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Supreme Court unanimously holds federal courts compelling arbitration retain jurisdiction over post-award litigation

by C. Allen Garrett Jr.

Takeaway: Most courts viewed the Supreme Court's decision in *Cortez Blue Chips, Inc. v. Bill Harbert Construction Co.*, 529 U.S. 193 (2000), as recognizing a federal court's continuing jurisdiction to confirm or vacate an arbitration award where the court had compelled arbitration of those claims. But a circuit split had developed as to whether *Badgerow v. Walters*, 596 U.S. 1 (2022)—which required an independent basis for federal jurisdiction over "freestanding" actions to confirm or vacate an arbitral award—meant that a federal court could lose jurisdiction over claims it had stayed pending arbitration. In *Jules v. Andra Balazs Properties*, 146 S. Ct. 1209 (2026), the Supreme Court unanimously ruled a federal court that had compelled arbitration retained jurisdiction over post-award litigation, limiting *Badgerow* to its specific procedural context and restoring clarity on a recurring issue in arbitration-related litigation.

The *Jules* litigation began when a former employee filed federal and state discrimination claims in federal court in New York. After the court compelled arbitration based on the employee's agreement to arbitrate, the arbitrator rejected the employee's claims and imposed sanctions. *Id.* at 1217. But when the prevailing parties moved to confirm the award in the same New York federal court, the employee challenged jurisdiction, arguing that the post-award dispute between the parties did not itself provide a sufficient basis for federal jurisdiction under *Badgerow*. *Id.*

The district court and the Second Circuit rejected the employee's arguments, with the Court of Appeals ruling that a court with the power to stay the litigation of claims compelled to arbitration "'has the further power to confirm any ensuing arbitration award." *Id.* (quoting *Cortez Blue Chips*, 529 U.S. at 202). Because the Fourth Circuit had reached a contrary conclusion—holding that *Badgerow* required a separate basis for federal jurisdiction over post-award litigation even where the same federal district court previously had compelled arbitration of the claims—the Supreme Court granted certiorari. *Id.* at 1217-18.

Writing for the unanimous court, Justice Sotomayor rejected the Fourth Circuit's view and agreed with the majority of courts that *Cortez Blue Chips* controlled the issue. The Court explained that, if a district court had jurisdiction over the original claims and stayed those claims pending arbitration, the court retained jurisdiction over litigation seeking to confirm or vacate the arbitration award. *Id.* at 1218-19. This ruling accorded with the Court's recent directive in *Smith v. Spizzirri*, 601 U.S. 472, 474 (2024), that

district court should "stay" rather than "dismiss" claims originally asserted in federal court but subject to mandatory arbitration. *Id.* at 1219-20. "It would be curious for [the FAA] to mandate keeping cases on federal dockets for essentially no reason at all in the cases where federal interests are likely at their highest: those, like this one, involving live federal questions." *Id.* at 1220.

Rather than overruling *Badgerow*, the Court limited it to its particular procedural context: a freestanding post-award application to confirm or vacate an award filed in federal court when no underlying federal lawsuit was pending. *Id.* Under *Badgerow*, where a party first invokes federal jurisdiction in the post-award context, no language in the Federal Arbitration Act (FAA) authorized a federal court to "look through" the dispute to determine if the (already resolved) claims presented a federal question or otherwise triggered federal jurisdiction. *Id.* (discussing *Badgerow*, 596 U.S. at 9) In contrast, where a federal court already had jurisdiction over claims it stayed pending arbitration, the parties seeking to confirm the arbitration award "merely asked the District Court to use the tools provided by the FAA to finally resolve those claims." *Id.* "Nothing in *Badgerow* or the FAA eliminates the District Court's jurisdiction to do so." *Id.*

The Court also rejected the employee's "policy" arguments that parties would manufacture federal jurisdiction by filing "anchor" lawsuits simply to secure a federal forum for later award enforcement. *Id.* at 1221. The Court described those concerns as conjectural and noted that filing a federal lawsuit before arbitration may risk forfeiting the right to arbitrate. *Id.* at 1221-22. As a practical matter, moreover, "securing a postarbitration federal forum is not all that valuable to parties who, on the front end, do not know whether they will emerge from arbitration a winner or loser and thus may not be able to tell which forum's law might prove most advantageous." *Id.* at 1222. And the employee's proposal "could also lead to unnecessarily complex dual-track litigation," because disputes about the arbitrability of claims previously compelled to arbitration could proceed in both state and federal courts. *Id.* at 1222-23.

Thus, *Jules* harmonizes several Supreme Court arbitration decisions. Where a federal court compels arbitration of claims, *Spizzirri* directs a stay pending arbitration while *Cortez Byrd Chips* supports that federal court's continuing jurisdiction after the award. Conversely, where a party first initiates federal litigation following an arbitration award, *Badgerow* requires an independent basis for federal court jurisdiction that does not "look through" to the underlying claims already resolved in the arbitration. This yields an eminently practical ruling: once a federal court with jurisdiction over a case stays it for arbitration, the FAA does not force the parties to start over in state court to determine whether the arbitration award will stand.