UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF CALIFORNIA

Leaser v. Prime Ascot, L.P.

Leaser · No. 2:20-cv-02502-DJC-AC · Decided May 7, 2025

SUMMARY

The United States District Court for the Eastern District of California held that Delaware law governs the alter ego analysis for the Delaware LLC defendants. The court granted defendants' motion for judgment on the pleadings because plaintiffs had not sufficiently alleged that the entities operated as a single economic entity, but granted leave to amend. The court denied defendants' motion for partial summary judgment without prejudice as premature.

CASE DETAILS

COURT	United States District Court for the Eastern District of California
WRITING FOR THE COURT	Daniel J. Calabretta
JURISDICTION	United States District Court for the Eastern District of California
DECIDED	May 7, 2025
DOCKET	2:20-cv-02502-DJC-AC
DISPOSITION	other
PROCEDURAL POSTURE	Defendants moved for judgment on the pleadings under Federal Rule of Civil Procedure 12(c), arguing that Delaware law governed the alter-ego issue and that the allegations were insufficient under Delaware law. Defendants also moved for partial summary judgment. The court granted the Rule 12(c) motion with leave to amend and denied the partial-summary-judgment motion without prejudice.
STANDARD OF REVIEW	A Rule 12(c) motion is evaluated under the same standard as a Rule 12(b)(6) motion. The court accepts the nonmoving party's allegations as true, treats denied or contradicted allegations by the moving party as false, views facts and reasonable inferences in the light most favorable to the nonmoving party, and grants judgment when the moving party is entitled to judgment as a matter of law.
PRECEDENTIAL VALUE	unpublished district court order

TOPICS

motion for judgment on the pleadings | corporate veil piercing | limited liability companies | choice of law | civil procedure

PRACTICE AREAS

civil procedure | corporate law | commercial litigation

QUESTIONS PRESENTED

1. Whether defendants were judicially estopped or had waived their argument that Delaware law governed the alter-ego issue.
2. Whether defendants' Rule 12(c) motion was an improper motion for reconsideration.
3. Whether California or Delaware law governed alter-ego liability for the Delaware LLC defendants.
4. Whether plaintiffs plausibly alleged alter-ego liability under Delaware law.
5. Whether the court should reach defendants' motion for partial summary judgment while granting leave to amend the complaint.

HOLDINGS

1. Defendants were not judicially estopped from asserting that Delaware law governed alter-ego liability, and they had not waived the choice-of-law argument because the court had not previously ruled on that issue.
2. The Rule 12(c) motion was not an improper motion for reconsideration because defendants raised a new choice-of-law issue rather than asking the court to reconsider its prior determination under California law.
3. Delaware law governs the alter-ego liability analysis for the defendants incorporated in Delaware.
4. Plaintiffs failed to plausibly allege alter-ego liability under Delaware law because, although they alleged that the LLC operated as a mere shell or conduit, they did not sufficiently allege the additional factors necessary to establish that the entities operated as a single economic entity.
5. Leave to amend was appropriate because defendants raised the Delaware choice-of-law argument for the first time and the pleading deficiencies might be curable.
6. The court did not reach the merits of the partial-summary-judgment motion and denied it without prejudice because consideration was premature while plaintiffs were being granted leave to amend.

KEY QUOTATIONS

> *"judgment on the pleadings is properly granted when, taking all the allegations in the non-moving party's pleadings as true, the moving party is entitled to judgment as a matter of law."* (1)

> *"The appropriate standard to assess alter ego liability of a corporation under Delaware law is (1) whether the entities in question operated as a single economic entity, and (2) whether there was an overall element of injustice or unfairness."* (5)

> *"The "alter ego analysis must start with an examination of factors which reveal how the corporation operates and the particular defendant's relationship to that operation.""* (6)

FACTUAL BACKGROUND

Plaintiffs brought a putative class action against Prime Ascot-related entities, including entities incorporated in Delaware, and alleged alter-ego liability involving Prime Administration and titleholding subsidiaries. The court had previously found the alter-ego allegations sufficient under California law, but defendants later argued that Delaware law applied to the Delaware entities and that the allegations failed under that law. The court concluded that the complaint alleged that the entities operated as a mere shell or conduit, but did not allege sufficient facts concerning the other Delaware alter-ego factors.

PROCEDURAL HISTORY

Plaintiffs filed a putative class action in California Superior Court, Solano County, and defendants removed it to the Eastern District of California on December 17, 2020. The court denied an initial motion to dismiss, later reconsidered that ruling and dismissed certain property owners and landlords for lack of standing, and plaintiffs filed a Second Amended Complaint. The court previously held that plaintiffs adequately pleaded alter-ego liability under California law. On defendants' new motion, the court held that Delaware law governed the alter-ego analysis for the Delaware LLC defendants, found the allegations insufficient under Delaware law, granted leave to amend, and denied partial summary judgment without prejudice as premature.

DISPOSITION

other

REMAND INSTRUCTIONS

No remand. Plaintiffs may amend and refile their Complaint within 21 days. The partial-summary-judgment motion is denied without prejudice.

CASES CITED

- Dworkin v. Hustler Magazine, Inc., 867 F.2d 1188, 1192 (9th Cir. 1989)
- MacDonald v. Grace Church Seattle, 457 F.3d 1079, 1081 (9th Cir. 2006)
- Living Designs, Inc. v. E.I. DuPont de Nemours & Co., 431 F.3d 353, 360 (9th Cir. 2005)
- Marshall Naify Revocable Trust v. United States, 672 F.3d 620, 623 (9th Cir. 2012)
- Fajardo v. County of Los Angeles, 179 F.3d 698, 699 (9th Cir. 1999)
- Clear Connection Corp. v. Comcast Cable Communications Management, LLC, 149 F. Supp. 3d 1188, 1204 (E.D. Cal. 2015)
- Hamilton v. State Farm Fire & Casualty Co., 270 F.3d 778, 782-83 (9th Cir. 2001)
- United States v. Kim, 806 F.3d 1161, 1167 (9th Cir. 2015)
- New Hampshire v. Maine, 532 U.S. 742, 750-53 (2001)
- Baughman v. Walt Disney World Co., 685 F.3d 1131, 1133-34 (9th Cir. 2012)

- General Signal Corp. v. MCI Telecommunications Corp., 66 F.3d 1500, 1505 (9th Cir. 1995)
- DeRosa v. National Envelope Corp., 595 F.3d 99, 104 (2d Cir. 2010)
- Radiation Sterilizers, Inc. v. United States, 867 F. Supp. 1465, 1473 (E.D. Wash. 1994)
- MacRae v. HCR Manor Services, LLC, No. 8:14-cv-00715-DOC-RNB, 2017 WL 11480091, at *3 (C.D. Cal. Sept. 14, 2017)
- Lefevre v. Five Star Quality Care, Inc., No. 5:15-cv-01305-VAP-SP, 2015 WL 13688460, at *2 n.1 (C.D. Cal. Dec. 11, 2015), aff'd, 705 F. App'x 622 (9th Cir. 2017)
- Wehlage v. EmpRes Healthcare Inc., 821 F. Supp. 2d 1122, 1128 (N.D. Cal. 2011)
- Barclays Discount Bank Ltd. v. Levy, 743 F.2d 722, 725 (9th Cir. 1984)
- Pro 49 Development, LLC v. Ness Express 1, LLC, No. 2:24-cv-01850-JAM-JDP, 2024 WL 4712389, at *2 (E.D. Cal. Nov. 7, 2024)
- Pizana v. SanMedica International, 345 F.R.D. 469, 486 (E.D. Cal. 2022)
- NetJets Aviation, Inc. v. LHC Communications, LLC, 537 F.3d 168, 176-78, 177, 183 (2d Cir. 2008)
- Fletcher v. Atex, Inc., 68 F.3d 1451, 1458 (2d Cir. 1995)
- National Gear & Piston, Inc. v. Cummins Power Systems, LLC, 975 F. Supp. 2d 392, 406 (S.D.N.Y. 2013)
- Khoros, LLC v. Lenovo, No. 3:20-cv-03399-WHO, 2020 WL 12655516, at *15 (N.D. Cal. Oct. 5, 2020)
- Gregg v. Hawaii Department of Public Safety, 870 F.3d 883, 887 (9th Cir. 2017)
- Chandavong v. Fresno Deputy Sheriff's Association, 599 F. Supp. 3d 1017, 1020 (E.D. Cal.)

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