

UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF
CALIFORNIA

Overland Direct, Inc. v. Houshang Aframian et al.

Overland Direct · No. 2:22-cv-05510-AB-PD · Decided March 7, 2023

SUMMARY

The United States District Court for the Central District of California denied Overland Direct, Inc.’s motion to remand and granted Houshang Aframian’s motion to transfer. The court held that the action was subject to federal bankruptcy jurisdiction because it implicated the automatic stay in the Homesite Holdings bankruptcy, and transferred the case to the Southern District of California for referral to that district’s bankruptcy court.

CASE DETAILS

COURT	United States District Court for the Central District of California
WRITING FOR THE COURT	Andre Birotte Jr.
JURISDICTION	United States District Court for the Central District of California
DECIDED	March 7, 2023
DOCKET	2:22-cv-05510-AB-PD
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiff moved to remand an action removed from Los Angeles County Superior Court. Defendant Aframian moved to transfer the action to the Southern District of California for referral to that district's bankruptcy court.
STANDARD OF REVIEW	The court reviewed the motion to remand de novo insofar as it concerned subject matter jurisdiction and removal, and considered transfer under the interests-of-justice and convenience-of-the-parties standards of 28 U.S.C. § 1404.
PRECEDENTIAL VALUE	unpublished, nonprecedential district-court order
PARTIES	Overland Direct, Inc. v. Houshang Aframian, Firooz Payan

TOPICS

- subject matter jurisdiction
- automatic stay
- bankruptcy
- venue
- civil procedure

PRACTICE AREAS

civil procedure

bankruptcy

commercial litigation

real estate

QUESTIONS PRESENTED

1. Whether Aframian timely removed the action under the second thirty-day removal period in 28 U.S.C. § 1446(b).
2. Whether Payan's affirmative defense and the settlement agreement triggered federal subject matter jurisdiction through complete preemption arising from the Bankruptcy Code and the automatic stay.
3. Whether withdrawal of the affirmative defense and a separate trustee settlement eliminated federal bankruptcy jurisdiction.
4. Whether the action should be transferred to the Southern District of California for referral to the bankruptcy court presiding over the Homesite bankruptcy.

HOLDINGS

1. Aframian timely removed the action because the second thirty-day removal period began when Payan filed the affirmative defense in this case, not when related documents were disclosed or filed in other proceedings.
2. The action was subject to federal bankruptcy jurisdiction because the settlement agreement and the claims implicated the automatic stay and sought to affect property of the Homesite bankruptcy estate; the action was therefore completely preempted.
3. Neither withdrawal of Payan's thirteenth affirmative defense nor the trustee-Payan settlement eliminated federal bankruptcy jurisdiction.
4. Transfer to the United States District Court for the Southern District of California was appropriate because that court could refer the action to the bankruptcy court already presiding over the Homesite bankruptcy.

KEY QUOTATIONS

“Once an area of state law has been completely pre-empted, any claim purportedly based on that pre-empted state law is considered, from its inception, a federal claim, and therefore arises under federal law.” (at 5)

“Thus, the Trustee-Payan Settlement Agreement and Payan’s withdrawal of his Affirmative Defense Thirteen did not abrogate federal bankruptcy jurisdiction over this case.” (at 7)

“Thus, given that the bankruptcy courts have exclusive jurisdiction over all property of the Homesite Estate and that this case violates the automatic stay, it follows that the interests of justice and the convenience of the parties are best served by transferring this case to the United States District Court for the Southern District of California, for referral to that court’s Bankruptcy Court.” (at 8)

FACTUAL BACKGROUND

Overland's First Amended Complaint asserted state-law claims concerning transactions involving real properties and assets of Homesite Holdings, LLC, a Chapter 7 bankruptcy debtor. A settlement agreement between Payan and Overland-related parties required those parties to litigate against Aframian concerning Homesite property and to share any resulting proceeds with Payan. Payan initially asserted the settlement agreement as an affirmative defense, later withdrew that defense, and the court nevertheless found that the action continued to implicate the automatic stay and property of the Homesite bankruptcy estate.

PROCEDURAL HISTORY

Overland filed state-law claims in Los Angeles County Superior Court in February 2021 and later filed a First Amended Complaint. Aframian removed the action on August 5, 2022, based principally on Payan's thirteenth affirmative defense, which invoked a settlement agreement implicating the automatic stay in the Homesite Chapter 7 bankruptcy. The district court denied remand, held that the action was subject to exclusive federal bankruptcy jurisdiction, and granted transfer to the Southern District of California for referral to its bankruptcy court.

DISPOSITION

other

REMAND INSTRUCTIONS

The motion for remand was denied. The action was ordered transferred to the United States District Court for the Southern District of California for referral to that district's bankruptcy court; the court stated that a proposed transfer order would issue concurrently.

CASES CITED

- Homesite Holdings, LLC v. Aframian, et al., Case No. 2:20-cv-08748-AB-PD
- Harris v. Bankers Life and Cas. Co., 425 F.3d 689, 692 (9th Cir. 2005)
- Walker v. Motricity Inc., 627 F. Supp. 2d 1137, 1142 (N.D. Cal. 2009)
- Walker v. Morgan, 386 Fed. App'x 601, 602 (9th Cir. 2010)
- Rossetto v. Oaktree Capital Management, LLC, 664 F. Supp. 2d 1122, 1129 (D. Haw. 2009)
- Caterpillar Inc. v. Williams, 482 U.S. 386, 393 (1987)
- MSR Exploration, Ltd. v. Meridian Oil, Inc., 74 F.3d 910, 915-16 (9th Cir. 1996)
- Bank of New York Mellon as Trustee for Certificateholders of CWALT, Inc., Alt. Loan Trust 2005-54CB, Mortgage Pass-Through Cert. Series 2005-54CB v. Enchantment at Sunset Bay Condo. Assn., 2 F.4th 1229, 1232-33 (9th Cir. 2021)
- Contractor's State License Bd. of Cal. v. Dunbar (In re Dunbar), 245 F.3d 1058, 1063 (9th Cir. 2001)
- Koeberer v. California Bank of Commerce (In re Koeberer), 632 B.R. 680, 688-89 (9th Cir. BAP 2021)
- Goichman v. Bloom (In re Bloom), 875 F.2d 224, 226 (9th Cir. 1989)
- Eastern Equipment and Services Corp. v. Factory Point Nat. Bank, Bennington, 236 F.3d 117, 121 (2d Cir. 2001)

- In re B-E Holdings, Inc., 228 B.R. 414, 420-21 (E.D. Wis. 1992)
- Matter of Coastal Group, Inc., 100 B.R. 177, 178 (Bankr. D. Del. 1989)

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