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Legal Alerts

Arbitration Gets a Win: Understanding the Supreme Court's Ruling in Coinbase, Inc. v. Bielski

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In a landmark ruling, the U.S. Supreme Court recently rendered its decision in *Coinbase, Inc. v. Bielski*, a case that carries profound implications for staying district court cases during appeals challenging denials of arbitration. The decision involves a dispute in which Coinbase challenged arbitration denials in a case led by a user who alleged the online currency platform failed to investigate an unauthorized transfer from his account.

The Supreme Court's verdict in this high-stakes legal battle not only resolved the specific conflict between Coinbase and the plaintiff but also established a precedent that fundamentally reshapes the procedural landscape surrounding appeals in arbitration-related matters. In this Q&A article, we delve into the intricacies of the decision, examining its significant implications and how it may impact the future resolution of similar disputes.

This case involves staying a case for arbitration. What does that mean, and how do I know if a case might have to go to arbitration?

Arbitration proceedings are an alternative to traditional court cases. To go to arbitration, both sides have to agree to arbitration, and that is usually done by way of a contract between the sides. However, in many cases, a plaintiff either does not want to go to arbitration, or there is a dispute about whether the case is subject to an arbitration agreement. In those situations, the plaintiff often files a traditional lawsuit, and the defendant then files a motion to stay that case and sends the case to arbitration instead. If that motion is denied, it can be immediately appealed, instead of waiting until the end of the case.

What does this case change about procedure if a motion to stay pending arbitration is filed?

Previously, in the Ninth Circuit, if there was an appeal of a denial of motion to compel arbitration, the district court proceedings could keep going even while the appeal was pending. Both the U.S. District Court and the Ninth Circuit had discretion on whether to stay a case, which was in part based on the views of the merits of the appeal. This case changes that approach. Now, if the district court denies the motion to compel arbitration and an appeal is filed, the district court has to stay its proceedings. Now, cases will have to be stayed during the interlocutory appeal of a denial of a motion to compel arbitration. This has the potential to slow cases down but also has the potential to avoid unnecessary litigation in district court if the Ninth

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Circuit ultimately rules a case should go to arbitration.

How can someone avoid a long delay if an appeal is filed after a denial of a stay?

One of the biggest dangers of this approach is whether litigants will use these appeals purely to create delay even if their request is doomed to fail on the merits. The Supreme Court addressed that fear, however, and noted that there were tools to avoid that issue. The majority opinion, authored by Justice Kavanaugh and joined by Justices Roberts, Alito, Gorsuch and Barrett, cited that such appeals can be done on an expedited basis, that a party could ask for summary affirmance, ask that the appeal be dismissed as frivolous, ask the district court to certify that the appeal is frivolous, and that the court of appeals can impose sanctions for frivolous appeals. Absent from the opinion is any analysis of how often such tools are actually used or available, though. The dissent, authored by Justice Jackson and joined by Justices Sotomayor and Kagan (and in part by Justice Thomas), disagreed with this approach. The dissent would leave the decision to the discretion of the courts who know the facts and the merits of the appeal.

With a 5-4 split, it will be interesting to see how this opinion holds up over time, whether such a mandatory stay causes problems as forecasted by the dissent, or possibly whether this approach is expanded to other interlocutory appeals.

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