



Landmark California Ruling Empowers Nonprofits, Unions And Advocacy Groups To Combat Unfair Business Practices

July 28, 2023 | [Labor And Employment, State Labor Laws](#)



Mark Wallin
Partner



**Rochelle Lynn
Calderon**
Associate

The California Supreme Court recently delivered a landmark ruling in [California Medical Association v. Aetna Health of California Inc.](#), setting a precedent that could redefine standing in unfair competition law cases. The ruling clarified the criteria for injury and standing under California's Unfair Competition Law (UCL). The court held that nonprofit organizations, such as the California Medical Association (CMA), have standing to sue if they incur costs in response to perceived unfair competition that threatens their bona fide, preexisting mission, even if the expenditures are independent of costs related to litigation.

With wide-ranging implications for businesses, this ruling has the potential to reshape how businesses navigate their relationships with nonprofits and advocacy groups like unions.

At the heart of the *CMA vs. Aetna* dispute was whether a nonprofit organization like CMA could establish standing under the UCL by diverting its resources to combat alleged unfair competition. California Proposition 64, a 2004 ballot initiative measure, limited eligible private UCL plaintiffs to those who have "suffered injury in fact" and "lost money or property" because of the unfair business act. The court noted that Proposition 64 did not provide a strict definition of what constitutes lost money or property; thus, a broad range of harms can give rise to standing.

RELATED PRACTICE AREAS

Labor and Employment
Labor Relations

RELATED TOPICS

California Supreme Court

The court examined the CMA's claim of economic injury, which is based on the diversion of personnel and resources to respond to Aetna's Network Intervention Policy. The CMA contends this diversion constitutes the loss of money or property contemplated by Proposition 64 because it reduces the economic value the organization receives from its employees' labor, which would otherwise be used for the benefit of the organization. Ultimately, the court concluded that the CMA's claim of economic injury based on the diversion of resources is sufficient to establish standing under the UCL.

The court rejected the notion that standing hinges on whether an organization has direct business dealings with the defendant or its members have been directly injured by the defendant's alleged practices. Instead, it acknowledged that organizations, driven by a bona fide, preexisting mission, may incur costs to address perceived unfair competition that threatens their objectives. By redirecting resources to combat Aetna's policy, the CMA, as an organization, demonstrated sufficient standing to seek injunctive relief under California's UCL.

This ruling will have significant ramifications for businesses across the state. The court's recognition of the "diversion-of-resources" theory expands organizational standing and likely will empower nonprofits and advocacy groups, like unions, to take legal action on alleged unfair practices that may threaten their objectives. This means businesses could face legal challenges from organizations that genuinely perceive a threat to their mission, even when the organizations have not directly engaged in business dealings with them. Businesses in the Golden State would do well to familiarize themselves with this ruling to determine the best ways to mitigate risk.