

LONG TERM CARE & SENIOR LIVING BLOG

U.S. Supreme Court Rules that District Court Proceedings Are Stayed While Appeals Court Decides on Enforceability of Arbitration Agreement

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On June 23, 2023, the Supreme Court of the United States issued a ruling in *Coinbase, Inc. v. Bielski*, that a District Court, as a general rule, must stay its proceedings during an interlocutory appeal from the denial of a Motion to Compel Arbitration. *Coinbase, Inc. v. Bielski*, 143 S.Ct. 999, ____ (2023).

The case arose after Coinbase was sued by a class of its users, who alleged that the company failed to replace funds fraudulently taken from their Coinbase accounts. When creating their accounts, users agreed to the terms in Coinbase's User Agreement, which included an arbitration agreement. In response to the lawsuit, Coinbase filed a Motion to Compel Arbitration, which the District Court denied. Coinbase then appealed, which brought forth the issue: Can the case continue in the District Court while the appeal was ongoing? The Supreme Court, in a five-four split, decided no, the proceedings cannot continue.

This ruling, which is beneficial to healthcare providers who have arbitration agreements, applies to cases where trial Courts decided to deny the Motion to Compel Arbitration. The Supreme Court found that staying the District Court proceedings makes sense, as "the entire case is essentially 'involved in the appeal.'" Rather than forcing the parties to incur the expenses of an appeal at the same time they expend expenses on discovery and trial preparation in the District Court, the ruling allows the Appellate Court to decide whether the case can even continue in District Court, before proceeding forward with discovery and trial preparation. As a result, the ruling promotes efficiency, curtails unnecessary expense, prevents wasting District Court resources, encourages less intrusive discovery, and prevents forced settlements entered to avoid the exorbitant cost of simultaneously litigating the same case in the District and Appellate Courts. However, any matters that are not involved in the appeal, such as awarding costs or attorneys' fees, may proceed forward.

Takeaway

While not all denials of a Motion to Compel Arbitration are worthy of appeal, when healthcare providers have a legitimate issue that they would like the appellate court to address, this ruling allows the provider to take the issue up. Alternatively, some parties would be forced to accept the denial in order to avoid the extreme cost, time, and effort that the simultaneous proceedings would require.