

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF
CALIFORNIA

C.A.L. Produce Sales Corporation v. CFG Produce, Inc.

C.A.L. Produce · No. 1:24-cv-00315-BAM · Decided March 13, 2025

SUMMARY

The United States District Court for the Eastern District of California orders Plaintiff to submit supplemental briefing concerning the effect of Defendant Shawn Jackson’s bankruptcy on the pending action and motion for default judgment against CFG Produce, Inc. The court specifically requests briefing on whether the action against Jackson is stayed under 11 U.S.C. § 362(a) and whether the entire action should be stayed pending resolution of the bankruptcy proceeding.

OPINION

1 2 3 4 5 6 7 8 UNITED STATES DISTRICT COURT 9 FOR THE EASTERN DISTRICT OF
CALIFORNIA 10 11 C.A.L. PRODUCE SALES Case No. 1:24-cv-00315-BAM
CORPORATION, 12 ORDER DIRECTING PLAINTIFF TO FILE Plaintiff, SUPPLEMENTAL
BRIEFING WITHIN 13 FOURTEEN DAYS v. 14 CFG PRODUCE, INC., et al., 15 Defendants.
16 17 BACKGROUND 18 This action to enforce rights under the Perishable Agricultural
Commodities Act of 1930 19 (“PACA”) following entry of a Reparations Order commenced on
March 14, 2024.

(Doc. 2.) 20 The operative complaint alleges that Plaintiff C.A.L. Produce Sales Corporation and
Defendant 21 CFG Produce Inc. were each engaged in the business of buying and selling
wholesale quantities 22 of perishable agricultural commodities in interstate commerce. (Doc. 2,
Compl. ¶¶ 1, 2.) 23 Defendant Shawn Jackson is alleged to be an officer, director, shareholder, and
USDA Principal 24 of CFG, and was in a position to control Defendant CFG.

(Id. ¶ 3.) 25 Between December 9, 2022 to January 19, 2023, Plaintiff sold produce to Defendant
26 CFG in a series of transactions and shipped the produce as directed by Defendant CFG in 27
exchange for a total sum of \$157,049.50. (Compl. ¶¶ 1, 7-22.) Defendant CFG failed to pay for 28
the produce. (Id. ¶ 25.) 1 Plaintiff filed a formal complaint against Defendant CFG with the
United States 2 Secretary of Agriculture on April 10, 2023.

(Compl. ¶ 26.) By Order of the United States 3 Secretary of Agriculture issued on October 31,
2023, Plaintiff received – and Defendant CFG 4 suffered – a reparations award in the sum of
\$157,049.50, with interest thereon at the rate of 5.41 5 percent per annum from March 1, 2023,
until paid, and filing fees in the amount of \$500.00 6 (“Reparations Award”). (Id. ¶ 27.)

Plaintiff alleges it is an unpaid supplier and seller of 7 produce, and is entitled to PACA Trust protection and payment from Defendant CFG's PACA 8 Trust Assets. (Id. ¶ 28.) Plaintiff further alleges that it is entitled to enforce the Reparations 9 Award by monetary award by order and judgment of this Court declaring, inter alia, that Plaintiff 10 is a PACA Trust beneficiary of Defendant CFG with a valid PACA Trust claim in the amount of 11 \$157,049.50, with interest thereon at the rate of 5.41 percent per annum from March 1, 2023, 12 until paid, and plus the amount of \$500.00.

(Id. ¶ 29.) 13 Plaintiff asserts the following causes of action: (1) enforcing reparations 14 award/validating PACA Trust claim, 7 U.S.C. § 499e(c)(3) and (4); (2) enforcement of payment 15 from PACA Trust Assets, 7 U.S.C. § 499e(c)(5); (3) violation of PACA: failure to maintain 16 PACA Trust Assets/Creation of Common Fund, 7 U.S.C. § 499b(4); (4) violation of PACA: 17 failure to timely pay/breach of contract, 7 U.S.C. § 499b(4); (5) personal liability of USDA 18 Principal/breach of fiduciary duties to PACA Trust beneficiaries; and (6) fraudulent 19 concealment.

(Doc. 2.) 20 The Clerk of the Court entered default in this action against Defendants CFG and Shawn 21 Jackson on June 5, 2024. (Docs. 10, 11.) 22 On August 5, 2024, Plaintiff filed a motion for default judgment against Defendant CFG. 23 (Doc. 76.) By that motion, Plaintiff requests that the Court enter default judgment against 24 Defendant CFG for damages in the amount of \$23,600.00 (\$3,000 for statutory damages 25 pursuant to 47 U.S.C. § 605(e)(3)(C)(i)(II); \$20,000 for enhanced damages pursuant to 47 26 U.S.C. § 605(e)(3)(C)(ii); and \$600 for conversion).

(Doc. 76-1). With respect to the remaining 27 defendant, Shawn Jackson, Plaintiff states: 28 Under 11 U.S.C. § 523(a)(4) the bankruptcy court does not discharge an 1 individual debtor from any debt for fraud or defalcation while acting in a fiduciary capacity, embezzlement, or larceny. Defendant JACKSON, as a 2 managing agent of CFG and a fiduciary, is personally liable to the extent Defendant CFG's PACA Trust Assets are insufficient to pay Plaintiff.

Sunkist 3 Growers v. Fisher (9th Cir. 997) 104 F.3d 280, 283. Defendant JACKSON filed for bankruptcy on June 13, 2024. Claims against Defendant JACKSON will be 4 pursued in the bankruptcy courts. 5 (Doc.13-1 at 4-5.) 6 Based on Plaintiff's statement, the Court requires additional information regarding the 7 bankruptcy filed by Defendant Jackson and the impact that may have on the pending motion for 8 default judgment against Defendant CFG.

9 Pursuant to Section 362 of the Bankruptcy Code, all actions against a defendant who has 10 filed a bankruptcy petition are automatically stayed once the petition is filed. 11 U.S.C. § 362(a) 11 (staying "the commencement or continuation, including the issuance or employment of process, 12 of a judicial, administrative, or other action or proceeding against the debtor that was or could 13 have been commenced before the commencement of the case under this title, or to

recover a 14 claim against the debtor that arose before the commencement of the case under this title”).

Thus, 15 Plaintiff shall provide supplemental briefing as to why the action against Defendant Jackson 16 should not be stayed pursuant to 11 U.S.C. § 362(a). 17 The Court recognizes that any individual liability of Defendant Jackson would be 18 secondary to any liability of Defendant CFG. See *Sunkist Growers*, 104 F.3d at 283 (quoting 19 *Shepard v. K.B. Fruit & Vegetable, Inc.*, 868 F. Supp. 703, 706 (E.D.

Pa. 1994)) (“PACA 20 liability attaches first to the licensed seller of perishable agricultural commodities. If the seller’s 21 assets are insufficient to satisfy the liability, others may be found secondarily liable if they had 22 some role in causing the corporate trustee to commit the breach of trust.”).

However, Plaintiff 23 believes that the PACA Trust Assets of Defendant CFG are insufficient to pay all or any part of 24 the Reparations Award. (Compl. ¶ 2.) Plaintiff also seeks judgment on the fraud issues alleged 25 in the complaint.

As asserted in the default judgment motion, the fraudulent concealment claim 26 is premised, in part, on “Plaintiff’s on-going reliance... throughout the parties’ relationship 27 based on continuing, express representations by CFG’s managing agent, Defendant SHAWN 28 1 JACKSON (“Jackson”).” (Doc. 13-1 at 3-4.) 1 2 Plaintiff also asserts: 3 Defendant JACKSON intentionally or, in the alternative, negligently, carelessly, and recklessly: (1) failed to ensure that Defendant CFG fulfilled its 4 responsibilities as a PACA Trustee by maintaining PACA Trust Assets; and (b) manipulated and/or failed and refused to control Defendant CFG’s operations and 5 financial dealings so as to dissipate and divert Defendant CFG’s PACA Trust Assets to pay operating expenses and other outstanding obligations from 6 preceding crop years in a Ponzi-type scheme to defraud growers and other suppliers such as Plaintiff.

7 8 (Id. at 4; see also Compl. ¶ 50 (same).) Because Plaintiff contends that under 11 U.S.C. § 9 523(a)(4), the bankruptcy court does not discharge an individual debtor from any debt for fraud 10 or defalcation while acting in a fiduciary capacity, embezzlement, or larceny, if the Court were to 11 grant the pending motion for default judgment, it may have an impact on Defendant Jackson’s 12 alleged liability and the bankruptcy proceeding.

Plaintiff therefore shall provide supplemental 13 briefing demonstrating why this action should not be stayed in its entirety based on the existence 14 of the bankruptcy proceeding. 15 District courts have the inherent power to stay a lawsuit. *Landis v. North American Co.*, 16 299 U.S. 248, 254-55 (1936). If an independent and related case is pending, in certain 17 circumstances federal courts may stay the instant suit while the independent proceeding moves 18 forward.

Dependable Highway Exp., Inc. v. Navigators Ins. Co., 498 F.3d 1059, 1066 (9th Cir. 19 2007); Levya v. Certified Grocers of California, Ltd., 593 F.2d 857, 863 (9th Cir. 1979). 20 To determine whether a Landis stay is appropriate, courts weigh the following competing 21 interests: (1) whether there is a fair possibility that a stay will cause damage; (2) whether a patty 22 23 1 The complaint alleges: 24 Defendants, and each of them, knowingly, intentionally, willingly, and fraudulently failed to disclose, and concealed, the financial condition of Defendant CFG for the purpose of 25 deceiving Plaintiff and growers and other suppliers of perishable agricultural commodities into selling to Defendant CFG; and Plaintiff was deceived and reasonably 26 relied on the implied continuing material representation that Defendant conducted the business and financial affairs of Defendant CFG in the manner required by the PACA by 27 selling the Produce to Defendant CFG.

28 (Compl. ¶ 55.) 1 may suffer hardship or inequity if a stay is not imposed; and (3) whether a stay will contribute to 2 the orderly course of justice. CMAX, Inc. v. Hall, 300 F.2d 265, 268 (9th Cir. 1962). 3 Additionally, a Landis stay (4) cannot be imposed only for judicial economy and (5) cannot be 4 indefinite and result in undue delay. Dependable Highway Exp., Inc., 498 F.3d at 1066-67.

A 5 stay may be the most efficient and fairest course when there are “independent proceedings which 6 bear upon the case.” Levya, 593 F.2d at 863. 7 In light of the pending bankruptcy proceeding, IT IS HEREBY ORDERED that within 8 fourteen (14) days of the date of service of this order, Plaintiff shall provide supplemental 9 briefing as to why the action against Defendant Jackson should not be stayed pursuant to 11 10 U.S.C. § 362(a) and why the entire action should not be stayed until the bankruptcy proceeding 11 in the related case is resolved.

12 IT IS SO ORDERED. 13 14 Dated: March 12, 2025 /s/ Barbara A. McAuliffe _ UNITED STATES MAGISTRATE JUDGE 15 16 17 18 19 20 21 22 23 24 25 26 27 28