

SCOTUS Confirms: Federal Courts Retain Power to Affirm or Vacate an Arbitration Decision

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As we predicted in our post [After Arbitration, Does a District Court Have Jurisdiction to Confirm or Vacate an FAA Award?](#), the Supreme Court has unanimously [ruled](#) that a federal court that has sent a dispute to arbitration continues to have jurisdiction to vacate or confirm a subsequent arbitration award.

The Dispute

This case centered around an employment dispute between the petitioner and a hotel where he worked. After the petitioner sued in federal court, the hotel sought to compel his claims to arbitration, and the district court agreed. Ultimately, the hotel prevailed in arbitration and was awarded sanctions in excess of \$34,000 from the petitioner.

The hotel then returned to the district court to seek to confirm the award. In response, petitioner argued that the district court lacked jurisdiction to confirm the award under § 9 of the Federal Arbitration Act (“FAA”). Both the district court and the Second Circuit Court of Appeals disagreed and confirmed the award. Petitioner then sought review by the Supreme Court.

The Decision

As evidenced by the Court’s unanimous decision, it had little trouble dispelling the petitioner’s arguments. The court distinguished the underlying case from so-called “freestanding” arbitration applications – where a party initiates a case in arbitration (and is not first compelled there by a district court) to find that “nothing in the FAA precludes the normal operation of federal jurisdiction regarding live claims pending before a federal court.”

As the Court noted:

The District Court had original jurisdiction, under 28 U. S. C. §1331, over [petitioner’s] federal claims, and it was that very jurisdiction which authorized the court to adjudicate the arbitrability of [petitioner’s] claims under the parties’ contract before staying litigation pending arbitration pursuant to §3. Nothing in the FAA eliminated that jurisdiction while the parties arbitrated. When the parties returned to court after arbitration with §9 and §10 motions, the court had the same “jurisdiction to decide the case,” and thus “jurisdiction to decide th[ose] motion[s],” that it possessed from the start.

The Court further distinguished this case from its decision in *Badgerow v. Walters*, 596 U.S. 1, where the Court found that a district court was required to “look through” the request to confirm or vacate an arbitration decision to determine if it had jurisdiction to consider the request. Unlike in *Badgerow*, no “look through” analysis was needed – the original claims themselves filed in district court provided the court all the jurisdiction it needed to subsequently confirm or vacate the arbitration decision.

The Court found further support for its decision in the FAA itself. As the Court noted in *Smith v. Spizzirri*, 601 U.S. 472, the FAA requires a court to stay, rather than to dismiss, a case pending arbitration which “comports with the supervisory role that the FAA envisions for the courts,” including “assist[ing] parties in arbitration . . . and facilitating recovery on an arbitral award.” *Id.*, at 478. A finding that a district court retains jurisdiction to decide motions to confirm or vacate an arbitration decision comports with its duties under § 3 of the FAA.

Significance of the Ruling

As we anticipated following oral argument in this case, the Supreme Court has rejected the petitioner’s attempt to extend *Badgerow* and instead ruled that if a district court had jurisdiction at the outset (i.e., federal question or diversity jurisdiction), it does not lose jurisdiction to decide a post-arbitration motion after compelling the claims to arbitration and staying the case.


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