

Coinbase, Inc. v. Bielski: Federal Trial Courts Must Halt Proceedings During Arbitration Appeals

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In *Coinbase, Inc. v. Bielski*, the Supreme Court ruled in a 5-to-4 decision that federal district courts must stay pre-trial and trial proceedings when a party appeals an order denying a motion to compel arbitration under Section 16 of the Federal Arbitration Act (FAA) (9 U.S.C. § 16). The Court’s decision resolved a circuit split in the federal appeals courts. While most federal circuit courts of appeals to address the issue had already followed this automatic-stay rule, the Second, Fifth, and Ninth Circuits did not. Those Circuits had instead held that district courts have discretion to proceed to trial while an appeal from a denial of a motion to compel arbitration is pending.

The automatic-stay rule adopted in *Coinbase* has significant implications for parties who litigate federal lawsuits involving arbitration agreements. In the majority’s view, for example, requiring district courts to halt proceedings while an appellate court decides whether the case belongs in arbitration prevents defendants from “irretrievably” losing many of the perceived benefits of arbitrating their dispute—such as efficiency, lower costs, and less intrusive discovery—and avoids “nullif[ying]” the right to an immediate appeal that Congress provided in 9 U.S.C. § 16(a). In the dissent’s view, in contrast, the Court’s decision could force district courts to halt proceedings during arbitrability appeals for potentially months or years and leave plaintiffs to “suffer harm, lose evidence, and bleed dry their patience and funding in the meantime.” This Legal Sidebar provides background on relevant aspects of the FAA, analyzes the Supreme Court’s *Coinbase* decision, and discusses legal considerations for Congress.

Background

Arbitration agreements are common in consumer, employment, and other commercial contexts. [These agreements](#) generally waive the parties’ right to litigate future disputes in court and instead require them to resolve disputes in binding arbitration before a neutral third party. Arbitration agreements may also limit other procedural rights, such as by precluding class action proceedings and requiring parties to arbitrate disputes on an individual basis.

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The FAA generally requires courts to treat written arbitration agreements as “[valid, irrevocable, and enforceable](#), save upon such grounds as exist at law or in equity for the revocation of any contract,” and requires courts “[rigorously](#)” to enforce the agreements according to their terms. The Supreme Court has [explained](#) that Congress enacted the FAA “to overrule the judiciary’s longstanding refusal to enforce agreements to arbitrate . . . and to place such agreements upon the same footing as other contracts.”

The FAA also creates procedural rights that apply when a dispute allegedly governed by an arbitration agreement is brought in federal court. A party to an arbitration agreement faced with a federal lawsuit may seek to [compel](#) the plaintiff to resolve the dispute in binding arbitration pursuant to the arbitration agreement, instead of in court. When a court denies a motion to compel arbitration, [9 U.S.C. § 16\(a\)](#) gives the party seeking arbitration the right to an immediate interlocutory appeal of that decision. The FAA thus creates a “[rare statutory exception](#)” to the usual rule that a litigant must wait until a final judgment to appeal a district court order.

However, the FAA does not specify whether pre-trial and trial proceedings may continue in district court during a Section 16(a) appeal. In [Griggs v. Provident Consumer Discount Co.](#), the Supreme Court held that, as a general principle of federal appellate procedure, filing a notice of appeal confers jurisdiction on the appellate court and “divests the district court of its control over those aspects of the case involved in the appeal.” Applying the *Griggs* principle to Section 16(a), the *Coinbase* Court determined that an interlocutory appeal over the arbitrability of a dispute makes the entire case “involved in the appeal” and thus requires an automatic general stay of district court proceedings while the appeal is pending.

Coinbase Decision

In *Coinbase*, a plaintiff sued the operator of a cryptocurrency exchange platform—Coinbase, Inc.—on behalf of users who alleged that the company violated the Electronic Funds Transfer Act in connection with funds fraudulently taken from their accounts. Coinbase moved to compel arbitration pursuant to an arbitration provision in the platform’s user agreement, but the district court [concluded](#) that the arbitration provision was unconscionably one-sided and denied Coinbase’s motion. Coinbase then filed an interlocutory appeal to the U.S. Court of Appeals for the Ninth Circuit under Section 16(a). The district court [declined](#) to stay proceedings during the appeal after concluding, among other things, that a stay would “significantly prejudice” the plaintiff by forcing him to “wait for a remedy in the face of significant financial loss.” The Ninth Circuit summarily denied Coinbase’s request for a stay.

On appeal to the Supreme Court, a majority of the Court agreed with Coinbase that district courts must stay their proceedings during a Section 16(a) appeal. In Justice Kavanaugh’s majority opinion, joined by Chief Justice Roberts and Justices Alito, Gorsuch, and Barrett, the Court explained that the *Griggs* principle “resolve[d]” the case. According to the majority, in cases where a party appeals an order denying a motion to compel arbitration, “the question on appeal is whether the case belongs in arbitration or instead in the district court,” rendering the entire case “involved in the appeal.”

The Court also raised a number of additional considerations in support of the automatic-stay rule. In particular, the Court emphasized what it considered “common sense” reasons for requiring a stay. The Court explained that it “makes no sense for trial to go forward while the court of appeals cogitates on whether there should be one,” and that permitting trial to proceed in such circumstances would “largely nullif[y]” Congress’s decision to grant an interlocutory appeal in Section 16(a). According to the Court, many of the benefits sought from arbitration, such as efficiency, less expense, and less intrusive discovery, are “irretrievably lost” when district courts move forward with pre-trial and trial proceedings during an arbitrability appeal. The Court also expressed concern that, without an automatic stay, parties could be forced to settle during appeal to avoid costly and burdensome district court proceedings, particularly when faced with class action lawsuits where the risk of “colossal liability” creates greater potential for coercing a settlement. The Court further observed that the mandatory stay rule avoids the possibility that

district courts and parties will waste resources on litigating disputes that an appellate court might eventually decide must be arbitrated instead.

Turning to the broader statutory context, the Court explained that, when Congress wants to provide a statutory right to an interlocutory appeal while also avoiding a mandatory stay under *Griggs*, it typically states so in the statute. The Court observed by way of example that Congress has enacted multiple statutory “non-stay” provisions, and that Congress even enacted a [non-stay provision](#) the day before it enacted Section 16(a).

The Court also explained its reasons for rejecting a number of counterarguments to its application of *Griggs*. Among others, the Court rejected the argument that an automatic-stay rule will encourage frivolous appeals. The Court explained that “courts of appeals possess robust tools to prevent unwarranted delay and deter frivolous interlocutory appeals,” such as granting expedited review of interlocutory appeals, permitting district courts to certify appeals as frivolous, and imposing sanctions on parties who file frivolous appeals. The Court also rejected the argument that the [four-factor standard](#) courts ordinarily apply in deciding discretionary stays would adequately protect parties’ right to an interlocutory appeal under Section 16(a). In deciding whether to grant a discretionary stay pending appeal, courts typically consider: (1) the applicant’s likelihood of success on the merits, (2) irreparable harm to the applicant, (3) injury to other parties interested in the proceeding, and (4) alignment with the public interest. The Court explained that, because courts applying this standard often do not consider litigation-related burdens to constitute “irreparable harm,” they often deny requests for stays under Section 16(a).

Justice Jackson’s Dissent

Justice Jackson wrote a dissenting opinion joined in full by Justices Sotomayor and Kagan, and in part by Justice Thomas. Justice Jackson characterized the majority as “invent[ing]” the automatic-stay rule “out of nowhere,” and she made a number of textual arguments why automatic stays are not required for Section 16(a) appeals. For instance, Justice Jackson invoked the interpretive principle that Congress is generally presumed to act intentionally when it includes language in one section of a statute but omits it in another section of the same Act. Justice Jackson observed that Congress expressly required a general interlocutory stay in a separate appeal provision enacted as part of the same 1988 law that enacted Section 16. That provision, codified at [28 U.S.C. § 1292\(d\)\(4\)\(B\)](#), provides that when a party files an interlocutory appeal from a grant or denial of a motion to transfer an action to the Court of Federal Claims, “proceedings shall be . . . stayed until the appeal has been decided.” In Justice Jackson’s view, omitting an express stay requirement from Section 16 while including one in the other appeal provision shows that Congress did not intend Section 16 appeals to automatically stay a district court’s proceedings.

Justice Jackson also interpreted the background principle established in *Griggs* more narrowly than the majority. Whereas the majority concluded that an appeal over arbitrability makes the entire case “involved in the appeal,” Justice Jackson explained that *Griggs* stands for the narrower principle that two courts should avoid exercising control over the same order or judgment at the same time. According to Justice Jackson, *Griggs* prohibits a district court from modifying an order denying a motion to compel arbitration while that order is on appeal, but it does not prevent the district court from addressing other issues in the case, such as fact discovery or the merits of the underlying dispute.

Turning to the policy implications of the majority’s decision, Justice Jackson raised a number of concerns. For example, she explained that the automatic-stay rule prevents district courts from tailoring ongoing proceedings to balance the interests of all parties during appeal, such as by permitting discovery of evidence that could be lost during a delay, or granting injunctive relief to prevent imminent harm to a plaintiff. Justice Jackson further explained that arbitration appeals can last for months or years, and that an automatic stay thus creates settlement pressure when plaintiffs cannot afford to “leave their claims in limbo.”

Finally, Justice Jackson cautioned that the majority’s automatic-stay rule could “upend federal litigation” if applied broadly to interlocutory appeals outside the arbitration context. While acknowledging that the Court limited its holding to arbitration appeals under Section 16(a), Justice Jackson explained that many other types of appeals also address whether “litigation may go forward in the district court,” such as appeals over venue, personal jurisdiction, and federal-court jurisdiction.

Considerations for Congress

The Supreme Court’s adoption of an automatic-stay rule for Section 16(a) appeals has significant implications for parties litigating federal lawsuits involving arbitration agreements. Prior to the Court’s *Coinbase* decision, district courts in the Second, Fifth, and Ninth Circuits had discretion to proceed with resolving a lawsuit during appeals over whether the dispute belongs in arbitration instead of in court. After *Coinbase*, federal district courts must stay pre-trial and trial proceedings while a Section 16(a) appeal is pending. If Congress determines that district courts should have discretion to decide whether to grant a stay or continue with proceedings during arbitration appeals, it may consider amending Section 16(a) to add a “non-stay” provision or otherwise specify when district courts may proceed during such appeals.

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