



WEIL'S SCOTUS TERM IN REVIEW

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Supreme Court Says District Courts Must Stay, Not Dismiss, Cases Pending Arbitration

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Today, in *Smith v. Spizzirri*, the Supreme Court unanimously held that a trial court must, upon application of one of the parties, stay a case that has been referred to arbitration. The decision resolves a circuit split on the question whether, instead of granting a stay pending arbitration, a trial court has discretion to dismiss a case altogether.

Section 3 of the Federal Arbitration Act (FAA) provides that when any issue in a suit 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” Notwithstanding the statutory text, Respondents had argued that district courts retain inherent authority to dismiss proceedings after a court compels the parties to arbitrate all claims. In an opinion by Justice Sotomayor, the Court disagreed, concluding that the plain meaning of Section 3 “overrides any discretion a district court might otherwise have had to dismiss a suit when the parties have agreed to arbitration.” Relying on the “text, structure, and purpose” of Section 3, the Court held that “[w]hen 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.”

This decision resolves lingering ambiguity regarding the proper disposition of a district court case pending arbitration, and is a positive development for parties seeking to enforce arbitration provisions as quickly as possible. If district courts retained the authority to dismiss a case that has been referred to arbitration, the dismissal order could present an opportunity for the plaintiff to appeal the arbitrability ruling that would otherwise not exist if the case were stayed. A stay also prevents the administrative hassle of having to reopen a district court case for any post-arbitration proceedings that may be necessary, such as arbitral award confirmation.

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