation.

Read the opinion here.