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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

DIONNE SMITH-DOWNS,
et al.,

NO. 2:10-CV-02495-MCE-GGH

Plaintiffs,

v.

ORDER

CITY OF STOCKTON,
et al.,

Defendants.

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On July 16, 2012, this Court issued an Order directing the parties to submit briefs addressing whether this action can or should proceed given that Defendant City of Stockton ("the City") had filed a bankruptcy petition pursuant to Chapter 9 of the U.S. Bankruptcy Code and invoked the automatic stay prescribed in 11 U.S.C. §§ 362 and 922. See ECF No. 59.) The Court noted that, absent a compelling argument otherwise, it was inclined to stay the case.

On July 25 and 26, Plaintiffs and Defendants filed their briefs addressing the Court's concerns. (See ECF Nos. 61-63.)

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1 In their brief, Plaintiffs generally contend that a stay of the
2 entire action is not necessary because the City is only named in
3 one of their three causes of action (their Monell cause of
4 action), and argue that the action can proceed on their two other
5 claims because the City cannot be held liable for the alleged
6 Constitutional violations of the remaining Defendants. (ECF
7 No. 61 at 1-4.) In essence, Defendants respond that
8 (1) California law mandates that the City both defend and pay any
9 judgments against the individual City officers, therefore, the
10 automatic stay bars the continuation of this action against those
11 officers; (2) the Court should exercise its discretionary
12 authority to stay this action against the individual County
13 officers because Plaintiffs' complaint does not make clear what
14 claims are made against which individual defendants. (See ECF
15 Nos. 62, 63.)

16 As the Court noted in its prior Order, "in the absence of
17 special circumstances," a stay under 11 U.S.C. § 362 stays
18 actions only against the debtor. See Ingersoll-Rand Fin.
19 Corp. v. Miller Mining Co., 817 F.2d 1424, 1427 (9th Cir. 1987).
20 Multiple claim and multiple party litigation must be
21 disaggregated so that particular claims, counterclaims,
22 cross-claims and third-party claims are treated independently
23 when determining which of their respective proceedings are
24 subject to the bankruptcy stay. See Parker v. Bain, 68 F.3d
25 1131, 1137 (9th Cir. 1995). However, district courts have wide
26 discretion to stay actions in order to avoid duplicative
27 litigation.

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1 Landis v. N. Am. Co., 299 U.S. 248, 254-55 (1936) ("the power to
2 stay proceedings is incidental to the power inherent in every
3 court to control the disposition of the causes on its docket with
4 economy of time and effort for itself, for counsel, and for
5 litigants."); Lockyer v. Mirant Corp., 398 F.3d 1098, 1111
6 (9th Cir. 2005) ("[A] trial court may, with propriety, find it
7 efficient for its own docket and the fairest course for the
8 parties to enter a stay of an action before it, pending
9 resolution of independent proceedings which bear upon the
10 case.").

11 Here, the Court concludes that special circumstances warrant
12 staying this entire action until such time as the automatic stay
13 against the City is lifted. First, while the City may not be
14 held liable for Plaintiffs' claims against the individual City
15 officers, California law does require that:

16 upon request of an employee or former employee, a
17 public entity shall provide for the defense of any
18 civil action or proceeding brought against him, in his
19 official or individual capacity or both, on account of
an act or omission in the scope of his employment as an
employee of the public entity.

20 Cal. Gov't Code § 995 (emphasis added). Further, if the action
21 results in a judgment adverse to the employee, or settles, the
22 public entity is then required to indemnify the employee for the
23 amount of the judgment or settlement. See Cal. Gov't Code
24 § 825(a).

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1 Therefore, if the Court permitted the case to proceed to
2 judgment, or if the case were to settle, then the City could
3 potentially be obligated to pay for the individual City officers
4 defense costs, as well as to indemnify the officers for the
5 amount of judgment or settlement, which would necessarily violate
6 the automatic stay provisions of 11 U.S.C. §§ 362(a) 922. Thus,
7 this action must be stayed against the individual City officer
8 Defendants.

9 Turning to the individual County officer Defendants, the
10 Court concludes that Plaintiffs' claims, as alleged in their
11 operative pleading, the Fifth Amended Complaint (ECF No 52),
12 cannot be disaggregated from their claims against the individual
13 City officer Defendants. The Complaint generally alleges that
14 all the individual Defendants were responsible for all of the
15 acts alleged therein. Because there is no way to desegregate the
16 claims against the individual County officer Defendants from
17 those against the individual City officer Defendants, and because
18 the Court has concluded that this action must be stayed against
19 the City Defendants, the Court exercises its discretionary
20 authority to stay this action as to the remaining County
21 Defendants as well.

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1 **CONCLUSION**

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3 For the reasons set forth above, IT IS HEREBY ORDERED that

4 this action is stayed against all Defendants so long as the

5 automatic stay is in place.

6 IT IS SO ORDERED.

7 Dated: August 2, 2012

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MORRISON C. ENGLAND, JR.

11 UNITED STATES DISTRICT JUDGE

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