

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA

Taft v. Salinas

No. 3:22-cv-697-RSH-DEB (S.D. Cal. July 15, 2025) · No. 3:22-cv-697-RSH-DEB · Decided July 15, 2025

SUMMARY

The United States District Court for the Southern District of California declines to stay proceedings against defendants other than Red Rock Enterprises of Utah, Inc., whose Chapter 11 bankruptcy triggered the automatic stay under 11 U.S.C. § 362(a). The court concludes that fairness and efficiency favor allowing claims against the remaining defendants to proceed and notes that the bankruptcy court denied Red Rock’s request to enjoin the district court action.

CASE DETAILS

COURT	United States District Court for the Southern District of California
WRITING FOR THE COURT	Robert S. Huie
JURISDICTION	United States District Court for the Southern District of California
DECIDED	July 15, 2025
DOCKET	3:22-cv-697-RSH-DEB
DISPOSITION	other
PROCEDURAL POSTURE	Order declining to stay the litigation as to defendants other than Red Rock Enterprises of Utah, Inc., which had commenced Chapter 11 bankruptcy proceedings.
STANDARD OF REVIEW	The court exercised its inherent authority to determine whether a stay would promote fairness and efficiency.
PRECEDENTIAL VALUE	unpublished district court order
PARTIES	Heather Taft et al. v. David Salinas et al., Red Rock Enterprises of Utah, Inc., et al.

TOPICS

- automatic stay
- bankruptcy
- civil procedure
- commercial litigation

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether the automatic stay under 11 U.S.C. § 362(a) extends to nondebtor co-defendants.
2. Whether the district court should exercise its inherent authority to stay the entire action pending resolution of Red Rock's bankruptcy proceedings.

HOLDINGS

1. The automatic stay generally protects only the bankruptcy debtor and does not automatically extend to nondebtor co-defendants. Claims and proceedings involving multiple parties must be analyzed separately to determine which proceedings are stayed.
2. The court declined to stay the proceedings as to any party other than Red Rock because fairness and docket efficiency favored allowing the claims against the nondebtor defendants to proceed.

KEY QUOTATIONS

“The automatic stay is self-executing and “sweeps broadly, enjoining the commencement or continuation of any judicial, administrative, or other proceedings against the debtor.”” (at 1)

“Within a single case, some actions may be stayed, others not. Multiple claim and multiple party litigation must be disaggregated so that particular claims, counterclaims, cross-claims and third-party claims are treated independently when determining which of their respective proceedings are subject to the bankruptcy stay.” (at 1)

“The Court determines that fairness and efficiency favor declining to stay this case as to any party other than Red Rock.” (at 2)

FACTUAL BACKGROUND

Red Rock Enterprises of Utah, Inc., a defendant in the civil action, commenced voluntary Chapter 11 bankruptcy proceedings in the United States Bankruptcy Court for the District of Utah. The bankruptcy filing automatically stayed the proceedings against Red Rock. The district court concluded that claims against the operating entities, the Salinas owners, and other defendants could proceed effectively without staying the entire case, which had already been pending for more than three years. The bankruptcy court also denied Red Rock's motion to enjoin the district court from proceeding with the action.

PROCEDURAL HISTORY

Red Rock notified the court that it had filed for Chapter 11 bankruptcy, triggering the automatic stay as to proceedings against Red Rock. The district court issued an order to show cause concerning whether the entire action should also be stayed under the court's inherent authority. After receiving submissions from the parties, the court declined to stay the proceedings against any party other than Red Rock and discharged the order to show cause.

DISPOSITION

CASES CITED

- Gruntz v. County of Los Angeles, 202 F.3d 1074, 1081-82 (9th Cir. 2000) (en banc)
- In re Chugach Forest Products, Inc., 23 F.3d 241, 246 (9th Cir. 1994)
- In re Advanced Ribbons & Office Products, 125 B.R. 259, 263 (9th Cir. BAP 1991)
- Parker v. Bain, 68 F.3d 1131, 1137 (9th Cir. 1995)
- Beardsley v. All American Heating, Inc., No. 05-cv-1962, 2007 WL 1521225, at *2 (W.D. Wash. May 22, 2007)
- J & J Sports Productions, Inc. v. Brar, 2:09-cv-3394, 2012 WL 4755037, at *2 (E.D. Cal. Oct. 3, 2012)
- Zurich American Insurance Co. v. Trans-Cal Associates, 10-cv-01957, 2011 WL 6329959, at *2 (E.D. Cal. Dec. 16, 2011)
- Rosen v. Urban Commons, LLC, No. 20-cv-01973, 2021 WL 3264146, at *3 (C.D. Cal. July 23, 2021)
- Mediterranean Enterprises, Inc. v. Ssangyong Corp., 708 F.2d 1458, 1465 (9th Cir. 1983)
- Levya v. Certified Grocers of California, Ltd., 593 F.2d 857, 863-64 (9th Cir. 1979)

OPINION

1 2 3 4 5 6 7 8 UNITED STATES DISTRICT COURT 9 SOUTHERN DISTRICT OF
CALIFORNIA 10 11 HEATHER TAFT et al. Case No.: 3:22-cv-697-RSH-DEB 12 Plaintiffs,
ORDER DECLINING TO STAY 13 v. PROCEEDINGS AS TO DEFENDANTS OTHER THAN
RED 14 DAVID SALINAS et al., ROCK 15 Defendants. 16 17 18 On May 21, 2025, defendant
Red Rock Enterprises of Utah, Inc. (“Red Rock”), filed 19 a notice informing the Court that it has
commenced voluntary bankruptcy proceedings 20 under Chapter 11 of Title 11 of the U.S. Code in
the U.S. Bankruptcy Court for the District 21 of Utah.

ECF No. 128. Pursuant to 11 U.S.C. § 362(a), the filing of a bankruptcy petition 22 automatically
stays a judicial action against the debtor. See Gruntz v. Cnty. of Los 23 Angeles, 202 F.3d 1074,
1081-82 (9th Cir. 2000) (en banc). “The automatic stay is self- 24 executing” and “sweeps broadly,
enjoining the commencement or continuation of any 25 judicial, administrative, or other
proceedings against the debtor.” Id. However, “[a]s a 26 general rule, ‘the automatic stay of
[Section 362(a)] protects only the debtor,’” not non- 27 debtor co-defendants.

In re Chugach Forest Prods., Inc., 23 F.3d 241, 246 (9th Cir. 1994) 28 (quoting In re Advanced
Ribbons & Off. Prods., 125 B.R. 259, 263 (9th Cir. BAP 1991)); 1 see Parker v. Bain, 68 F.3d
1131, 1137 (9th Cir. 1995) (“All proceedings in a single case 2 are not lumped together for
purposes of automatic stay analysis.... Within a single case, 3 some actions may be stayed, others
not.

Multiple claim and multiple party litigation must be disaggregated so that particular claims, counterclaims, cross-claims and third-party claims are treated independently when determining which of their respective proceedings are subject to the bankruptcy stay.” “[E]ven if the automatic stay does not extend to all... co-defendants, the Court has inherent authority to stay this litigation in its entirety.” *Beardsley v. All Am.*

Heating, Inc., No. 05-cv-1962, 2007 WL 1521225, at *2 (W.D. Wash. May 22, 2007); *J & J Sports Prods., Inc. v. Brar*, 2:09-cv-3394, 2012 WL 4755037, at *2 (E.D. Cal. Oct. 3, 2012) (same); *Zurich Am. Ins. Co. v. Trans. Cal Assocs.*, 10-cv-01957, 2011 WL 6329959, at *2 12 (E.D. Cal. Dec. 16, 2011) (same). Indeed, “[w]hether the entire action should be stayed under the Court’s inherent authority pending the conclusion of the bankruptcy proceedings is a separate issue” from whether it should be stayed as an extension of the automatic stay under Section 362.

Rosen v. Urban Commons, LLC, No. 20-cv-01973, 2021 WL 3264146, 16 at *3 (C.D. Cal. July 23, 2021). On June 5, 2025, the Court issued an order to show cause regarding whether the 18 action should be stayed in its entirety pending the conclusion of Red Rock’s bankruptcy proceedings. ECF No. 132. Defendants filed a response urging that the case be stayed as to all Parties, while Plaintiffs disagreed.

ECF Nos. 137, 138. The Parties thereafter filed 21 additional submissions. ECF Nos. 138, 139. 22 A “trial court may, with propriety, find it is efficient for its own docket and the fairest course for the parties to enter a stay of an action before it, pending resolution of 24 independent proceedings which bear upon the case.” *Mediterranean Enters., Inc. v. Ssangyong Corp.*, 708 F.2d 1458, 1465 (9th Cir.1983) (quoting *Levy v. Certified Grocers of Cal., Ltd.*, 593 F.2d 857, 863-64 (9th Cir.1979)).

The Court determines that fairness and efficiency favor declining to stay this case as to any party other than Red Rock. This case has been pending for over three years. Plaintiffs in this case allege that Red Rock is merely a shell company — sandwiched between the operating entities on one hand, and the owners Mr. and Mrs. Salinas on the other.

Plaintiffs’ claims against the operating entities, the owners, and the other defendants can proceed effectively while the claims against Red Rock are stayed. Additionally, the docket in Red Rock’s bankruptcy case, *In re Red Rock Enterprises, Inc.*, No. 25-22857 (Bankr. D. Utah), Dkt. No. 6, reflects that on July 9, 2025, the bankruptcy court denied motion by Red Rock to enjoin this Court from proceeding with this action.

The Court declines to stay the proceedings against any party other than Red Rock. The order to show cause entered on June 5, 2025 is hereby discharged. IT IS SO ORDERED. Dated:

July 15, 2025 febut c Eh sree Hon. Robert S. Huie 13 United States District Judge 14 15 16 17 18
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