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ALERT MEMORANDUM

U.S. Supreme Court Rules That Federal Courts Retain Jurisdiction Over Cases Stayed Pending Arbitration

May 22, 2026

In May 2026, the United States Supreme Court issued a unanimous decision in *Jules v. Andre Balazs Properties*, holding that a federal court that stays an action pending arbitration retains jurisdiction to adjudicate motions to confirm or vacate the resulting arbitral award, without requiring an independent jurisdictional basis.[1]

The decision resolves the jurisdictional uncertainty that has surrounded award enforcement in federal courts since the Supreme Court's 2022 decision in *Badgerow v. Walters*,[2] and settles a circuit split on whether a preexisting federal action provides a sufficient jurisdictional basis for post-award proceedings. As a practical matter, however, the decision is unlikely to alter forum selection strategies in most arbitration-related disputes.[3]

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[1] *Jules v. Andre Balazs Props.*, No. 25-83 (U.S. May 14, 2026) (Sotomayor, J.).
[2] *See generally Badgerow v. Walters*, 142 S. Ct. 1310 (2022).
[3] *This article was prepared with contributions from Cleary Gottlieb associate Katerina Wright and law clerk Christopher Hudson Verde.*

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Background

Despite being a federal statute, the Federal Arbitration Act (FAA) does not provide for federal subject matter jurisdiction with respect to domestic arbitral awards.[4] Rather, a federal district court asked to compel arbitration or to vacate or confirm a resulting award must possess an independent jurisdictional basis.

The Supreme Court has addressed how courts should assess the jurisdictional requirement for accessing federal court at different stages of the arbitration process. At the "front end," a federal court may rule on a motion to compel arbitration brought where the plaintiff commences a lawsuit under diversity or federal question jurisdiction, and the defendant contends the claims sought to be litigated are subject to an agreement to arbitrate. If the federal court has subject matter jurisdiction over the underlying controversy, the court naturally has jurisdiction to compel arbitration under Section 4 of the FAA.

At the "back end" of the arbitral process, when a party seeks to confirm or vacate an arbitral award under Sections 9 or 10 of the FAA, *Badgerow v. Walters* held that the look-through approach does not apply.[5] In practice, this means that where the parties to vacatur or confirmation application are not diverse or the amount in controversy does not exceed $75,000, a federal court lacks subject matter jurisdiction to vacate or confirm the arbitral award, and the application must be brought in state court.

Following *Badgerow*, circuit courts split on whether a federal court that had jurisdiction at the "front end" retains jurisdiction at the "back end" over an application to confirm or vacate an arbitral award where the initial complaint asserted claims arising under federal law, but was previously stayed pending arbitration. The Fourth Circuit held that an independent jurisdictional basis is required in all cases, even where the action originated in federal court.[6] The Second, Third, and Seventh Circuit, on the other hand, held that jurisdiction continues where the original action invoked federal question jurisdiction and the case was stayed pending arbitration.[7]

Procedural History

Plaintiff-Petitioner Adrian Jules worked at the Chateau Marmont Hotel in Los Angeles until his employment was terminated during the COVID-19 pandemic.[8] In December 2020, Jules filed suit in the Southern District of New York against André Tomas Balazs, Andre Balazs Properties, Balazs Investors, LLC, and Hotels A.B., LLC ("Defendants"), asserting 16 claims under federal and California statutes, as well as California common law.[9] The record does not indicate why Jules chose New York over a California forum, where the underlying events occurred, but several Defendants were domiciled in New York. Invoking an arbitration agreement between Jules and Chateau Holdings, Ltd., doing business as the Chateau Marmont Hotel, Defendants moved to compel arbitration in California or, in the alternative, to stay the action pending arbitration.

In May 2021, the district court declined to compel arbitration in California, reasoning that the FAA required any arbitration sought to be compelled take place "within the district in which the petition" was

[4] A "domestic award" is an award issued in the United States where the parties are citizens of the United States or the relationship between the parties "involves [neither] property located abroad, [nor] envisages performance . . . abroad, [n]or has some other reasonable relation with one or more foreign states." *CBF Indústria de Gusa S/A v. AMCI Holdings, Inc*., 850 F.3d 58, 71 (2d Cir. 2017) (quoting 9 U.S.C. § 202).

[5] *Badgerow v. Walters*, 142 S. Ct. 1310, 1317–18 (2022).

[6] *See SmartSky Networks, LLC v. DAG Wireless, LTD.*, 93 F.4th 175, 181 (4th Cir. 2024) (declining to exercise jurisdiction to confirm arbitral award in case involving claims arising under, *inter alia*, the federal Defend Trade Secrets Act, and where case had been previously stayed pending arbitration).

[7] *Jules v. Andre Balazs Props.*, No. 23-1253, 2025 WL 1201914 (2d Cir. Apr. 25, 2025) ("*Jules III*"); *George v. Rushmore Service Center, LLC*, 114 F.4th 226, 238 n.16 (3d Cir. 2024); *Kinsella v. Baker Hughes Oilfield Operations, LLC*, 66 F.4th 1099, 1103 (7th Cir. 2023).

[8] *Jules v. Andre Balazs Props.*, No. 20 CIV. 10500 (LGS), 2021 WL 2183098, at *1 (S.D.N.Y. May 28, 2021) ("*Jules I*").

[9] *Jules I* at *1.

filed, so the court could not compel arbitration in the contractually designated forum, Los Angeles.[10] The district court, however, stayed the action pursuant to Section 3 of the FAA,[11] effectively requiring Jules to pursue arbitration in California if he wanted his claims heard, while maintaining the court's jurisdiction.[12]

In January 2023, the arbitrator ruled against Jules, and sanctioned him and his lawyer nearly $35,000 for "vexatious conduct."[13] The post-arbitration dispute thus centered on enforcement of the sanctions award. Because diversity jurisdiction was apparently not available, and because a motion to confirm a domestic award does not present a federal question arising under the FAA, there would not have been an independent basis for federal jurisdiction for any post-arbitration motions.

Nevertheless, the Defendants returned to the Southern District of New York, where they moved to confirm the award under Section 9, and Jules and his counsel each cross-moved to vacate the award under Section 10. Notably, Jules simultaneously argued that the court lacked subject matter jurisdiction under *Badgerow v. Walters* — decided in 2022, after the district court's original stay order — while simultaneously asking the court to exercise jurisdiction to vacate the award.[14] This apparent tension was not addressed by any of the courts who heard this case.[15]

The district court confirmed the award, holding that it retained jurisdiction because the action had originally asserted federal causes of action, unlike in *Badgerow*, which concerned "jurisdiction over an action originally filed to confirm an arbitral award."[16] The Second Circuit affirmed, endorsing a "jurisdictional anchor" theory under which the district court's original jurisdiction over the underlying controversy extended to post-award motions.[17]

Seeking *certiorari* review by the U.S. Supreme Court, Jules argued that there was an emerging circuit split and that the Second Circuit's approach would "result in inefficient litigation and forum-shopping," incentivizing parties to file "federal court lawsuits or Section 4 petitions . . . in favorable jurisdictions solely for purposes of guaranteeing themselves a federal forum in a resultant application to confirm or vacate."[18] According to Jules, this could create asymmetrical forum incentives, whereby parties would be allowed to remain in federal court in New York, while parties in Maryland, which is within the Fourth Circuit, would have to file in state court to confirm or vacate their awards.

The Supreme Court's Decision

The Supreme Court held in a unanimous opinion authored by Justice Sonia Sotomayor that "a federal court with jurisdiction to stay claims pending arbitration under § 3 of the FAA has the same jurisdiction to resolve motions to confirm or vacate a resulting arbitral award."[19]

The Court's analysis emphasized that because the district court had federal question jurisdiction under 28 U.S.C. §§ 1331 and 1367 over Jules's federal and state claims, the court retained "jurisdiction to decide the case" and thus the jurisdiction to decide post-award motions.[20] The Court denied that *Jules* was "*Badgerow*

[10] *Id.* at *6 (quoting 9 U.S.C. § 4).
[11] When a party requests a stay under Section 3 of the FAA, the federal district court "does not have discretion to dismiss the suit." *Smith v. Spizzirri*, 601 U.S. 472, 475–76 (2024).
[12] *Jules I*, at *6.
[13] Brief for Defendants-Appellees, *Jules v. Andre Balazs Props.*, No. 23-1253, 2024 WL 3755006, at *5 (Aug. 5, 2024).
[14] *Jules v. Andre Balazs Props.*, No. 20 CIV. 10500 (LGS), 2023 WL 5935626, at *2 (S.D.N.Y. Sept. 12, 2023) ("*Jules II*"), *aff'd*, *Jules III*, *cert. granted sub nom. Jules v. Andre Balazs Props.*, No. 25-83, 2025 WL 3493153 (U.S. Dec. 5, 2025).
[15] The tension in objecting to the court's jurisdiction to confirm the award yet affirmatively that court to vacate the award is heightened because under the FAA and in practice, the court is supposed to first consider whether grounds to vacate exist, and if not, then confirmation is automatic. *See* 9 U.S.C. § 9.
[16] *Id.*
[17] *Jules III* at *2.
[18] Petition for Cert., *Jules v. Andre Balazs Props.*, No. 25-83, at 4 (granting certiorari to resolve circuit split).
[19] *Jules v. Andre Balazs Props.*, No. 25-83, at 15–16 (U.S. May 14, 2026) (J. Sotomayor).
[20] *Id.* at 7 (quoting *Badgerow*, 596 U.S. at 15).

all over again" because in *Badgerow*, the only issue brought before the district court was the confirm-or-vacate dispute, whereas in *Jules* the original claims properly invoked the district court's jurisdiction.[21] The Court thus distinguished between standalone Section 9 and 10 applications and a return trip to the same court that had previously stayed the litigation pending arbitration.

The Court observed that Jules's proposed approach would undermine the FAA's statutory design, noting that Section 3 mandates a stay rather than dismissal precisely so that the court can "superintend the arbitration to the end, including through confirmation or vacatur."[22] Requiring, instead, an independent jurisdictional basis for confirmation or vacatur proceedings in the circumstances of the case, the Court found, would divest the district court of this supervisory function.[23]

Finally, the Court dismissed Jules's policy concern that the rule would encourage parties to file federal suits solely to create a jurisdictional anchor, noting that no "epidemic" of such filings had materialized in circuits that have long applied this rule, and that the "serious risk of forfeiting the right to arbitrate" by filing a precautionary federal suit deters parties from this sort of gamesmanship.[24]

The Court similarly concluded that Jules's approach would lead to "unnecessarily complex dual-tracked litigation" by forcing parties to launch state court proceedings to confirm or vacate awards after having disputed arbitrability in federal court.[25]

Key Takeaways

The Court's decision clarifies the jurisdictional path for parties whose federal court actions are stayed pending arbitration — a common procedural posture. Going forward, parties with claims originally filed in federal court and stayed pending arbitration under FAA Section 3 may return to the same court to seek confirmation or vacatur of the resulting award, without needing to establish an independent jurisdictional basis for the post-arbitration motion.

Badgerow remains the law for freestanding Section 9 and 10 applications. Thus, as a practical matter, *Jules* is unlikely to alter forum-planning strategies in most disputes. Where the parties to an arbitration are the same as the parties to the original federal action, diversity jurisdiction will likely be available (or unavailable) at both the front and back end of the arbitration. Put differently, the jurisdictional gap that *Jules* fills is narrow, likely limited to cases in which federal question jurisdiction supported the underlying claims, and the parties are not diverse.

Indeed, the Court itself dismissed as conjecture the concern that parties would file in federal court to create a durable jurisdictional anchor.[26] As the Court observed, parties 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 advantageous."[27]

This decision may streamline arbitration-related court proceedings by ensuring that parties who begin in federal court need not relitigate jurisdiction at the enforcement stage. Still, because the jurisdictional gap that this decision fills is narrow and the variables that drive forum selection are largely unknowable at the outset, *Jules* is unlikely to serve as a meaningful tool for forum planning in most arbitration-related disputes.

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[21] *Id.* at 8 (internal quotations removed).
[22] *Id.* at 10.
[23] *See id.* ("On Jules's theory, however, things would fall apart.").
[24] *Id.* at 13.
[25] *Id.* at 15; *see also id.* at 14 (explaining that Jules's approach would work against the "efficiency interests at the heart of the FAA," by forcing parties to abandon the federal forum in which they had been litigating "to launch a fresh state-court proceeding" to resolve post-award motions).
[26] *Id.* at 14.
[27] *Id.*