



# Without Further Ado: Third Circuit Limits Discovery on Motions to Compel Arbitration

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Nov 21, 2024

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More than a decade after its seminal decision in [\*Guidotti v. Legal Helpers Debt Resolution, L.L.C.\*](#), the Third Circuit Court of Appeals has clarified that a plaintiff's claims may be sent straight to arbitration, without any discovery, if there is no challenge to an arbitration agreement's existence or validity.

In *Guidotti*, the Third Circuit held that unless "it is apparent, based on 'the face of a complaint, and documents relied upon in the complaint,'" that the "party's claims 'are subject to an enforceable arbitration clause,'" then a plaintiff should be given a chance to take "discovery on the question of arbitrability" before a motion to compel arbitration is decided under the summary-judgment standard of Rule 56 of the Federal Rules of Civil Procedure. Because most plaintiffs who file in court craft their complaints to try to avoid arbitration, the practical result of the *Guidotti* decision was that many cases went to discovery before a ruling on a defendant's motion to compel – even when discovery was unlikely to impact the outcome.

The Third Circuit's recent published decision in [\*Young v. Experian Information Solutions, Inc.\*](#) limits the need for such pre-arbitration discovery. In *Young*, the plaintiff filed a putative class action complaint against Experian in the United States District Court for the District Court of New Jersey for alleged violations of the Fair Credit Reporting Act. After Experian moved to compel arbitration, the district court denied the motion without prejudice and ordered the parties to first engage in limited discovery. Citing *Guidotti*, the district court found that no arbitration agreement was apparent on the face of the complaint and, as a result, discovery was required before a decision could be rendered on the motion. Rather than proceed to discovery, however, Experian appealed to the Third Circuit, arguing that discovery should not be required when "the existence and validity of an arbitration agreement are not at issue" and when the arbitration agreement delegates "disputes over

enforceability or arbitrability . . . to the arbitrator.”

On appeal, the Third Circuit reiterated *Guidotti*’s holding that if a complaint does not clearly indicate that there is a binding arbitration agreement between the parties, then a motion to compel should be decided under the summary-judgment standard. Nevertheless, the court explained that “*Guidotti*’s call for limited discovery into arbitrability is best understood as being itself limited”: Factual discovery should be permitted only when “discovery is warranted, which will often be the case but not always. In the absence of a factual dispute, there is nothing to discover and thus no need to delay a decision on the motion to compel.”

The Third Circuit ultimately held that less than “helpful” language in *Guidotti* had caused the district court in *Young* to make an understandable “misstep” when it directed the parties to discovery. Because there was “no factual dispute about the existence of the agreement to arbitrate” and “[n]o one denie[d] that the parties entered into the agreement [to arbitrate] or that it [wa]s valid,” the court found that there was no need for any discovery under the circumstances. Instead, the court found that the dispute centered on “the scope and enforceability of the agreement,” two issues that were “explicitly delegated, by the terms of the agreement, to an arbitrator,” not a court. Accordingly, the Third Circuit concluded that the plaintiff had “present[ed] no judicially resolvable challenge to the motion to compel,” and the district court “should therefore have granted the motion to compel arbitration without discovery, in keeping with the” Federal Arbitration Act’s aim of enforcing valid agreements to arbitrate.

The Third Circuit’s decision in *Young* will likely impact many pending and future motions to compel arbitration. Defendants looking to send a plaintiff’s claims to arbitration should carefully review arguments in opposition. If there is no meaningful challenge to an arbitration agreement’s existence or validity, then pre-arbitration discovery may be unwarranted.

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