

**GIBSON DUNN**



**Appellate and Constitutional Law Update**

**May 16, 2024**

## **Supreme Court Holds That The Federal Arbitration Act Requires Courts To Stay Cases That Are Subject To Arbitration**

*Smith v. Spizzirri*, No. 22-1218 – Decided May 16, 2024

**Today, the Supreme Court held unanimously that the Federal Arbitration Act requires courts to stay, rather than dismiss, lawsuits in which all claims are subject to arbitration.**

*“When a federal court finds that a dispute is subject to arbitration, and a party has requested a stay of the court proceeding pending arbitration, the court does not have discretion to dismiss the suit on the basis that all the claims are subject to arbitration.”*

**JUSTICE SOTOMAYOR, WRITING FOR THE COURT**

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### **Background:**

Section 3 of the Federal Arbitration Act (FAA) provides that when a dispute is subject to arbitration, the court “shall on application of one of the parties stay the trial of the action until such arbitration has been had in accordance with the terms of the agreement.” 9 U.S.C. § 3. A circuit

split developed on whether the FAA permits a court to dismiss the lawsuit instead of issuing a stay when the dispute is subject to arbitration. Most circuits held that when the claims in a lawsuit are arbitrable and a party requests a stay pending arbitration, the FAA requires the court to stay the lawsuit. A minority of circuits held that courts have discretion to dismiss lawsuits in which the claims are arbitrable.

Smith and a group of current and former on-demand delivery drivers filed claims against Intelliserve LLC, a Phoenix-based delivery service, in federal court. Intelliserve moved to compel arbitration under its arbitration agreement with the drivers and requested a stay pending arbitration. The district court granted Intelliserve's motion to compel arbitration and dismissed the case. The Ninth Circuit affirmed, holding that the district court properly exercised its discretion to dismiss the lawsuit.

#### **Issue:**

Does Section 3 of the FAA require courts to stay a lawsuit pending arbitration, or do courts have discretion to dismiss lawsuits in which the claims are subject to arbitration?

#### **Court's Holding:**

When a court finds that a dispute is subject to arbitration and a party requests a stay pending arbitration, the court must stay the action and does not have discretion to dismiss the action.

#### **What It Means:**

- The Court held that the plain text of Section 3 of the FAA “requires a court to stay the proceeding” and “overrides any discretion a district court might otherwise have had to dismiss a suit when the parties have agreed to arbitration.” Op. 4-5.
- The Court's decision means that parties opposing arbitration likely cannot immediately appeal orders compelling arbitration. If a court compelling arbitration were not required to issue a stay, and could instead dismiss the lawsuit, the party opposing arbitration could immediately appeal the dismissal of the lawsuit. By contrast, when a court compels arbitration and enters a stay, the party opposing arbitration ordinarily cannot appeal immediately. By requiring courts to stay lawsuits pending arbitration, the Court's decision will likely prevent immediate appeals of orders compelling arbitration.
- The Court reasoned that staying, rather than dismissing, lawsuits subject to arbitration comports with the supervisory role that the FAA envisions for courts, which include post-arbitration proceedings to confirm, vacate, or modify the arbitral award. A stay pending arbitration keeps the case on the court's docket and allows parties to seek relief related to the arbitration without filing a new case.

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## Gibson Dunn Appellate Honors



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The Court's opinion is available [here](#).

Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding developments at the U.S. Supreme Court. Please feel free to contact the following practice leaders:

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