Order Entered on
July 30, 2025
by Clerk U.S. Bankruptcy Court
Southern District of California

**UNITED STATES BANKRUPTCY COURT**
SOUTHERN DISTRICT OF CALIFORNIA
325 West "F" Street, San Diego, California 92101-6991

| | |
|---|---|
| In re:<br><br>ASHKAN MIRFAKHR & NASSIM RAJAEE,<br><br>Debtors. | BANKRUPTCY NO. 24-00617-CL7<br><br>Name of Judge: Christopher B. Latham |

**ORDER GRANTING THE TRUSTEE'S SALE OF DEFENSIVE APPELLATE RIGHTS**

IT IS HEREBY ORDERED as set forth on the continuation page(s) attached, numbered two (2) through eight (8).

DATED: July 30, 2025

Judge, United States Bankruptcy Court

The court has considered the Trustee's motion to sell (ECF No. 288), Debtor Ashkan Rajee's opposition (ECF No. 323), Debtor Nassim Rajaee's opposition (ECF No. 338), Trustee's omnibus reply (ECF No. 341), Creditor Davis's reply (ECF No. 339), the hearing on the matter, the parties' supplemental briefs (ECF Nos. 505, 507, & 534), and its own docket. For the reasons set forth below, it will **grant** the motion.

**Background**

Debtor Ashkan Rajaee and Creditor Davis were once business partners of TopDevz LLC. That relationship eventually soured, leading to arbitration in February 2021. The arbitrator ruled in Creditor's favor and found him to be the majority owner. The San Diego Superior Court confirmed the arbitration award (Case No. 37.2022-00026691-CU-PA-CT).[1] Debtor filed multiple lawsuits attempting to undo the arbitration and vacate the award. Upon petition, Debtor had over four pending lawsuits, which are now property of the estate. The Trustee moves to sell the estate's rights in the following:

- Ashkan Rajaee v. Tyler Davis, International Centre for Dispute Resolution Case No. 01-21-9983 (the "Arbitration");
- Tyler Davis v. Ashkan Rajaee, San Diego County Superior Court Case No. 37-2022-00026691-CU-PA-CTL (the "Arbitration Confirmation Action");
- Askhan Rajaee v. Tyler Davis et al., Cal. Ct. of Appeal Case No. D082966 (4th App. Dist.) (the "Arbitration Confirmation Appeal");
- Tyler Davis v. Ashkan Rajaee, Sacramento County Superior Court Case No. 34-2021-00295173-CU-BT-GDS, consolidated with Ashkan Rajaee v. Tyler Davis, Sacramento County Superior Court Case No. 34-2022-00316510-CU-MC-GDS (together, the "Arbitration-Related Actions");
- Membership interest in TopDevz, LLC.

Before the proposed sale under review, the Trustee had moved to abandon the subject appellate rights, deeming their administration to be overly burdensome to the estate (ECF No. 197). Creditor opposed abandonment, and the parties negotiated a sale instead (ECF Nos. 211 & 288). The key terms of the latter are that Creditor will purchase the property for $100,000 – a $20,000 increase from his initial offer. He paid the full amount as a good faith deposit. The Trustee had set an overbid deadline of May 12, 2025 (ECF No. 288). No one – including Debtors – timely submitted a bid. At oral argument, the court again asked if there were overbids, and none were brought. Despite that, both Debtors oppose this sale.

[1] The court may take judicial notice of matters of public record. *Lee v. City of Los Angeles,* 250 F.3d 668, 688-89 (9th Cir. 2001).

**Legal Standards, Analysis & Discussion**

*Debtors' Arguments*

Debtors make several arguments, but all can be summarized in three broad proposition – none of which shows infirmities in the sale. First, Debtor Ashkan Rajaee contends the order confirming the arbitration award is void *ab initio* due to lack of subject matter jurisdiction by the arbitrator and the state court (ECF No. 323). He asks this court to declare it void.[2]

But *Rooker-Feldman* bars a federal court from entertaining a collateral attack on final or interlocutory decisions from the state court. *Benavidez v. Cnty. of San Diego*, 993 F.3d 1134, 1143 (9th Cir. 2021); *Doe & Assocs. L. Offices v. Napolitano*, 252 F.3d 1026, 1030 (9th Cir. 2001) ("[T]he *Feldman* doctrine should apply to state judgments even though state court appeals are not final.")) (internal citation omitted). *Rooker-Feldman* can be invoked "when the federal plaintiff … asserts as [an] injury legal error or errors by the state court and seeks as her remedy relief from the state court judgment." *Miroth v. Cnty. of Trinity*, 136 F.4th 1141, 1151 (9th Cir. 2025) (internal citations omitted).

The state court's alleged legal error – entering a decision without jurisdiction – and Debtor's request are barred from examination in this court under *Rooker-Feldman*. *See id.;* D*oe v. Mann*, 415 F.3d 1038, 1042 n.6 (9th Cir. 2005) ("Rooker–Feldman applies where the plaintiff in federal court claims that the state court did not have jurisdiction to render a judgment.") (internal citations omitted).[3] The Ninth Circuit has recognized an exception where the judgment is considered void *ab initio*, but only when the state court violated the automatic stay. *See In re Gruntz*, 202 F.3d 1074, 1082 (9th Cir. 2000). Because our circuit does not allow a challenge to the state court's jurisdiction as an exception to *Rooker-Feldman*, this court cannot declare the state court judgment void. *See Doe v. Mann*, 415 F.3d at 1042 n.6; *In re Gruntz, 202 F.3d at 1082*.

[2] Debtor includes vague remarks that Creditor Davis and others mislead the state court, including that they "repeatedly misrepresent[ed] caselaw," "fashioned improper remedies," and "engaged in procedural violations" (ECF No. 323). At best, this might be an assertion under the extrinsic fraud exception to *Rooker-Feldman*. *See Cogan v. Trabucco,* 114 F.4th 1054, 1064 (9th Cir. 2024); *Miroth v. Cnty. of Trinity,* 136 F.4th at 1153. That exception requires showing "the aggrieved party was kept in ignorance of the action or proceeding, or in some other way fraudulently prevented from presenting his claim. . . ." *In re Lake*, 202 B.R. 751, 758 (B.A.P. 9th Cir. 1996); *See also Kimes v. Stone*, 84 F.3d 1121, 1127 n.3 (9th Cir. 1996) (listing examples of extrinsic fraud). While not directly before the court, the extrinsic fraud exception does not appear apposite. Debtor was aware of the state suit, freely filed motions, and appealed the superior court's order, demonstrating that he had a full opportunity to present his claim.

[3] Other courts also reject jurisdictional challenges an exception to *Rooker-Feldman*. *See Lubben v. Selective Serv. Sys. Local Bd. No. 27*, 453 F.2d 645, 649 (1st Cir. 1972); *In re Salem*, 290 B.R. 479, 481; *Schmitt v. Schmitt*, 165 F. Supp. 2d 789, 796 (N.D. Ill. 2001).

Second, Debtor Nassim Rajaee contends that defensive appellate rights are not saleable estate property.[4] But that is incorrect. *See In re Delannoy*, 2018 WL 4190874, at *5 (B.A.P. 9th Cir. Aug. 31, 2018), *aff'd*, 833 F. App'x 116 (9th Cir. 2020) (affirming trustee's sale of defensive appellate rights); *In re Mozer*, 302 B.R. 892, 896 (C.D. Cal. 2003) ("The right to appeal is … the [estate's] property under California's broad concept of property right. . . . Debtors' appellate rights, including the Defensive Appellate Rights, are saleable") (cleaned up); *In re Croft*, 737 F.3d 372, 377 (5th Cir. 2013); *Martin v. Monumental Life Ins. Co.*, 240 F.3d 223, 232 (3d Cir. 2001).

Finally, Debtors argue that the sale impairs the ability to contest the arbitration, creates issue preclusion, violates due process, and compounds legal error (ECF Nos. 323 & 388). These arguments are unavailing. Neither collateral impacts nor the inability to challenge the arbitration make the sale unsuitable. S*ee In re Delannoy*, 2018 WL 190874, at *10 ("sale of the appeal rights may impact [Debtor's] efforts to relitigate the state court's findings … [but that] did not render the sale improper."). Further, "[d]ue process does not compel an absolute right to appeal. . . . [T]he right is subject to the restrictions on a debtor's property which are part of the bankruptcy process." *In re Mozer*, 302 B.R. at 897 n.3 (cleaned up).[5] And the asserted legal errors are not redressable in this court owing to *Rooker-Feldman*, *supra*.[6] That can only be accomplished in the state court, as Debtors have repeatedly been informed. In sum, none of the arguments raised constitute reason to deny the sale.

*§ 363: Sale Analysis*

In approving a §363 sale, the court considers whether: there is an adequate business justification, the sale is in the estate's best interest, its terms are fair and reasonable, and it was an arms-length transaction negotiated in good faith. *In re Baroni*, 654 B.R. 334, 342 (Bankr. C.D. Cal. 2023), *aff'd,* 658 B.R. 551 (C.D. Cal. 2024), *appeal dismissed sub nom. Baroni v. Seror*, 2024 WL 5672837 (9th Cir. Dec. 20, 2024) (cleaned up). The transaction must also yielded optimal value to the estate under the circumstances. *In re Lahijani*, 325 B.R. 282, 288 (9th Cir. B.A.P. 2005).

---

[4] Relatedly, Debtor claims there must be a determination that the subject rights are estate property (ECF No. 532). Property of the estate is comprised of "all legal or equitable interests of the debtor in property as of the commencement of the case." 11 U.S.C. § 541(a)(1). Upon petition, all of Debtors' lawsuits became estate property. Their schedules disclose several legal actions, including this state appeal (ECF No. 1). Those schedules list a 34% ownership interest in TopDevz LLC, which also is now estate property. *Id*.

[5] At the hearing, Trustee stated he pursued a § 363 sale, not settlement, to allow Debtors to bid on the property. They were advised to do so. Yet they refused. It is difficult to see a lack of due process. And even if collateral impacts could increase the price, the property apparently was not worth more than $100,000 to Debtors. *See In re Delannoy*, 615 B.R. 572, 583 (B.A.P. 9th Cir. 2020), *aff'd* 852 F. App'x 279 (9th Cir. 2021) (holding to the extend the court even considers collateral impacts, that "occur[s] within the context of assessing the value of the sale.").

[6] Debtors do not assert that the arbitration order is void as a stay violation. Nor could they: the automatic stay was not in effect when the state court confirmed the arbitration award.

The record shows sound business judgment. After Creditor's initial $80,000 offer, the Trustee negotiated an even higher price (ECF Nos. 288). The process was transparent and allowed for overbidding – a procedure given to maximizing value. At oral argument, the court again asked if there were any overbids, and the Trustee reported none.

Second, the sale terms are fair, reasonable, and in the estate's best interest. The property was too burdensome for the Trustee to keep and headed for abandonment; that would mean zero dollars to the estate (ECF No. 197). So, realizing any amount of money would yield optional value to the estate under the circumstances. *In re Lahijani*, 325 B.R. at 288. Here the estate gets $100,000.

Admittedly, there is some question of whether the $100,000 price is reasonable, given that the property relates to Creditor Davis's unsecured claims 8 and 9, which total roughly $8 million. Since the appellate rights directly concern Debtor and Creditor, these are the two people who naturally would value them highest. Between them, Creditor's offer of $100,000 was the highest. Debtor's non-bid seems to suggest he actually thinks the value is $0. And while the sale impacts large claims, only the pro rata share of those claims will be paid through this bankruptcy. Debtor takes issue with Creditor Davis – his adversary in the appeal – purchasing the rights. But had another creditor bought the property under the sale's terms, the pro rata share would still be paid back to Creditor Davis. The only instance where the claim's pro rata amount would not be paid is if Creditor Davis lost the appeal to a person purchasing the rights. That is unlikely given that Debtor knows intimately the appeal's underlying facts and is in the best position to prevail in court.

Finally, the sale is in the estate's best interest. As explained in detail below, the appeal's chance of success is low, and a favorable appellate ruling will likely lead to further litigation – compounding the already significant delay and expense (ECF Nos. 288 & 341). Even if the appeal led to Creditor's unsecured claims being disallowed and the estate owning TopDevz, that ownership may create substantial priority tax claims for the estate (ECF No. 288 & 341). Meanwhile, TopDevz's majority interest holds little value because the company is no longer operating. Thus, the sale's terms – the $100,000 to the estate, mutual release of liabilities and others – are in the estate's best interest.

*§363(m): Good Faith Purchaser Finding*

Although not required for sale approval, another consideration is whether the buyer is a good faith purchaser. § 363(m). This requires that the buyer be an identifiable purchaser and one that gives value in the transaction. *In re Fitzgerald*, 428 B.R. 872, 882 (B.A.P. 9th Cir. 2010) (citing *In re R.B.B., Inc.,* 211 F.3d 475, 478–80 (9th Cir.2000)); then citing (*In re Ewell,* 958 F.2d 276, 281 (9th Cir.1992)). In determining value, the auction price is ordinarily assumed to approximate market worth when there is competition among a number of bidders. *In re Fitzgerald*, 428 B.R. at 883 (citing *Lahijani,* 325 B.R. at 289). But when competition is constrained – such as when the adversary in the underlying suit is the only interested purchaser – the price must be examined more carefully. *Id*. The BAP has further stated that:

> Typically, lack of good faith is shown by "fraud, collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders."

*In re M Capital Corp.*, 290 B.R. 743, 746-47 (B.A.P. 9th Cir. 2003) (quoting *In re Ewell*, 958 F.2d 276, 281 (9th Cir. 1992)). A good faith finding "is to be determined by the trial court with findings based on evidence and that the safe harbor can be waived by omission to present such evidence." *In re Lahijani*, 325 B.R. at 284.

The Trustee requests a § 363(m) good faith purchaser finding (ECF No. 288). Debtor argues against this, alleging bad faith actions by the Trustee, Creditor Davis and others (ECF No. 323). The record shows otherwise. At the hearing, the Trustee confirmed that the sale was conducted at arm's length with counsel on both sides and that Creditor paid fair value. These statements, along with the fact that Trustee had no relationship to the buyer before this bankruptcy, were also in the Trustee's declaration (ECF No. 288, pg. 18–19). That is sufficient evidence to support a good faith finding. *Cf. In re Fitzgerald*, 428 B.R. at 880–81 ("nor did the [movant] submit a declaration or any other evidence supporting [the § 363(m) finding].") The court does not find Debtor's arguments about Creditor's financial status persuasive. (ECF No. 532). Whether Creditor is well monied is not a reason to reject a good faith purchaser finding.

Furthermore, the Trustee negotiated for $100,000 – above Creditor's initial $80,000 offer (ECF Nos. 217 & 288). Asking for an even higher price itself indicates no "fraud [or] collusion between the purchaser [and the] trustee"; *See In re M Capital Corp.*, 290 B.R. at 746–47. And it is impossible to advantage other overbidders since there were none. *See id*. Creditor is purchasing the rights for value and in good faith. *See id*. As described above, the court has closely scrutinized the price, given the possible lack of competition among buyers. *In re Fitzgerald*, 428 B.R. at 883 (citing *Lahijani,* 325 B.R. at 289). Accordingly, it finds Creditor to be a good faith purchaser under § 363(m).

*The A & C Factors*

When a § 363 sale amounts to acquisition of causes of action by a defendant, the BAP has held it should also be analyzed under Rule 9019's standard. *In re Lahijani,* 325 B.R. at 290.

Rule 9019 provides that "[o]n the trustee's motion and after notice and a hearing, the court may approve a compromise or settlement . . . ." FED. R. BANKR. P. 9019(a). The purpose of settlement agreements is to allow the trustee and creditors to avoid the expenses and burdens associated with contentious litigation. *Martin v. Kane (In re A & C Prop.)*, 784 F.2d 1377, 1380–81 (9th Cir. 1986) (citing *Matter of Walsh Constr., Inc.*, 669 F.2d 1325, 1328 (9th Cir. 1982)). "The law favors compromise and not litigation for its own sake, and as long as the bankruptcy court amply considered the various factors that determined the reasonableness of the compromise, the court's decision must be affirmed." *In re A & C Prop.*, 784 F.2d at 1381 (citing *Matter of Walsh Constr., Inc.*, 669 F.2d at 1329; *In re Blair*, 538 F.2d 849, 851 (9th Cir. 1976)). Further, ". . . [t]he court must also find that the compromise is fair and equitable." *In re A & C Prop.*, 784 F.2d at 1381 (internal citation omitted).

The Ninth Circuit has adopted a multi-factor test the court must consider in determining a settlement agreement's fairness, reasonableness, and adequacy:

1. The probability of success in the litigation;
2. The difficulties, if any, to be encountered in the matter of collection;
3. The complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and
4. The paramount interest of the creditors and a proper deference to their reasonable views in the premises.

*In re A & C Prop.*, 784 F.2d at 1381 (quoting *In re Flight Transp. Corp. Sec. Litig.*, 730 F.2d 1128, 1135 (8th Cir. 1984)). Finally, the Ninth Circuit does not require that all four of the *A&C* factors support approval of a settlement or compromise. *In re Persistence Capital, LLC*, 2007 WL 7540978, at *7 (B.A.P. 9th Cir. Nov. 5, 2007). "Instead, it need only appear that the bankruptcy court took the four factors into consideration and gave them appropriate weight." *Id.*

First, the probability of success seems quite low. The thrust of Debtor's appeal is the lack of jurisdiction by the arbitrator, such that the state court should not have confirmed the arbitration award. Judicial review of arbitrations is limited in California. *Moncharsh v. Heily & Blase*, 3 Cal. 4th 1, 10. In fact, the San Diego Superior Court ruled that "[t]he Court relies on the weight of the legal authority: arbitration awards are generally immune from judicial review. . . . By voluntarily submitting to arbitration Mr. Rajaee agreed to bare [the risks of arbitration]. . . . " (ECF No. 420, p. 214). If Debtor is going to repeat the same arguments before the appellate court, the probability of success is seemingly low. Moreover, the estate's case would rely heavily on Debtor Ashkan Rajaee's testimony, yet he has repeatedly refused to work alongside the Trustee (ECF No. 341). There is some indication his veracity would be difficult to rely on. *Id*. Debtor does not expressly dispute the Trustee's view that the probability of success is low (ECF No. 532); he makes no mention of the appeal's expected success. *Id*.

As to the second prong, there would be difficulties in collection. To the Trustee's knowledge, there is no insurance coverage or other source of payment. The court finds no reason to question that information since Debtor does not address this factor (ECF No. 532).

Third, there would be significant expense, delay, inconvenience, and complexity for the estate absent a sale. The appeal's expense is high since it could last several years. Delay and inconvenience would likewise be substantial. Even if the estate successfully won the appeal and vacated the arbitration award, it would still be spending years in post-appeal litigation. That includes restarting the arbitration process, confirming a new arbitration award, defending any resulting appeal, and unwinding the company's shutdown. The process could span several years. To put this in perspective, the Trustee reports that the underlying arbitration alone took about two years from initial demand to final award. The issues are also somewhat complex. Among them are California's law governing arbitration agreements, limited liability entities, fiduciary duties, and entity ownership.

Fourth and finally, the creditors' interests are served through a compromise. The estate garners $100,000 in funds, while saving thousands on litigation fees. On the whole, the creditors are better off if the estate does not litigate an appeal offering little tangible benefit. Accordingly, all factors are met, and the court finds the subject transaction fair and equitable. § 363; FED. R. BANKR. P. 9019; *In re Lahijani,* 325 B.R. at 290.

*Waiver of 14-Day Stay*

The court has discretion in determining whether to waive Rule 6004(h)'s 14-day stay, and such a finding is appropriate where, for example, time is of the essence. *Palladino & BG/Angus Joint Venture v. E & B Natural Res. Mgmt. Corp., et al. (In re S. Coast Oil Corp.)*, 566 Fed. App'x 594, 595 (9th Cir. 2014) (referencing Rule 6004(h)'s Advisory Committee Notes).

The court will not waive the 14-day stay. The appeal is presently stayed, so time is not of the essence. Nor is any urgency indicated.

**Conclusion**

The Trustee's motion to sell is **granted** consistent with this order.

IT IS SO ORDERED.

Signed by Judge Christopher B. Latham July 30, 2025