UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF CALIFORNIA

DERRICK ADAMS, et al., Plaintiffs, v. EXPERIAN INFORMATION SOLUTIONS, INC., et al., Defendants.	No. 2:23-cv-01773-DJC-JDP ORDER

Pending before the Court is Defendants' Motion to Dismiss Plaintiffs' Second Amended Complaint. Plaintiffs allege that Defendants violated the Sherman Antitrust Act, the California Cartwright Act, and engaged in tortious interference with existing contracts under California and New Jersey law. Defendants move to dismiss on the grounds that Plaintiffs failed to allege antitrust standing and failed to plausibly allege facts supporting their tortious interference with contracts claims. For the reasons discussed below, the Court GRANTS IN PART AND DENIES IN PART Defendants' Motion to Dismiss.

BACKGROUND

The facts and procedural history are largely known to the Parties. However, Plaintiffs have altered the Second Amended Complaint in a few ways. First, Plaintiffs

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

add AmeriFinancial Solutions, as a plaintiff to this case.[1] AmeriFinancial Solutions is a collection agency that works with multiple medical practices to assist them in collecting payment of unpaid medical bills from patients. (SAC (ECF No. 60) ¶ 27.) Specifically, AmeriFinancial Solutions has served as the collection agency for Plaintiff Cape Emergency Physicians in New Jersey and for other medical practices operating out of several different states – including California. (*Id.*) The collection agencies make a profit when patients pay a bill that the medical provider sent to the collection agency. (*Id.* ¶ 44.) Specifically, the SAC alleges that the collection agency receives a percentage of the medical debt it is able to collect. (*Id.*)

Second, Plaintiffs add claims for tortious interference with contract under California and New Jersey law. These claims are brought by each Medical Provider Plaintiff ("MPP"). Plaintiff Adams brings the claim under California law and Plaintiff Cape Emergency Physicians brings the claim under New Jersey law.

Third, Plaintiffs include additional allegations about the nature of the relationship between the MPPs and the collection agencies. In particular, MPPs explain that if patients do not pay their bills, medical practices use accounts-receivable services as their "agents" to further attempt to collect payment from unpaid patients. (*See id.* ¶¶ 30, 38.) The accounts-receivable services could be employees of the medical practice itself, or it could be a collection agency such as AmeriFinancial Solutions. (*Id.* ¶ 30.) The MPPs here use third-party collection agencies if patients do not pay their bills. (*Id.* ¶ 31.) To furnish data to a credit reporting agency, the furnishing entity must complete an application with that agency, execute a contract, and complete an onboarding process. (*Id.* ¶ 38.) The MPPs decided that a collection agency would furnish data about medical bills to Defendants if the efforts to contact patients failed to obtain payment. (*Id.* ¶ 40.) Plaintiffs allege there are contracts with collection agencies that authorize the collection agencies to furnish such data. (*Id.*)

[1] For purposes of this Order, the Court also refers to AmeriFinancial Solutions as the "Collection Agency Plaintiff".

Should the collection agency fail to collect from the patient, and not furnish the data to the Defendants, as instructed by the MPPs, "the [MPPs] would each choose a different collection agency." (*Id.* ¶ 41.)[2]

This Court previously granted Defendants' Motion to Dismiss Plaintiffs' First Amended Complaint. (Jan. Order (ECF No. 59).) Plaintiffs then filed a Second Amended Complaint with four causes of action for violations of the Sherman Antitrust Act, California's Cartwright Act, and for alleged tortious interference with existing contracts under California and New Jersey Law. Defendants filed the instant Motion to Dismiss Plaintiffs' Second Amended Complaint (Mot. Dismiss (ECF No. 73)). The matter is fully briefed (Opp'n (ECF No. 77); Reply (ECF No. 79)). The Court ordered the matter submitted without oral argument pursuant to Local Rule 230(g). (ECF No. 81).

LEGAL STANDARD

A party may move to dismiss for "failure to state a claim upon which relief can be granted[.]" Fed. R. Civ. P. 12(b)(6). The motion may be granted if the claim lacks "a cognizable legal theory" or if its factual allegations do not support a cognizable legal theory. *Godecke v. Kinetic Concepts, Inc.*, 937 F.3d 1201, 1208 (9th Cir. 2019) (citation omitted). The court assumes all factual allegations are true and construes "them in the light most favorable to the nonmoving party." *Steinle v. City & Cnty. of San Francisco*, 919 F.3d 1154, 1160 (9th Cir. 2019) (citation omitted). If the allegations do not "plausibly give rise to an entitlement to relief[,]" the motion must be granted. *Ashcroft v. Iqbal*, 556 U.S. 662, 679 (2009) ("*Iqbal*").

A complaint need contain only a "short and plain statement of the claim showing that the pleader is entitled to relief[,]" Fed. R. Civ. P. 8(a)(2), not "detailed factual allegations," *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007) ("*Twombly*").

[2] Additionally, since the time between this Court's previous dismissal of Plaintiffs' complaint, the CFPB published a final rule prohibiting CRAs from including any medical debt on consumer reports provided to creditors in most circumstances. However, the rule's effective date has been delayed. (*See* Opp'n at 3 citing 791 F. Supp. 3d 720 (E.D. Tex. 2025) (Notice (ECF No. 23).)

But this rule demands more than unadorned accusations; "sufficient factual matter" must make the claim at least plausible. *Iqbal*, 556 U.S. at 678. In the same vein, conclusory or formulaic recitations of elements do not alone suffice. *See id.*

DISCUSSION

I. Sherman Act

Defendants contend that Plaintiffs again fail to allege antitrust standing. Specifically, Defendants argue that Plaintiffs' injury is not the type of injury antitrust laws were intended to remedy, does not flow from the alleged conduct, is indirect and is speculative. Plaintiffs argue that the SAC remedies the Court's prior concerns about antitrust standing because it includes a collection agency plaintiff that personally furnished data to the Defendants under contracts with them and expounds on the relationship between medical providers and Defendants.

A. Antitrust Standing

Under Section 1 of the Sherman Antitrust Act, all conspiracies in the restraint of trade are illegal. 15 U.S.C. § 1. Actions for damages under the Sherman Act are authorized by Section 4 of the Clayton Antitrust Act. 15 U.S.C. § 15(a); *City of Oakland v. Oakland Raiders,* 20 F. 4th 441, 455 (9th Cir. 2021). Section 4 provides that "any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor. . .and shall recover threefold the damages by him sustained[.]" *Am. Ad. Mgmt., Inc., v. Gen. Tel. Co. of California,* 190 F.3d 1051, 1054 (9th Cir. 1999) (citing 15 U.S.C. § 15(a) (1999)). Although broad in scope, courts have read limitations into the language of Section 4 premised on the idea that "Congress did not intend [it] to have such an expansive scope." *Id.* (citation omitted). The Supreme Court has identified certain factors for determining whether antitrust standing exists: "(1) the nature of the plaintiff's alleged injury; that is, whether it was the type the antitrust laws were intended to forestall; (2) the directness of the injury; (3) the speculative measure of the harm; (4) the risk of duplicative recovery; and (5) the complexity in apportioning damages." *Oakland Raiders,* 20 F.4th at 455

(citation omitted). A court "need not find in favor of the plaintiff on each factor," *id.* at 1055–56, but, antitrust injury is mandatory, *see Cargill v. Monfort of Colorado, Inc.,* 479 U.S. 104, 109–10,110 n.5 (1986). [3]

1. Antitrust Injury

An antitrust injury is "of the type the antitrust laws were intended to prevent and that flows from that which makes defendants' acts unlawful." *Atl. Richfield Co. v. USA Petroleum Co.,* 495 U.S. 328, 334 (1990) (citation omitted). The Ninth Circuit has identified four requirements for an antitrust injury: "(1) unlawful conduct, (2) causing an injury to the plaintiff, (3) that flows from that which makes the conduct unlawful, and (4) that is of the type the antitrust laws were intended to prevent." *Am. Ad. Mgmt.,* 190 F.3d 1055. In the previous Order, this Court found that the first two requirements of antitrust injury: (1) unlawful conduct (2) causing injury to the plaintiff were satisfied. Thus, the Court focuses on the remaining two requirements.

Previously, this Court held that Plaintiffs failed to allege an antitrust injury because "it is unclear whether the 'devalued service' injuries suffered by Plaintiffs are the result of 'that which makes the defendants' conduct unlawful – the alleged horizontal agreement – or from the third party's decisions to use one of the other mechanisms it has at its disposal." (Jan. Order at 16.) Defendants contend that the addition of AmeriFinancial Solutions, a collection agency, does not change the Court's prior finding that the injury here does not flow from that which makes the conduct unlawful. Plaintiffs argue that the Collection Agency Plaintiff, and additional allegations about their relationship with the MPPs, removes any concern because the collection agencies do not make an independent decision to furnish the medical-debt information but instead are directed to do so by the MPPs. Thus, the MPPs' injury would not occur but for the Defendants' alleged conspiracies.

[3] Apart from challenging antitrust standing, Defendants do not contest in this Motion that Plaintiffs have plausibly alleged the existence of a horizontal conspiracy under Section 1 of the Sherman Act.

Considering first the Collection Agency Plaintiff, the Court finds it plausible that the devalued service injury flows from the alleged unlawful conduct. Unlike the MPPs, the collection agencies appear to have a direct relationship with the Defendants. Specifically, the SAC alleges that the Collection Agency Plaintiff has personally furnished medical-debt information to Defendants, (SAC ¶ 28), and that to provide medical data to a credit reporting agency the furnishing entity executes a contract and takes on an obligation to furnish "full files on a monthly basis" to the credit reporting agency (*id.* ¶ 36).

The argument surrounding the MPPs is less straightforward. In the SAC, Plaintiffs provide additional allegations about the alleged agency relationship between the medical providers and the collection agents. The Restatement of Agency explains that "[a]gency is the fiduciary relationship that arises when one-person (a 'principal') manifests assent to another person (an 'agent') that the agent shall act on the principal's behalf and subject to the principal's control, and the agent manifests assent or otherwise consents so to act." Restatement (Third) of Agency § 1.01. "Although the precise details of the agency relationship need not be pleaded to survive a motion to dismiss, sufficient facts must be offered to support a reasonable inference that an agency relationship existed." *Kristensen v. Credit Payment Servs.,* 12 F. Supp. 3d 1292, 1301 (D. Nev. 2014) (citing *Iqbal,* 556 U.S. at 696).

Here, Plaintiffs contend that the MPPs have contracts with collection agencies that authorize the furnishing of medical-debt data about medical bills to the Defendants. (SAC ¶ 40.) Plaintiffs further contend that the medical providers are recognized as the owners of the debt (*id.* ¶ 38) and that data furnished to the Defendants includes the medical provider's name as the original creditor of the debt. As such, the MPPs are alleged to "remain[] in control of the decisions whether to send a particular unpaid bill to a collections agent and whether the authorize the collections agent to furnish the data to the [Defendants]." (*Id.* ¶ 39.) Additionally, Plaintiffs allege that if a collection agency does not furnish the data as directed, the medical provider

will "switch collection agencies." (Opp'n at 6 citing SAC ¶¶ 28, 31, 36, 41.) Because the medical providers are essentially the ones dictating whether the collection agency furnishes data, there is "no independent decision" that the collection agencies make as to whether to furnish the data. (*Id.*)

The Court finds that the MPPs have failed to allege a plausible agency relationship such that the injury in question would flow from that which makes the alleged conduct illegal. In particular, the Court is skeptical about the level of control the medical providers exercise over the collection agencies. There is no doubt the medical providers authorize the collection agencies to share the medical debt information with the Defendants. (SAC ¶ 39.) However, authorizing the collection agency, and directing the collection agency, are different. While the collection agencies may have an incentive to abide by the medical providers' wishes, the agency still has a number of tools at its disposal and likely still selects the tool that it believes will ensure repayment most effectively. This independence suggests that the collection agency is not an agent of the medical providers. Moreover, the allegation that the medical provider can switch collection agencies if the agency does not do what the medical provider requests is indicative of the agency's independence: if there were a true agency relationship, the medical provider would simply direct them to report delinquent debt to the credit agencies. Without plausibly establishing an agency relationship here, the Court finds that the same issues exist as in the previous Complaint.

The Court turns next to the issue of whether each Plaintiff participates in the market that they allege Defendants restrained: the market for reporting medical-debt information. Previously, the Court found that the allegations did not indicate that Plaintiffs "were participants of, or suffered injury in, the relevant market." (Jan. Order at 18.)

Here, the Court disagrees with the Defendants' characterization that Collection Agency Plaintiff is "not injured by being unable to supply medical-debt information to

the Defendants." (Mot. Dismiss at 13.) Plaintiffs specifically allege that the contractual relationship between the Defendants and the collection agencies require supplying a certain amount of information. (SAC ¶¶ 28, 36.) As such, the Court is satisfied that the Collection Agency Plaintiff participates in the relevant market. For the reasons discussed above, the Court again rejects the MPPs' arguments that they are in the market because they are the principals in an alleged agency relationship.

Additionally, Plaintiffs argue that the circumstances in *Amarel v. Connell,* 102 F.3d 1494 (9th Cir. 1996), resemble the instant set of facts. In *Amarel*, the Ninth Circuit found that an antitrust injury existed where rice farmer plaintiffs alleged participation in a market by virtue of "participation contracts" such that the defendants' predatory pricing harmed them by depressing prices below their costs. *Id.* at 1059. But there are a few important differences between the rice farmer plaintiffs in *Amarel* and the MPPs. First, unlike the MPPs, the Ninth Circuit recognized that the rice farmer plaintiffs were suppliers as well as competitors in the relevant market. *Id.* at 1510 ("[P]laintiffs and defendants, while not identical entities, are nonetheless competitors in a particular market segment: the market for milled rice."). Here, there is no comparable allegation – the MPPs could only be considered "suppliers." Thus, although not dispositive, the rice farmers participation in the market is far more evident than the MPPs here. Additionally, the payment arrangement in *Amarel* provided the rice farmers with a share of the profits of the sale of the milled rice to the defendant buyer. *Id.* 1510. Here, the MPPs do purport not receive any renumeration whatsoever from the provision of medical-debt information between the collection agency and the Defendants. (*See* SAC ¶ 36.) Rather, any benefit for the MPPs appears to be experienced in the market for debt-collection services, because the payment is such that the collection agencies receive a portion of the profit of the bills ultimately paid by the patients to the medical providers. Thus, the MPPs are not participants in the relevant market for purposes of establishing an antitrust injury. Thus, the MPPs fail to

allege antitrust injury. The Court proceeds with the inquiry as to the Collection Agency Plaintiff.

2. Directness of the Injury

Previously, this Court recognized that "although not alone dispositive, the pleadings indicate that there are more direct victims of Defendants' allegedly anticompetitive behavior." (Jan. Order at 20.) In particular, the Court explained that the most direct victims of the alleged conspiracy here would be consumers who purchase the credit reports. Defendants argue that Plaintiffs' injuries are too indirect because they involve an attenuated chain of causation that depends on the intervening decision of patients and collection agencies. Plaintiffs, positioning themselves as suppliers in the relevant market, contend that the patients do not create an issue of indirectness because patients do not sit between the medical providers and the Defendants in sharing the medical-debt information.

To establish directness, courts "look[ ] to whether [the plaintiff's] alleged injury was the direct result of [the defendant's] allegedly anticompetitive conduct." *Am. Ad. Mgmt.*, 190 F.3d at 1058. This factor considers "the chain of causation between [the plaintiff's] injury and the alleged restraint in the market. . . ." *Id.* (citation omitted). "The harm may not be 'derivative and indirect' or 'secondary, consequential, or remote.'" *Theme Promotions, Inc., v. News Am. Mktg. FSI,* 546 F.3d 991,1004 (9th Cir. 2008) (citations omitted).

The Parties dispute the nature of the alleged injury here, and their discussions of directness vary accordingly. Defendants argue that the injury here turns on patients paying their bills. (MTD at 8.) Plaintiffs contend that their injury is a devalued medical-debt reporting service. (Opp'n at 4–5.) Under the Defendants' classification of the injury, it appears that the harm is indirect – whether or not medical providers and collection agencies are injured in that instance is based on whether patients pay their bills. *See, e.g., Pac. Recovery Sols. v. United Behav. Health,* 481 F. Supp. 3d 1011, 1022 (N.D. Cal. 2020) ("Plaintiffs allege that their own injury arises only to the extent

that their patients do not pay the amounts that defendant does not reimburse. . .[a]ccordingly, plaintiffs' injuries appear to be derivative of injuries that their patients allegedly suffered as a result of defendants' alleged conspiracy."). Under the devaluation of service injury, Plaintiffs allege that Defendants, via an alleged agreement, stopped reporting certain types of medical-debt information on their consumer reports. As a result, Plaintiffs contend that they experience a devalued service from Defendants, which removed an incentive for patients to repay their bills. Because the Collection Agency Plaintiff has alleged that the patients are not the source of the injury, it is plausible that the harm they experience is not indirect. However, it is still clear that the most direct harm would be to those who purchase Defendants' credit reports, without the relevant medical-debt information, who would now be paying for an allegedly lower quality report. Thus, this consideration weighs slightly against a finding antitrust standing.

3. Speculative Nature of the Injury

The speculative nature of the injury considers whether the Plaintiff's "damages are only speculative." *Am. Ad. Mgmt.,* 190 F.3d at 1059. In *Associated General Contractors of California v. California State Council of Carpenters,* the Supreme Court found the damages claim in question to be speculative because (1) the alleged injury was indirect and (2) the alleged effects . . . may have been produced by independent factors." 459 U.S. 519, 541 (1983). Defendants argue that the theory of Plaintiffs' injury is too speculative because it depends on the actions of independent actors, and because Plaintiffs have not shown that the market in which they participate is inextricably intertwined with the asserted market. Plaintiffs contend that they have sufficiently alleged non-speculative measure of their harm.

Here, the harm that the Plaintiffs experience does not appear to be speculative. Plaintiffs contend that due to the devalued service by the Defendants, the incentive for patients to pay their medical bills has been removed. As a result, there are increased costs that the Plaintiffs experience. Although the exact amount is speculative, the

injury itself does not appear to be – it is plausible that there is a devalued service for suppliers of medical debt information where Defendants are alleged to have agreed to stop reporting certain types of information. *See Don Copeland v. Energizer Holdings, Inc.,* 716 F. Supp. 3d 749, 771 (N.D. Cal. 2024) ("That damages may be complex to measure does not mean they are speculative.") (citation omitted). Thus, this factor counsels in favor of finding antitrust standing.

4. Remaining Factors

"The risk to be avoided under [the duplicative recovery factor] is that potential plaintiffs may be in a 'position to assert conflicting claims to a common fund. . .thereby creating the danger of multiple liability for the fund.'" *Am. Ad. Mgmt.,* 190 F.3d at 1059 (citation omitted). Defendants argue that the Plaintiffs' case risks duplicative recovery, Plaintiffs argue that there is no risk of duplicative recovery because each Plaintiff suffers a different sort of damage. Here, the Collection Agency Plaintiff is alleged to be a "distinct economic entity" with financial interests different from the MPPs' financial interests. As such, it is not apparent at this stage that there would be issues of duplicative recovery because the Collection Agency Plaintiffs have its own separate, although closely related, financial interests from the MPPs.

Lastly, Plaintiffs contend that there will be no complexity in apportioning damages because the collection agencies each suffer their own increased costs to collect payment, and the contracts between medical providers and collection agencies already apportion the percentage of payment that the collection agencies will receive. Defendants argue that there will be difficultly in apportioning damages due to different reporting practices that collection agencies engage in. Here, the issue of apportionment between Plaintiffs does not appear to be an issue because there are alleged to be certain percentages that indicate the amount each Plaintiff is entitled to receive. Thus, neither factor weighs against finding antitrust standing.

Accordingly, the Court DENIES Defendants' Motion to Dismiss as it pertains to the Collection Agency Plaintiffs on the Sherman Act cause of action. However, the

medical provider plaintiffs have failed to allege claims under the Sherman Act and the Cartwright Act[4], and the Motion to Dismiss these claims is GRANTED as to these Plaintiffs.

II. Tortious Interference with Existing Contracts

Defendants also seek to dismiss the MPPs' claims for tortious interference with contract. Defendants contend that Plaintiffs fail to plead facts that satisfy their purported claims. The MPPs argue that they have sufficiently alleged their claims.

A. California

Plaintiff Adams brings a cause of action against Defendants for tortious interference with existing contracts under California law. Tortious interference with existing contracts under California law requires: "(1) a valid contract between plaintiff and a third party; (2) defendant's knowledge of this contract; (3) defendant's intentional acts designed to induce a breach or disruption of the contractual relationship; (4) actual breach or disruption of the contractual relationship; and (5) resulting damage." *Honey Bum, LLC v. Fashion Nova, Inc.,* 63 F.4th 813, 824–25 (9th Cir. 2023) (citations omitted). Generally, it is not necessary that the Defendant's conduct is wrongful apart from the interference with the contract itself. *Ixchel Pharma, LLC v. Biogen, Inc.,* 9 Cal. 5th 1130, 1141, 1148 (2020). Defendants contend that Plaintiff Adams has failed to plead each of the elements but only presents arguments as to the first three requirements.

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[4] Plaintiff Adams and the MPP subclass in California also brings a cause of action for violations of California's Cartwright Act. Generally, the "analysis under the Cartwright Act mirrors the analysis under the Sherman Act." *Flaa v. Hollywood Foreign Press Ass'n,* 55 F.4th 680, 688 (9th Cir. 2022). Because the MPPs fail to allege antitrust injury, the Court dismisses the second cause of action. *See Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.,* 269 F. Supp. 2d 1213, 1224 (C.D. Cal. 2003) ("It is clear, for instance, that the Cartwright Act's more expansive standing provision does not dispense with the requirement that an antitrust plaintiff allege an injury of the type the antitrust laws were intended to prevent and that flows from that which makes defendants' acts unlawful." (citation omitted).

1. Valid Contract

A claim for tortious interference with contract requires the "existence of a legally binding contract." *See Ixchel Pharma, LLC,* 9 Cal. 5th at 1141. The plaintiff must identify the "terms of the contract 'third party or parties with whom they contracted, and the nature and extent of their relationship with that party or parties.'" *Tripharma, LLC v. First Fruits Bus. Ministry, LLC,* No. 8:21-cv-01806-JVS-JDEx, 2023 WL 2695476, at *8 (C.D. Cal. Feb. 15, 2023) (internal quotations and citations omitted).

The SAC alleges that Plaintiff Adams entered into "valid contracts" with patients that "require patients to pay for the medical services they receive, including the portion beyond what is covered by health insurance or another payor." Moreover, Plaintiff Adams points to allegations that "Defendants received data showing specific patients had medical bills owed to specific medical providers, including [Plaintiff Adams] in particular," (*id.* citing SAC ¶¶ 31, 38) and "Defendants even relied on this information about contractually obligated debts to calculate the statistic in their press release that their joint measure will remove nearly 70% of medical collection debt tradelines from consumer credit reports," (*id.* citing SAC ¶ 45), to support his claim.

The Court finds that these allegations sufficiently allege the existence of a valid contract. The SAC states the parties to the alleged contracts: Plaintiff Adams and "patients"; the terms of the contract: that patients would pay Plaintiff Adams in exchange for medical services they receive from him – including the portion not covered by health insurance or another payor; and the nature of the contract: a contract for medical services between a doctor and patient. Defendants do not dispute the existence of a valid contract between Plaintiff Adams and the patient group but instead contend that there is no "specific contract" identified. However, that is not necessary here because it is clear which group of individuals are being referenced. Thus, the fact that Plaintiff Adams has not included specific contracts with patients is not fatal to his claim at this stage in the proceedings.

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2. Knowledge of the Contracts

Defendants also contend that Plaintiff Adams has not established that Defendants had knowledge of the contracts with patients. Plaintiff Adams argues that he need not list the specific contracts Defendants knew about. The defendant must know of the existence of the contract. *See Pac. Gas & Elec. Co. v. Bear Stearns & Co.* 50 Cal.3d 1118, 1126 (1990); 5 B.E. Witkin, *Summary of California Law*, Torts § 848 (11th ed. 2023); Restatement (Second) of Torts § 766, cmt. i (1979)("the actor must have knowledge of the contract with which he is interfering and of the fact that he is interfering with the performance of the contract.").

Here, the allegations sufficiently allege knowledge of the contracts between Plaintiff Adams and the third parties. The SAC states that Defendants "knew that patients had contractual obligations to pay medical providers but had not yet paid" because "Defendants possessed detailed data showing the existence of contracts between medical providers and patients." (SAC ¶ 140.) Moreover, Defendant's data included identification of specific patients with unpaid bills and "the medical provider's name as the original creditor of the debt." (*Id.* ¶ 38.) Defendants are alleged to also have relied on this information to calculate the statistic in their press release that their "joint measures will remove nearly 70% of medical collection debt tradelines from consumer credit reports." (*Id.* ¶ 45.) Taken together, these allegations indicate that Defendants had more than a generalized knowledge of the contracts. The fact that the Defendants possess specific data identifying the amount of debt owed by patients suggests knowledge of the contracts between MPPs and patients. The cases cited by Defendants include allegations with less information than is provided here. *See In re Aluminum Warehousing Antitrust Litig.,* No. 1:13-md-02481-KBF, 2014 WL 4743425, at *4 (S.D.N.Y. Sept. 15, 2014) (dismissing an intentional interference claim were plaintiff alleged that knowledge existed due to defendants' role as participants in the aluminum industry); *Trindade v. Reach Media Grp., LLC,* No. 5:12-cv-04759-PSG, 2013 WL 3977034, at *15 (N.D. Cal. July 31, 2013) (finding that

knowledge had not been alleged where the complaint indicated a general knowledge that defendant was a party to a contract rather than allegations of specific contracts or any details about the contracts). Moreover, that the specific contracts are not identified is not necessarily dispositive because "intent can certainly be inferred if the defendant knows that contractual relations with a third party exist" even if "the specific identity of the contractual party" is unknown. *Sebastian Int'l Inc., v. Russolillo,* 162 F. Supp. 2d 1198, 1203–04 (C.D. Cal. 2001). Thus, the Court finds that the second element has been met.

3. Intent to Interfere

To show that defendants engaged in an intentional act designed to induce a breach or disruption of a contractual relationship, a plaintiff must allege that the interference was "known to [defendant] to be a necessary consequence of his action." *Quelimane Co., v. Stewart Title Guar. Co.,* 19 Cal.4th 26, 56 (1998).

The SAC alleges that Defendants' alleged conspiracies

> Removed a major incentive for patients to pay their medical bills, and encouraged and persuaded patients not to pay their medical bills by (a) promoting a flawed rationalization that medical debt is less worthy of repayment because it can be unexpected or incurred involuntarily, and (b) indicating to patients that they no longer need to worry about paying their medical bills because Defendants were removing the negative consequence of nonpayment.

(SAC ¶ 141.) This is supported by allegations that Defendant's advertisements explain that reporting debts cause more payment and quicker payment. (*Id.* ¶¶ 32, 35, 74.) Accordingly, the Court finds it plausible that Defendants had some understanding that by eliminating certain aspects of debt-reporting, there may be a decrease in payment to Plaintiff. Thus, this element is satisfied.

Because Defendants do not specifically challenge the final two elements, the Court DENIES Defendants' Motion to Dismiss Plaintiff Adams' claim for of tortious interference with contract under California law.

B. New Jersey

Plaintiff Cape Emergency Physicians brings a similar cause of action against Defendants for tortious interference with existing contracts under New Jersey law. The New Jersey cause of action is similar to the California cause of action. The required elements are: (1) the plaintiff must have a protected interest; (2) the defendant must have behaved with "malice" – that is, the defendant must have intentionally interfered with that protected interest without justification; (3) there must be a reasonable likelihood that the anticipated benefit from the protected interest would have been realized but for the interference; and (4) economic damage must have resulted. *Printing Mart-Morristown v. Sharp Elec. Corp.,* 116 N.J. 739, 751–52 (1989).

The Parties provide largely the same arguments as to the New Jersey tortious interference claim, and the Courts analysis is largely the same. On the issue of "malice", Defendants argue that Plaintiffs have not shown that Defendants intentionally sought to induce a breach of the alleged contracts. Plaintiff argues that malice exists because the alleged conspiracies are unlawful. Here, the SAC appears to acknowledge a justification for the Defendants' conduct in an effort to improve the financial well-being of patients who take on medical debt unexpectedly. (SAC ¶¶ 81–82.) However, even where a valid justification exists, such conduct cannot be employed through fraudulent, dishonest or illegal methods. Plaintiff contends that the Defendants' conduct is an unlawful horizontal conspiracy. At this stage, these allegations appear sufficient to state a claim for tortious interference.

CONCLUSION

For the reasons discussed above the Court GRANTS IN PART AND DENIES IN PART Defendants' Motion to Dismiss (ECF No. 73). Defendants' Motion to Dismiss is granted as to dismissal of Plaintiff Adams from the First Cause of Action and as to dismissal of the Second Cause of Action. Defendants' Motion is DENIED as to

dismissal of Plaintiff AmeriFinancial Solutions and as to dismissal of the Third and Fourth Causes of Action.

IT IS SO ORDERED.

Dated: **December 3, 2025**

Hon. Daniel J. Calabretta
UNITED STATES DISTRICT JUDGE

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