Akin®

U.S. Court of Appeals for the 2nd Circuit Mandates a Stay of Litigation When All of the Disputed Claims Are Arbitrable

Nov 9, 2015

Reading Time : **1 min**

Katz involved claims brought by an individual (Katz) on behalf of a putative class of New York-area Verizon wireless phone subscribers against Verizon for breach of contract and consumer fraud. The contract at issue included Verizon's wireless customer agreement, which contained an arbitration clause invoking the Federal Arbitration Act (FAA) and also required all disputes arising from the agreement or Verizon's wireless service to be arbitrated. Verizon moved to compel arbitration and stay the proceedings. The district court found that Katz's claims were covered by the arbitral clause and compelled arbitration, but dismissed the action instead of granting a stay of proceedings. On appeal, the 2nd Circuit affirmed the district court's decision to compel arbitration, but reversed the district court's dismissal of the suit, holding that the language of FAA Section 3 mandates a stay of proceedings, rather than a dismissal, when all claims are referred to arbitration.

The 2nd Circuit's decision brings comfort to parties who have chosen to seat their arbitrations in New York, Connecticut and Vermont (with New York being the most popular U.S. seat for international arbitrations). Parties arbitrating in the 2nd Circuit will no longer be exposed to additional appellate litigation challenging an order to compel arbitration after the granting of a stay of proceedings. While the United States continues to take distinctive approaches to questions surrounding other arbitral issues, such as the question of whether courts or arbitral tribunals are to determine threshold issues of jurisdiction as litigated in *BG Group v. Argentina* (2014) or the question of additional grounds to those listed in Article 5 of the New York Convention for annulment of international arbitral awards seated in the United States as litigated in *Karaha Bodas Co. v. Perusahaan* (5th Cir. 2003), the 2nd Circuit's decision in *Katz* reaffirms the desire of U.S. courts to be pro-arbitration as explained in *Mitsubishi Motors*

Corp. v. Soler Chrysler-Plymouth Inc. (1985). However, other peculiarities of U.S. practice with respect to arbitration may still lead many parties to seat their arbitrations outside of the United States.

Categories

SCOTUS