NOT FOR PUBLICATION

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MOLLY C. DWYER, CLERK
U.S. COURT OF APPEALS

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

FARMERS DIRECT PROPERTY AND CASUALTY INSURANCE COMPANY,

Plaintiff - Appellee,

v.

DENNIS PEREZ,

Defendant,

VICTOR MONTEZ; LISA MONTEZ,

Intervenor-Defendants - Appellants.

No. 25-3777

D.C. No. 2:21-cv-08807-RGK-JEM

MEMORANDUM*

Appeal from the United States District Court
for the Central District of California
R. Gary Klausner, District Judge, Presiding

Submitted October 30, 2026**
Pasadena, California

Before: PAEZ, OWENS, and SANCHEZ, Circuit Judges.

* This disposition is not appropriate for publication and is not precedent except as provided by Ninth Circuit Rule 36-3.

** The panel unanimously concludes this case is suitable for decision without oral argument. See Fed. R. App. P. 34(a)(2).

Following a car accident, Victor Montez and Lisa Montez ("the Montezes") received an award of damages against Dennis Perez in California state court. During the state court action, Perez's insurer, Farmers Direct Property and Casualty Insurance Company ("Farmers"), initiated a declaratory relief action in federal district court and obtained a default judgment against Perez, relieving Farmers of its duties to indemnify and defend Perez. After obtaining a judgment against Perez in the state court action, the Montezes were paid $25,000 by Farmers in partial satisfaction of the judgment, the insurance policy limit. The Montezes then moved to intervene in the declaratory relief proceedings between Farmers and Perez, seeking to set aside the default judgment against Perez. They now appeal the district court's denial of their motion to intervene and set aside judgment and related motion for reconsideration. We have jurisdiction under 28 U.S.C. § 1291, and we affirm.[1]

We review a district court's decision on joinder for abuse of discretion and the legal conclusions underlying that decision de novo. *E.E.O.C. v. Peabody W. Coal Co.*, 610 F.3d 1070, 1076 (9th Cir. 2010) (discussing Fed. R. Civ. P. 19).

[1] In a prior appeal, the district court vacated judgment and dismissed the declaratory relief action for lack of subject matter jurisdiction. We reversed, finding that subject matter jurisdiction had been satisfied, *Farmers Direct Prop. & Cas. Ins. Co. v. Perez*, 130 F.4th 748 (9th Cir. 2025), and remanded for the district court to undertake a Fed. R. Civ. P. 19 ("Rule 19") analysis in the first instance, *Farmers Direct Prop. & Cas. Ins. Co. v. Perez*, No. 23-3320, 2025 WL 723652 (9th Cir. 2025).

Under Rule 19, a party must be joined in an action if "that person claims an interest relating to the subject of the action" and continuing in their absence may "impair or impede the person's ability to protect the interest" or "leave an existing party subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations because of the interest." Fed. R. Civ. P. 19. To qualify for joinder, such interest must be "legally protected" and "more than a financial stake and more than speculation about a future event." *Makah Indian Tribe v. Verity*, 910 F.2d 555, 558 (9th Cir. 1990) (emphasis and internal citation omitted); *see also Cachil Dehe Band of Wintun Indians of the Colusa Indian Cmty. v. California*, 547 F.3d 962, 973 (9th Cir. 2008) (stating that an "attenuated" or speculative interest "does not qualify as a legally protected interest for Rule 19 purposes").

In their briefing, the Montezes do not claim any interest arising out of federal law. Instead, they argue they have an interest as judgment-creditors under California state law. Accordingly, California substantive state law determines the scope of the Montezes' interests relating to Perez and Farmers. *See Cal. Dep't of Toxic Substances Control v. Jim Dobbas, Inc.*, 54 F.4th 1078, 1088-91 (9th Cir. 2022). Under California law, the Montezes held a right as judgment-creditors to proceed directly against their tortfeasor's insurer (Farmers), but "subject to [the policy's] terms and limitations," that is, up to the policy limit. Cal. Ins. Code § 11580(b)(2); *see, e.g.*, *Murphy v. Allstate Ins. Co.*, 553 P.2d 584, 589 (Cal. 1976)

("[S]ection 11580 does not authorize [a judgment creditor] to proceed against [the insurer] for the excess of the judgment over the policy limits."); *Reliance Ins. Co. v. Superior Ct.*, 100 Cal. Rptr. 2d 807, 809 (Ct. App. 2000) ("Section 11580 provides that a judgment creditor may proceed directly against any liability insurance covering the defendant, and obtain satisfaction of the judgment up to the amount of the policy limits.").

The district court incorrectly asserted the Montezes were not judgment-creditors at the time they sought to intervene, but this error was harmless. It is undisputed that Farmers paid the $25,000 policy limit to the Montezes in partial satisfaction of the judgment before the Montezes sought to intervene in the declaratory relief action. Whatever limited rights the Montezes had as judgment-creditors were satisfied when they recovered the full policy limit.

The only other interest the Montezes could possibly assert in this action rests on a speculative proposition—that Perez might assign his "bad faith" liability rights to them. California law recognizes an insurer's duty of good faith towards its insured parties, and an insured party can bring a "bad faith" liability suit against his insurer if that duty is breached. *See InfiNet Mktg. Servs., Inc. v. Am. Motorist Ins. Co.*, 58 Cal. Rptr. 3d 92, 100 (Ct. App. 2007). If found liable for bad faith, an insurer is responsible for all damages proximately caused by the breach, including damages in excess of policy limits. *Pinto v. Farmers Ins. Exch.*, 276 Cal. Rptr. 3d

13, 20 (Ct. App. 2021). But if an insurer obtains a "no coverage" declaratory judgment, the insured party loses the right to sue for bad faith liability. *Waller v. Truck Ins. Exch., Inc.*, 900 P.2d 619, 622 (Cal. 1995).

The Montezes, however, have not obtained an assignment of rights from Perez nor has Perez initiated a "bad faith" liability suit against Farmers. So, the Montezes' indirect interest in setting aside the "no coverage" declaratory judgment is to preserve the possibility that such an assignment or such a suit might occur in the future. This "speculation about a future event" is not legally cognizable. *Makah Indian Tribe*, 910 F.2d at 558.

Because the Montezes have not identified a legally cognizable interest to support intervention under Rule 19, the district court did not abuse its discretion in denying their motion to intervene or motion for reconsideration.

AFFIRMED.[2]

[2] Appellee's motion for judicial notice (Dkt. 24) is DENIED as moot.