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Vexatious Litigation as Unfair Competition, and the Applicability of the *Noerr-Pennington* Doctrine

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INTRODUCTION

In today's litigious society,[1] commercial entities are increasingly using the legal system not for the redress of legitimate grievances, but as a means of harassing or vexing another entity.[2] Recent articles and cases abound with allegations of one business entity unjustifiably suing another, not for the purpose of ultimately obtaining some relief, but rather for harassment and delay. Recently, the developer of a "retirement" certificate of deposit succeeded in having the Justice Department initiate an investigation into alleged abuses of the ad-

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1. The increasingly litigious nature of American society has been well documented, and the subject of a significant amount of commentary. For example, in 1953, the federal courts had 99,000 filings at the district court level and 3,200 filings at the appellate court level. Just thirty years later, Chief Justice Burger reported current filings of 240,000 in the district courts, and 28,000 at the appellate level, representing increases of 142% and 775% respectively in that thirty year period. Burger, *Annual Report of the State of the Judiciary*, 69 A.B.A. J. 442, 443 (1983).

Numerous articles have been written regarding the epidemic of frivolous and baseless lawsuits ranging from personal injury, to medical malpractice to business tort. *See, e.g.*, John M. Johnson & G. Edward Cassady III, *Frivolous Lawsuits and Defensive Responses to Them—What Relief is Available?*, 36 ALA. L. REV. 927 (1985); Scott S. Partridge, Joseph C. Wilkinson, Jr. & Allen J. Krouse, III, *A Complaint Based on Rumors: Countering Frivolous Litigation*, 31 LOY. L. REV. 221 (1985); Marc Galanter, *Reading The Landscape of Disputes: What We Know And Don't Know (And Think We Know) About Our Allegedly Contentious And Litigious Society*, 31 UCLA L. REV. 4 (1983); John Raymond Jones, Jr., Note, *Liability for Proceeding with Unfounded Litigation*, 33 VAND. L. REV. 743 (1980); John H. Beers, Note, *Attorneys' Liability to Clients' Adversaries for Instituting Frivolous Lawsuits: A Reassertion of Old Values*, 53 ST. JOHN'S L. REV. 775 (1979); Note, *Groundless Litigation and the Malicious Prosecution Debate: A Historical Analysis*, 88 YALE L.J. 1218 (1979); Sheila L. Birnbaum, *Physicians Counterattack: Liability of Lawyers for Instituting Unjustified Medical Malpractice Actions*, 45 FORDHAM L. REV. 1003 (1977); Neil Gold, *Controlling Procedural Abuses: The Role of Costs and Inherent Judicial Authority*, 9 OTTAWA L. REV. 44 (1977); Paul Griesen, Comment, *Attorney Liability for Malicious Prosecution and Legal Malpractice: Do They Overlap?*, 8 PAC. L.J. 897 (1977); David W. Pollack, Comment, *Sanctions Imposed by Courts on Attorneys Who Abuse The Judicial Process*, 44 U. CHI. L. REV. 619 (1977); Robert V. Wills, *Assault with a Deadly Lawsuit: A Wrong in Search of a Remedy*, 51 L.A.B. J. 499 (1976); Pearl Kisner, Comment, *Malicious Prosecution: An Effective Attack on Spurious Medical Malpractice Claims?*, 26 CASE W. RES. L. REV. 653 (1976); Maurice Rosenberg, *Let's Everybody Litigate?*, 50 TEX. L. REV. 1349 (1972).

2. Occasionally, the victim of such unfounded litigation is an outspoken critic of the policies or practices of the aggressor, and is not itself in direct competition for the customers of the aggressor. More often, however, the target of the baseless litigation will be a potential or existing competitor of the aggressor.

ministrative process, including "baseless litigation designed specifically to harass," against the insurance industry.[3] On January 9, 1995, one biotechnology firm filed a major lawsuit against a large competitor "alleging malicious prosecution and unfair competition."[4] In the preceding months, one medical supply company sued another, alleging misappropriation of trade secrets, prompting the defendant to file a countersuit asserting claims of libel, slander and unfair competition arising out of the plaintiff's claims which were said to be "frivolous and completely without merit."[5] Allegations of groundless litigation and administrative proceedings have also been asserted in recent months in the pharmaceutical industry,[6] the radio communications industry[7] and the telecommunications industry.[8]

Some states have unfair trade practice statutes which permit a counterclaim to be brought when one business feels that it has unjustifiably and groundlessly been named as a defendant in a suit brought by one of its competitors. A recent case involving a successful counterclaim to that effect was *Opti-Copy, Inc. v. Dalpe*.[9] In *Opti-Copy*, plaintiff sued a company that had hired away two of its employees. The defendant company counterclaimed, alleging that plaintiff's filing and continued prosecution of the suit, for which "it had no substantial basis," was done merely to gain a competitive advantage and was therefore both an abuse of process and a violation of Massachusetts' consumer protection statute.[10] The jury returned a verdict in favor of defendant in the amount of $625,000 on its

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3. Steven Brostoff, *Justice Dep't Launches Annuities Investigation*, NAT'L UNDERWRITER, PROP. & CASUALTY/RISK & BENEFITS MANAGEMENT ED., Feb. 27, 1995, at 41.

4. *Biotech Co's.: Some Make Strides In A Tough Environment*, HEALTH LINE, Jan. 10, 1995.

5. Jack Searles, *Ventura County Roundup: Biopool Expects to Report Record Sales*, L.A. TIMES, Feb. 7, 1995, at 22.

6. *Antitrust Alert; Law On Acquisition of Prescription Benefits Managers By Drug Manufacturers*, 210 AMERICAN DRUGGIST No. 4, Aug. 1994, at 8, 13 ("Frivolous patent litigation or regulatory objections filed with the Food & Drug Administration 'can be major hurdles faced by new entrants into pharmaceutical markets[.] . . .'").

7. *Order Prohibiting Smartlink From Sell SMR Products*, 48 LAND MOBILE RADIO NEWS No. 47, Dec. 2, 1994.

8. Ellen Messmer, *Feds Launch Effort To Overhaul Government Procurement Rules*, Network World, July 4, 1994, at 6 ("Few vendors would admit that their protest actions are frivolous, but they could hardly deny how effective legal protests are in delaying a competitor from winning a contract. In one high-profile case, the Department of Energy's Asynchronous Transfer Mode network, which was awarded to Sprint Corp., has been held up for two years due to two different rounds of protest from AT&T and MCI Communications Corp.").

9. *Opti-Copy* was a case tried to jury verdict in a Massachusetts' Superior Court in 1993, Judge James F. McHugh III presiding. The case is unreported, but was the subject of an article authored by Mark A. Cohen, *Suit Versus Competitor Backfires; 93A Damages Awarded For Abusive Process*, MASS. LAWYERS WKLY., Dec. 27, 1993, at 1.

10. Cohen, *supra* note 9, at 1.

counterclaim against plaintiff, which was then doubled under applicable Massachusetts law.[11]

The causes of action traditionally recognized in Ohio for reining in those who would subvert the legal system to their own anti-competitive purposes—malicious prosecution and abuse of process—have proven to be inadequate for the task. The shortcomings of those two traditional causes of action in the context of unfounded litigation brought by one business entity against another are such that they cannot reasonably be expected to have any foreseeable impact on the malicious litigation problem in the near future. Fortunately, however, the courts of Ohio may now be prepared to recognize the existence of a third cause of action for unfair competition based solely on the institution and prosecution of a single groundless suit brought by one business entity against another for the purpose of harassing or injuring the other in its trade or business.[12]

II. Inadequacy Of Other Remedies

A. Abuse of Process

In the past, some Ohio courts questioned whether, under Ohio law, there was any difference between the torts of abuse of process and malicious prosecution. Some statements in the earlier cases insinuated that the two torts were one and the same.[13] However, in more recent years, the Ohio courts have explicitly delineated the differences between the two torts.[14] Stated briefly, an action alleging malicious prosecution focuses upon the fact that civil process was employed for its ostensible purpose, but was instituted without reasonable or prob-

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11. Cohen, *supra* note 9, at 1.

12. In this context, the author believes that one business entity should be permitted to sue another for "unfair competition" based upon the vexatious filing of groundless litigation regardless of whether the two entities are "competitors" within the antitrust meaning of the word. There is no reason why a business entity should be prohibited from hindering or destroying the business of its "competitors" by unfounded vexatious litigation, but be at perfect liberty to ruin the business of a company that is not one of its "competitors" in the traditional sense of the word. For that reason, the author believes that a cause of action for unfair competition based upon the prosecution of unfounded litigation should not in any way be limited to those entities selling the same product to the same market as the offender. In fact, since many instances of unjustified litigation (or harassing and vexatious administrative proceedings) are commenced by companies against their critics, rather than against their competitors, the necessity for a remedy available to all who are unjustifiably harassed by unfounded litigation is made apparent.

13. *See, e.g.*, Delk v. Colonial Finance Co., 194 N.E.2d 885 (Ohio Ct. App. 1963), *appeal dismissed*, 193 N.E.2d 153 (Ohio 1963).

14. *See, e.g.*, Clermont Envtl. Reclamation Co. v. Hancock, 474 N.E.2d 357, 361-62 (Ohio Ct. App. 1984); Avco Delta Corp. v. Walker, 258 N.E.2d 254, 256-57 (Ohio Ct. App. 1969).

able cause.[15] On the other hand, an action is deemed an abuse of process where process, once obtained for whatever reason, is willfully perverted to accomplish an end not lawfully available by such process.[16] In short, an action for abuse of process is concerned with the improper use of process *after* it has been issued.[17]

It was not until 1994 that the Supreme Court of Ohio explicitly recognized the tort of abuse of process, and enumerated the three elements required to establish the tort:

> (1) that a legal proceeding has been set in motion in proper form and with probable cause; (2) that the proceeding has been perverted to attempt to accomplish an ulterior purpose for which it was not designed; and (3) that direct damage has resulted from the wrongful use of process.[18]

In *Yaklevich v. Kemp, Schaeffer & Row Co.*, the Supreme Court of Ohio stressed that the tort of abuse of process requires proof of misuse of the process of law for an improper purpose in "a lawfully brought *previous action.*"[19]

The tort of abuse of process is not applicable to the malicious institution of a groundless action for anti-competitive purposes. As the court held in *Clermont Environmental Reclamation Co. v. Hancock*:

> The tort of abuse of process arises when one maliciously misuses legal process to accomplish some purpose not warranted by law. [Citation omitted.] The key to the tort is the purpose for which the process is used once it is issued. [Citation omitted.] *Abuse of process does not lie for the wrongful bringing of an action, but for the improper use or "abuse," of process.* [Citation omitted].
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> To make a case of abuse of process a claimant must show that one used process with an "ulterior motive," as the gist of offense is found in the manner in which process is used. [Citation omitted.] There must also be showing a further act in the use of process not proper in the regular conduct of the proceeding. [Citation omitted.] *Thus, if one uses process properly, but with a malicious motive, there is no abuse of process, though a claim for malicious prosecution may lie.*[20]

In view of the holding in *Clermont Environmental*, the Court of Appeals of Cuyahoga County held in *Walker v. Cadillac Motor Car*

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15. *See, e.g.*, Frackelton v. Swanson, No. 41921, (Ohio Ct. App. Oct. 16, 1980).
16. *Id.*
17. *Id.*
18. Yaklevich v. Kemp, Schaeffer & Row Co., 626 N.E.2d 115, 118 (Ohio 1994).
19. *Id.* at 300 (emphasis added).
20. Clermont Envtl. Reclamation Co. v. Hancock, 474 N.E.2d 357, 361 (Ohio Ct. App. 1994) (emphasis added).

Division[21] that a car dealer was not entitled to recover on its counterclaim against the consumer/plaintiff for abuse of process, where the consumer had instituted a groundless suit against the dealer.[22] In doing so, the *Walker* court expressly relied upon the holding in *Clermont Environmental* requiring proof of a malicious misuse of legal process to accomplish a purpose not warranted by law in order to establish the tort of abuse of process.[23]

Abuse of process occurs where one party has used lawful process in a lawful manner, but for a purpose inconsistent with that of the law. The textbook example of the tort is where a party to an action subpoenas to court, at the same day and time, all of the managers or employees of a business, thereby causing the business to shut down for the day.[24] While it is entirely proper and legal for a party to subpoena witnesses to testify in a hearing, it is the actor's malignant purpose in issuing the subpoenas which constitutes the abuse of process because the true motive of the actor is to obtain the extra-legal result of closing the business or forcing the other to expend great sums of money to keep its doors open. However, when the claim is that an action has been maliciously *instituted*, an action for abuse of process does not lie.[25]

B. Malicious Civil Prosecution

In Ohio, it is generally held that the tort of malicious civil prosecution requires proof of the following four elements: '(1) malicious institution of prior proceedings against the plaintiff by the defendant, (2) lack of probable cause for the filing of the prior lawsuit, (3) termination of the prior proceedings in plaintiff's favor,

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21. 578 N.E.2d 524 (Ohio Ct. App. 1989), *motion overruled*, 545 N.E.2d 1280 (Ohio 1989), *cert. denied*, 495 U.S. 960 (1990).

22. *Walker*, 578 N.E.2d at 531.

23. *Id.*

24. In Board of Educ. v. Farmingdale Classroom Teachers Ass'n, Inc., 343 N.E.2d 278 (N.Y. 1975), counsel for the teachers association issued subpoenas to 87 school teachers employed by the plaintiff to appear at the same date and time at a hearing. The teachers association then refused the plaintiff's request to excuse the majority of those teachers from attendance at the hearing, and also refused the request that the appearances of the 87 teachers be staggered over the four days of the hearing. Accordingly, all 87 teachers attended the hearing, and the plaintiff was required to hire 77 substitute teachers to replace them. Thereafter, the plaintiff brought an action in the state court against the defendant for abuse of process. The New York Court of Appeals held that these allegations were sufficient to state a cause of action for abuse of process. *Id.* at 283.

25. Clermont Envtl. Reclamation Co. v. Hancock, 474 N.E.2d 357, 361 (Ohio Ct. App. 1984).

and (4) seizure of the plaintiff's person or property during the course of the prior proceedings' (citations omitted)."[26]

One of the principal weaknesses of the tort of malicious civil prosecution is that it cannot be brought until the "prior proceeding"—that is, the groundless litigation brought by the aggressor—has terminated in favor of the "victim."[27] For that reason, a claim for malicious civil prosecution cannot be brought as a counterclaim to the baseless litigation itself, since the tort cannot be established until the "prior proceedings" have terminated in favor of the malicious civil prosecution plaintiff.[28] To serve as an effective deterrent to baseless litigation, there must be at least a threat that the jury, in denying the aggressor any relief for its groundless suit, will also award damages in favor of the victim by reason of the wrongful conduct.[29]

The Ohio cases dealing with that issue have consistenly held that the voluntary dismissal without prejudice of the baseless litigation does *not* constitute termination of the prior action in favor of the dismissed party.[30] Cases from other jurisdictions are split on the issue. There are a number of cases that have held that a mere dismissal without prejudice does constitute termination in favor of the dismissed party, so as to give rise to a cause of action for malicious prosecution.[31] On the other hand, decisions from other state courts have held that a dismissal without prejudice, or a dismissal on technical or

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26. *Yaklevich*, 626 N.E.2d at 117-18; Pollock v. Kanter, 589 N.E.2d 443, 447 (Ohio Ct. App. 1990); Crawford v. Euclid Nat'l Bank, 483 N.E.2d 1168, 1171 (Ohio 1985); Cincinnati Daily Trib. Co. v. Bruck, 56 N.E. 198 (Ohio 1900).

27. *See, e.g.*, Resolution Trust Corp. v. Levitt, 1992 Ohio App. LEXIS 3927 (Ohio Ct. App. 1992) ("Both defendants have failed to allege the termination of nay prior proceeding in their favor . . . . Therefore, since defendants have failed to allege an essential element they have failed to state a claim for malicious prosecution."); Starinki v. Pace, 610 N.E.2d 494 (Ohio Ct. App. 1994); Macfadden Health Serv. Bureau v. Siegel, 11 Ohio Op. 374 (Ohio Misc. 1938).

28. *Supra* note 25.

29. The *Opti-Copy* case, referred to *supra* note 9, serves as a classic example. In that case, not only did the jury send the instigator of the groundless suit home empty handed, but also awarded double damages in favor of the defendant because the filing had no substantial basis, and was filed and prosecuted merely to gain a competitive advantage. In most states, including Ohio, the wrongfully-sued defendant would have had to wait until after the jury verdict had been returned in its favor and the case in chief before it could even consider filing, much less trying, any claim in tort based on the vexatious filing of an unfounded civil suit against it.

30. *See, e.g.*, Wilson v. Fifth Third Bank, 1994 Ohio App. LEXIS 2558 (Ohio Ct. App. 1994); *Starinki*, 610 N.E.2d at 494; Summitville Tiles, Inc. v. Jackson, 1988 Ohio App. LEXIS 4547 (Ohio Ct. App. 1988); Karpanty v. Savage, No. L-85-135 (Ohio Ct. App. Mar. 7, 1986).

31. *See, e.g.*, Wong v. Tabor, 422 N.E.2d 1279 (Ind. Ct. App. 1981); Nelson v. Miller, 607 P.2d 438 (Kan. 1980); Weaver v. Superior Court, 156 Cal. Rptr. 745 (Cal. Ct. App. 1979); Greer v. State Farm & Cas. Co., 227 S.E.2d 881 (Ga. Ct. App. 1976); McFarland v. Union Finance Co., 471 S.W.2d 497 (Mo. Ct. App. 1971); Mayflower Indus. v. Thor Corp., 83 A.2d 246 (N.J. Super. Ct. Ch. Div. 1951).

procedural grounds (rather than on the merits), does *not* constitute a favorable termination.[32]

The fourth element of the tort of malicious prosecution, which requires a seizure of the plaintiff's person or property during the course of the prior proceedings, also poses an insurmountable bar to the tort's ability to provide any real protection to the victim of unfounded civil litigation. The seizure requirement has been established by a long line of decisions of the Supreme Court of Ohio.[33] And although the lower courts have frequently criticized the seizure element of the tort, they have nonetheless rigorously adhered to the requirement of proof of seizure of the victim's person or property.[34]

The Supreme Court of Ohio has abandoned the "arrest or seizure" requirement in the context of malicious prosecution in the criminal context.[35] But despite the fact that several justices argued in favor of the abandonment of the seizure requirement in the context of malicious prosecution of civil actions,[36] the Supreme Court of Ohio

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32. *See, e.g.*, Duplain v. Meyers, Bianchi, McConnell & Mallon, 254 Cal. Rptr. 163 (Cal. Ct. App. 1988); Withall v. Capitol Fed. Sav. of Am., 518 N.E.2d 328 (Ill. App. Ct. 1987); Zahorsky v. Barr, Glynn and Morris, 693 S.W.2d 839 (Mo. Ct. App. 1985).

33. *See, e.g.*, Crawford v. Euclid Nat'l Bank, 483 N.E.2d 1168, 1171 (Ohio 1985); Cincinnati Daily Trib. Co. v. Brock, 56 N.E. 198, 198 (Ohio 1900).

34. *See, e.g.*, Lemieux v. Central Oil Field Supply Co., 1990 Ohio App. LEXIS 3921 (Ohio Ct. App. Sept. 7, 1990), *motion overruled*, 568 N.E.2d 698 (Ohio 1991) ("[T]his writer, while not enamored with the rule in Ohio on this subject, together with this court, is duty bound to comply with the pronouncement of the superior court of this state."); Eastlake v. Rakauskas, 1990 Ohio App. LEXIS 66 (Ohio Ct. App. Jan. 12, 1990) ("[W]e feel that we are still bound by the existing state of the law in Ohio which requires a seizure of person or property."); M.A.J. v. Jackson, No. 1644 (Ohio Ct. App. Sept. 2, 1987) ("Although the *Crawford* opinion represents the minority view, we are found to follow its holding."); Street v. Worthington, No. OT-83-11 (Ohio Ct. App. Feb. 10, 1984) ("Appellees were neither arrested nor was any property seized. Therefore, a suit for malicious prosecution of a civil action will not lie in this case."); Avco Delta Corp. v. Walker, 258 N.E.2d 254, 254 (Ohio Ct. App. 1969); Delk v. Colonial Fin. Co., 194 N.E.2d 885 (Ohio Ct. App. 1963); Macfadden Health Serv. Bureau Corp. v. Siegel, 11 Ohio Op. 374, 374 (Ohio Misc. 1938); Perry v. Arsham, 136 N.E.2d 141 (Ohio Ct. App. 1956).

35. Trussell v. General Motors Corp., 559 N.E.2d 732 (Ohio 1990).

36. For instance, in Kelly v. Whiting, 479 N.E.2d 254 (Ohio 1985), *cert. denied*, 474 U.S. 1008 (1985), then Chief Justice Celebreeze authored a concurring opinion that stated in part that:

> In the case *sub judice*, the opinion correctly sets forth these three basic components. However, the majority then appears to implicitly adopt an additional element that a plaintiff demonstrate a seizure of his or her person or property during the course of the prior proceedings.
>
> While some courts have adopted such a fourth element, . . . , in my opinion the seizure of property or person merely concerns the extent of the plaintiff's damage, and its absence is not a bar to bringing an action. A contrary analysis could leave severely injured parties without a remedy and may in fact encourage tortfeasors to file malicious litigation knowing they are safe from recourse so long as they do not seize property or have their victim arrested.

Id.

has continued to hold that the seizure requirement remains an indispensable element of a cause of action for malicious civil prosecution.[37]

In *Yaklevich*,[38] the Supreme Court of Ohio, after reciting the four traditional elements of the tort of malicious civil prosecution,[39] observed that the Second Restatement of Torts eliminated the seizure requirement, and claimed to "express no opinion on the viability of [the seizure] element."[40] However, post-*Yaklevich* decisions of the Ohio courts of appeal continue to hold that seizure of person or property is a required element of the tort of malicious civil prosecution.[41]

Even if the Supreme Court of Ohio were to abandon the "seizure" element of malicious civil litigation, that cause of action will continue to be of little benefit to victims of groundless litigation. That is so because: (1) it requires prior termination of the original case in favor of the target of the litigation, thereby eliminating the tort as an effective counterclaim which might aid in the prompt disposition of the baseless litigation and; (2) the aggressor may be able to pursue the groundless litigation for years, then dismiss it voluntarily on the eve of trial without prejudice, thereby forever barring the victim from bringing suit for the misdeed of the aggressor who knowingly and maliciously pursued a baseless claim.

III. Vexatious Litigation As Unfair Competition

The tort of unfair competition may provide a previously unheralded avenue for pursuing the initiator of the groundless litigation brought to hinder, damage or destroy the victim as a critic or competitor of the aggressor. In Ohio, as elsewhere, unfair competition ordinarily consists of representations by one person, for the purpose of deceiving the public, that his goods are those of another.[42] However, in Ohio, the tort of unfair competition has long been held to encompass more than merely the "palming off" of one's own goods as those of another. Rather, the foundation of an unfair competition action may consist of any conduct by the defendant of such a persistent and continuous nature as has resulted in damage to the plaintiff

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37. Yaklevich v. Kemp, Schaeffer & Row Co., 626 N.E.2d 115, 117-18 (Ohio 1994).
38. *Id.* at 115.
39. *See supra* note 26 and accompanying text.
40. *Yaklevich*, 626 N.E.2d at 118 n.1.
41. *See, e.g.*, Robb v. Chagrin Lagoons Yacht Club, 1994 Ohio App. LEXIS 3647 (Ohio Ct. App. 1994); Wilson v. Fifth Third Bank, 1994 Ohio App. LEXIS 2558 (Ohio Ct. App. 1994).
42. Water Management, Inc. v. Stayanchi, 472 N.E.2d 715, 717 (Ohio 1984); Drake Med. Co. v. Glessner, 67 N.E. 722 (Ohio 1903).

in the production and sale of its wares.[43] Unfair competition contains elements of fraud, misrepresentation, or other recognized unethical conduct.[44] Protection of the aggrieved party from that type of conduct is based on the property right that the injured party has in its business.[45] Accordingly, the circulation of unfounded rumors[46] or the publication of letters falsely and maliciously calculated to injure the trade of another,[47] also constitute unfair competition.

As early as 1926, Ohio courts began to recognize that the tort of unfair competition could include the institution of litigation not brought in good faith, but rather for the purpose of destroying a rival. In *Henry Gehring Co. v. McCue*,[48] the Court of Appeals for Cuyahoga County held:

> There is well-established authority for the holding that the pursuit of one competitor by another, *either in court or out of court*, for the purpose of injuring him in his business, may result in recovery under sufficient proof. *There are numerous cases of successful recoveries because of malicious acts by way of litigation in the courts, where it appears that the litigation was not founded upon good faith, but was instituted with the intent and purpose of harassing and injuring a rival producing and selling the same commodity.*[49]

Despite the apparent usefulness of the holding in *Henry Gehring*, no Ohio court, or federal court applying Ohio law, ever again cited or referred to *Henry Gehring* until 1982, when the United States District Court for the Southern District of Ohio announced its decision in *Baxter Travenol Laboratories v. LeMay*.[50] The court in *Baxter Travenol* attempted to gloss over the holding of *Henry Gehring* by

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43. Henry Gehring Co. v. McCue, 154 N.E. 171 (Ohio Ct. App. 1926); Harco Corp. v. Corrpro Cos., Inc., No. 1465 (Ohio Ct. App. Oct. 29, 1986).

44. Ductile Iron Soc., Inc. v. Gray Iron Founders' Soc., Inc., 201 N.E.2d 309, 311 (Ohio Misc. 1964); State *ex rel.* Schneider v. Gullatt Cleaning & Laundry Co., 32 Ohio N.P. (n.s.) 121, 138 (Ohio Misc. 1934).

45. *See, e.g.*, *Ductile Iron Soc.*, 201 N.E.2d at 309; Cloverleaf Restaurants, Inc. v. Lenihan, 72 N.E.2d 761 (Ohio Ct. App. 1946); Cuyahoga County Funeral Directors Ass'n v. Sunset Mortuary, Inc., 181 N.E.2d 309 (Ohio Ct. App. 1962); Cohn v. Kahn, 8 Ohio Dec. Rep. 472 (Ohio Misc. 1882).

46. *Stayanchi*, 472 N.E.2d at 717; Nye Rubber Co. v. V.R.P. Rubber Co., 81 F. Supp. 635 (N.D. Ohio 1948).

47. *Stayanchi*, 472 N.E.2d at 717; International Indus. & Dev., Inc. v. Farbach Chem. Co., 241 F.2d 246 (6th Cir. 1957); Petersime Incubator Co. v. Bundy Incubator Co., 43 F. Supp. 446 (S.D. Ohio 1942), *aff'd*, 135 F.2d 580 (6th Cir. 1943), *cert. dismissed*, 320 U.S. 805 (1943).

48. 154 N.E. 171 (Ohio Ct. App. 1926).

49. *Id.* (emphasis added). Regrettably, the *Gehring* court failed to include case citations to any of the "numerous cases" allowing recovery under an unfair competition theory for groundless and vexatious litigation brought by a competitor. *See id.*

50. 536 F. Supp. 247 (S.D. Ohio 1982).

suggesting that the baseless litigation filed by the aggressor must have been previously concluded in favor of the innocent victim:

> Moreover, one Ohio case which does suggest that malicious litigation can be construed as unfair competition, *Gehring Co. v. McCue*, [citation omitted], apparently involved a charge of patent infringement, which had proved to be false [citation omitted]. This reading of *McCue* suggests that, like the aforementioned torts, the litigation being sued upon must have terminated. For these reasons, the counterclaims inadequately plead an "unfair competition" cause of action.[51]

However, no other court has ever read such a requirement into the unfair competition cause of action recognized in *Henry Gehring*. Two years after *Baxter Travenol*, the Supreme Court of Ohio again had occasion to define the tort of unfair competition in *Water Management, Inc. v. Stayanchi*.[52] The *Water Management* case did not involve a claim based upon a bad faith filing of unfounded litigation. However, in defining the tort of "unfair competition," the Supreme Court specifically included such claims in its definition:

> Unfair competition ordinarily consists of representations by one person, for the purpose of deceiving the public, that his goods are those of another. [Citations omitted]. *The concept of unfair competition may also extend to unfair commercial practices such as malicious litigation*, circulation of false rumors, or publication of statements, all designed to harm the business of another. *See Gehring*, 154 N.E. 171 (Ohio Ct. App. 1926).[53]

The next case to address the issue of whether unfounded civil litigation brought for the purpose of delaying or harassing another can be the basis for a claim of unfair competition was the decision of the Medina County Court of Appeals in *Harco v. Corrpro Co., Inc.*.[54] In *Harco*, plaintiff filed suit against the corporate defendant and certain of plaintiff's former employees. The defendants filed counterclaims against plaintiff, including a claim for unfair competition. The trial court gave an extensive charge to the jury on the tort of unfair competition. The trial court instructed the jury that:

> Malicious acts by way of litigation in court not founded in good faith, but for the purpose of harassing and injuring a rival producing and selling the same commodities, may authorize a recovery for unfair competition.

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51. *Id.* at 249.
52. 472 N.E.2d 715 (1984).
53. *Id.* at 717 (emphasis added).
54. No. 1465 (Ohio Ct. App. Oct. 29, 1986).

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> It is the law that pursuit of one competitor by another, either in court or out of court, for the purpose of injuring his business, that is prohibited.
>
> . . .
>
> If you find by the greater weight of the evidence that Harco Corporation has committed malicious acts by way of litigation in the courts, or if it appears litigation was not founded upon good faith, but was instituted with the intent and purpose of harassing and injuring a rival engaged in the same business, you may find for Corrpro Corporation on its counterclaim under the [d]octrine of [u]nfair [c]ompetition in an amount that would fairly compensate it for the damage suffered by reason thereof.
>
> The concept of unfair competition also extends to unfair commercial practices such as malicious litigation, circulation of false rumors or publication of statements all designed to harm the business of another. Therefore, should you find that Harco engaged in any of these practices with a design to harm a defendant or defendants, you should return a verdict in favor of such claimants.[55]

In *Harco*, the counter-claimant won a jury verdict on its claim for unfair competition.[56] The foregoing jury charge, which instructed the jury that vexatious and groundless civil litigation constitutes unfair competition, was challenged on appeal. However, the Court of Appeals declined to pass on the propriety of the instruction, holding instead that the record supported a jury verdict in favor of the counter-claimant on the unfair competition counterclaim on grounds other than vexatious litigation. Accordingly, the jury verdict on the unfair competition counterclaim was affirmed without consideration by the Court of Appeals of the propriety of the charge on vexatious litigation as a form of unfair competition.[57]

The only other case recognizing that malicious litigation can form a basis for an unfair competition claim under Ohio law is, arguably, *Insituform of North America, Inc. v. Midwest Pipeliners, Inc.*[58] In *Insituform*, plaintiffs brought a patent infringement action against defendants. The claims asserted by plaintiff were dismissed with prejudice, and declaratory judgment of non-infringement was granted in the defendant's favor. That decision was not appealed. As the prevailing party, defendants then filed a motion for award of attorney's fees. One of the grounds argued by defendants for an award of attorney's fees was that plaintiffs' meritless infringement claim

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55. *Id.* at *2, *3.
56. *Id.*
57. *Id.* at *7.
58. 192 U.S. Dist. LEXIS 21372 (S.D. Ohio Aug. 28, 1992).

constituted unfair competition. Unfortunately, the court did not comment on the law applicable to such a claim, but simply found that plaintiffs' claim was not completely frivolous, and the timing of the suit did not support the allegation that it had been brought for the sole purpose of destroying defendants' business:

> Defendants claim that Plaintiffs' motivation to bring this action was the opportunity to use the litigation to harass its competitors. This unfair competition claim is based upon the fact that all the parties are in the same business of rehabilitating existing sewer lines and the fact that in 1990 Defendants began successfully to compete against Plaintiffs in Ohio and Pennsylvania. Defendants suspect that, because of this successful competition, *Insituform* brought a "meritless lawsuit to drive [Defendants] . . . from the marketplace." In support of this claim of bad faith motivation, Defendants state that Plaintiffs' continuance of the suit in the face of "an utter lack of evidence" shows that the suit could have been motivated only by the desire to harass its competition. Defendants also refer the attention of the court to the time at which Plaintiffs chose to file suit and to the infringement notice Plaintiffs purportedly passed on to Defendants' customers.
>
> As discussed above, this infringement action was not frivolous. Frivolousness of the action therefore cannot serve as a basis for finding that the suit was instituted in bad faith. Because neither the timing of the suit nor the infringement notice was improper, Defendants have failed to show by clear and convincing evidence that Plaintiffs' motivation in bringing the infringement claim justifies an award of attorney fees to the Defendant.[59]

Ohio appears to be the first state to hold that vexatious litigation can constitute the tort of unfair competition.[60] However, in recent years, other states have similarly concluded that vexatious litigation can constitute the tort of unfair competition. Most recently, the United States District Court for the Eastern District of Pennsylvania so held in *American Home Products Corp. v. Johnson & Johnson Corp.*[61] In *American Home Products*, plaintiff filed a patent infringement claim against defendant. The defendant filed an unfair competition counterclaim based solely on the allegation that plaintiff's claim was objectively baseless, and that plaintiff's subjective intent was to unfairly compete with defendant.[62] The trial court allowed those issues to go to the jury, which returned a verdict in favor of defendants on

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59. *Id.* at *22.
60. *Gehring* was decided by the Cuyahoga County Court of Appeals in 1926.
61. 1994 U.S. Dist. LEXIS 1579 (E.D. Pa. 1994).
62. *Id.* at *1.

both plaintiff's infringement claim and on the counterclaim for unfair competition. The trial court overruled plaintiff's motion for a new trial.[63]

In *Yost v. Torok*,[64] the Georgia Supreme Court set forth the elements of a cause of action for a tort known in Georgia as "abusive litigation":

> Any party who shall assert a claim, defense, or other position with respect to which there exists such a complete absence of any justiciable issue of law or fact that it reasonably could not be believed that a court would accept the asserted claim, defense or other position; or any party who shall bring or defend an action or any part thereof, that lacks substantial justification, or is interposed for delay or harassment; or any party who unnecessarily expands the proceeding by other improper conduct, including, but not limited to, abuses of discovery procedures, shall be liable in tort to an opposing party who suffers damage thereby.[65]

Thereafter, in *Union Carbide Corp. v. Tarancon Corp.*,[66] the court, applying Georgia law, refused to consider vexatious litigation as a species of unfair competition, and instead analyzed the issue under the *Yost* "abusive litigation" criteria.[67]

In Connecticut, it remains uncertain as to whether any statutory or common law cause of action for malicious litigation can be instituted prior to termination of the groundless litigation in favor of the target entity, which will then permit a claim for malicious civil prosecution to be instituted. The United States Court of Appeals for the Second Circuit in *Suburban Restoration Co., Inc. v. ACMAT Corp.*[68] held that "[i]t remains an open question whether, as a matter of statutory construction, filing a groundless lawsuit is the sort of 'unfair trade practice' that [the Connecticut Unfair Trade Practices Act] was intended to prohibit. Apparently the Connecticut courts have never addressed the issue."[69] More recently, in *Zeller v. Consolini*,[70] a Connecticut superior court declined to recognize a cause of

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63. *Id.* at *5.
64. 344 S.E.2d 414 (Ga. 1986).
65. *Id.* at 417.
66. 682 F. Supp. 535 (N.D. Ga. 1988).
67. The District Court in *Tarancon* concluded that the counterclaim raised by the defendants "for unfair competition appears to be a melding of their tortious interference counterclaim and abusive litigation counterclaim. . . ." *Id.* at 544.
68. 700 F.2d 98 (2d Cir. 1983).
69. *Id.* at 101.
70. 1993 Conn. Super. Ct. LEXIS 3122 (Conn. Super. Ct. Nov. 18, 1993).

action for a groundless suit maliciously filed against the plaintiff.[71]

A federal district court, however, has held that the malicious institution of groundless civil litigation cannot constitute "unfair competition" under California state common law. In *Heerema Marine Contractors v. Santa Fe International Corp.*,[72] plaintiffs contended that defendant's prosecution of certain litigation and the threat of commencing future litigation constituted unfair competition under California law. However, the litigation referred to by plaintiffs had not yet terminated. The *Heerema* court held that plaintiffs could not proceed under a theory of unfair competition, but would have to wait until the litigation terminated in their favor, at which time they could bring an action for the separate tort of malicious prosecution. The court said, "[P]laintiffs are attempting to use the unfair competition claim to obtain immediate relief when an action for malicious prosecution or for a declaratory judgment would be premature. The tort of unfair competition was not intended to serve this function."[73]

Generally, the courts of New York have also held that the institution of one or more groundless suits cannot form the basis of a claim sounding in unfair competition, but rather simply allows an action for malicious prosecution to be brought if and when the baseless litigation is terminated in favor of the target entity.[74] In *Dielectric Laboratories, Inc. v. American Technical Ceramics*,[75] the court held that the sole remedy under New York law for the wrongful filing of a groundless patent infringement suit was a cause of action for malicious prosecution: "[h]owever, institution of a patent infringe-

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71. The *Zeller* court held that:

> Our Supreme Court has repeatedly held that a claim for vexatious litigation requires a plaintiff to allege that the previous litigation was initiated maliciously, without probable cause, and determined in the plaintiff's favor [citations omitted]. In suits for vexatious litigation, it has been recognized to be sound policy to require the plaintiff to allege that the prior litigation terminated in the plaintiff's favor [citations omitted]. This requirement serves to discourage unfounded litigation without impairing the presentation of honest but uncertain causes of action to courts [citations omitted].

Id. at *5-6.

72. 582 F. Supp. 445 (C.D. Cal. 1984).

73. *Id.* at 453.

74. *See, e.g.*, Lyle/Carlstrom Assoc. v. Manhattan Store Interiors, Inc., 635 F. Supp. 1371 (E.D. N.Y. 1986), *aff'd*, 824 F.2d 977 (Fed. Cir. 1987) ("As distinct from federal antitrust law, commencement of one or more lawsuits in an effort to enforce a patent does not create a claim for unfair competition in New York."); Gemveto Jewelry Co. v. Jeff Cooper Inc., 568 F. Supp. 319, 336 n.96 (S.D. N.Y. 1983) (finding that "no authority" supported claim that mere filing of two suits alleging infringement of two different patents constituted unfair competition); Airship Indus. (U.K.) Ltd. v. Goodyear Tire & Rubber Co., 643 F. Supp. 754, 762 (S.D. N.Y. 1986) (rejecting unfair competition claim where plaintiff asserted that defendant wrongfully filed lawsuits in an attempt to protect its own property).

75. 1989 U.S. Dist. LEXIS 10342 (E.D. N.Y. Aug. 28, 1989) (citation omitted).

ment suit without probable cause does not give rise to an action for unfair competition. Rather, such conduct provides a cause of action for malicious prosecution."[76]

One might well wonder at the paucity of cases that have considered the filing of a single piece of groundless litigation against a competitor or critic as a species of unfair competition. However, those who may be inclined to consider an action in the future must consider the defenses to such an action arising out of the First Amendment to the United States Constitution, as developed by the courts through the application of the *Noerr-Pennington* doctrine in the antitrust setting.

IV. Applicability of Noerr-Pennington Doctrine To Claims For Malicious Litigation As Common Law Unfair Competition

A. Historical Development of Noerr-Pennington Doctrine

The *Noerr-Pennington* Doctrine refers to a trilogy of Supreme Court cases: *Eastern Railroad Presidents v. Noerr Motor Freight*,[77] *United Mine Workers v. Pennington*,[78] and *California Motor Transport Co. v. Trucking Unlimited*.[79] That trilogy of cases holds that activities attempting to influence legislative, executive, administrative or judicial action to eliminate competition are wholly immune from federal antitrust liability unless the conduct falls within the "sham exception" to the doctrine.

The *Noerr-Pennington* doctrine and the sham exception were developed by the Supreme Court in a series of cases in which it was alleged that defendants' attempts to obtain commercially favorable actions from different branches of government violated the Sherman Act.[80] *Eastern Railroad Presidents v. Noerr Motor Freight* (*Noerr*) involved activities of the defendant seeking favorable legislation while *United Mine Workers v. Pennington* (*Pennington*) involved attempts by defendants to influence executive actions and *California Motor Transport Co. v. Trucking Unlimited* (*California Motor Transport*) involved the institution of administrative and judicial proceedings. *Noerr* and *Pennington* both held that efforts to secure favorable legislation or executive action were not within the scope of conduct

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76. *Id.* at *20.
77. 365 U.S. 127 (1961), *reh'g denied*, 365 U.S. 875 (1961).
78. 381 U.S. 657 (1965).
79. 404 U.S. 508 (1972).
80. 15 U.S.C. §§ 1 and 2 (1982).

regulated by the Sherman Act. The *Noerr* Court held that acts directed at the political branches of government stand outside of the antitrust laws, in part because the original purposes of the Sherman Act did not include the regulation of political activity, and in part because it was questionable whether the First Amendment would allow such regulation.[81] The *Pennington* Court extended the doctrine to efforts to influence administrative agencies.[82]

The *California Motor Transportation* Court identified the First Amendment as the principal source of the *Noerr-Pennington* doctrine.[83] The *California Motor Transportation* Court further extended the *Noerr-Pennington* doctrine to the conduct of litigation.[84] The "sham" exception to the *Noerr-Pennington* doctrine was first established through a sentence in the *Noerr* opinion which stated that "[t]here may be situations in which a publicity campaign, ostensibly directed toward influencing governmental action, is a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor and the application of the Sherman Act would be justified."[85] The *California Motor Transportation* court concluded that baseless litigation brought in bad faith for the purpose of obstruction, and without reasonable prospect of success, would be a sham within the meaning of *Noerr*.[86]

Since the original development of the *Noerr-Pennington* doctrine, judicial interpretation and application has centered on two questions: whether the test to determine the "sham" nature of the litigation should be objective or subjective and whether a single groundless suit is sufficient to constitute "sham" litigation.

As to the first question, until quite recently, there was no consensus of opinion as to whether the test for sham litigation should be objective (whether there was a reasonable chance of success) or subjective (whether the party instituting the groundless litigation had

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81. *Premier Elec. Const. Co. v. National Elec. Contractors Ass'n, Inc.*, 814 F.2d 358, 371 (7th Cir. 1987).

82. *See Pennington*, 381 U.S. 657 (1965).

83. *Trucking Unlimited*, 404 U.S. at 510.

84. *Id. See also* Daniel R. Fischel, *Antitrust Liability for Attempts to Influence Government Action: The Basis and Limits of the Noerr-Pennington Doctrine*, 45 U. CHI. L. REV. 80, 94-104 (1977); J. Hurwitz & D. Nevue, *The Noerr Doctrine: Its Significance and Current Interpretation*, in *The Political Economy of Regulation: Private Interests in the Regulatory Process* 33, 47-50 (FTC 1984). *See also* Bill Johnson's Restaurants, Inc. v. N.L.R.B., 461 U.S. 731, 741-44 (1983); Vendo Co. v. Lektro-Vend Corp. 433 U.S. 623, 635 n.6, *reh'g denied*, 934 U.S. 881 (1977); Otter Tail Power Co. v. United States, 410 U.S. 366, 379-80, *reh'g denied*, 411 U.S. 910 (1973), all applying the *Noerr-Pennington* doctrine to litigation.

85. *Noerr Motor Freight*, 365 U.S. at 144.

86. *Trucking Unlimited*, 404 U.S. at 516.

a sincere desire to obtain judicial relief).[87] Fortunately, however, the Supreme Court has recently clarified the issue in *Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc.*[88] In *Professional Real Estate Investors*, the Supreme Court held:

> [In *California Motor Transport* w]e left unresolved the question presented by this case - whether litigation may be sham merely because a subjective expectation of success does not motivate the litigant. We now answer this question in the negative and hold that an objectively reasonable effort to litigate cannot be sham regardless of subjective intent.[89]

The Supreme Court therefore rejected a purely subjective definition of "sham."[90] Instead, the Court developed a two-part definition of "sham" litigation:

> We now outline a two-part definition of "sham" litigation. First, the lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success of the merits. If an objective litigant could conclude that the suit is reasonably calculated to elicit a favorable outcome, the suit is immunized under *Noerr*, and an antitrust claim premised on the sham exception must fail. Only if challenged litigation is objectively meritless may a court examine the litigant's subjective motivation. Under this second part of our definition of sham, the court should focus on whether the baseless lawsuit conceals "an attempt to interfere *directly* with the business relationships of a competitor," [citation omitted], through the "use [of] the governmental *process* - as opposed to the *outcome* of that process - as an anti-competitive weapon[.]"[91]

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87. For instance, there was a genuine debate as to whether a lawsuit could be a "sham" lawsuit even if the lawsuit was successful. The Fifth Circuit in *In re* Burlington Northern, Inc., 822 F.2d 518, *reh'g denied*, 827 F.2d 768 (5th Cir. 1977), *cert. denied*, 484 U.S. 1007 (1988), held that "[t]he determinative inquiry is not whether the suit was won or lost, but whether it was significantly motivated by a genuine desire for judicial relief." 822 F.2d at 528. The court explained that "a *genuine* desire for relief means that the desire for relief must be both honest and reasonable." *Id.* at 529 (emphasis in original). On the basis of this analysis, the Fifth Circuit rejected the argument that a successful lawsuit can never be a sham. *Id.* at 528.

By contrast, the Third, Fourth, Sixth, Ninth and Tenth Circuits all held that a successful lawsuit can never be a sham. *See* Columbia Pictures Indus., Inc. v. Professional Real Estate Investors, Inc., 944 F.2d 1525, 1530 (9th Cir. 1991), *aff'd*, 113 S. Ct. 1920 (1993); Eden Hannon & Co. v. Sumitomo Trust & Banking Co., 914 F.2d 556, 564-65 (4th Cir. 1990), *cert. denied*, 499 U.S. 947 (1991); Potters Med. Ctr. v. City Hosp. Ass'n, 800 F.2d 568, 579 (6th Cir. 1986); Columbia Pictures Indus., Inc. v. Red Horne, Inc., 749 F.2d 154, 161 (3d Cir. 1984); Edward B. Marks Music Corp. v. Colorado Magnetics, Inc., 497 F.2d 285, 290-91 (10th Cir. 1974), *cert. denied*, 419 U.S. 1120 (1975).

88. 113 S. Ct. 1920 (1993).

89. *Id.* at 1926.

90. *Id.* at 1928.

91. *Id.* (emphasis in original) (footnote omitted).

The Supreme Court specifically held, in a footnote, that "[a] winning lawsuit is by definition a reasonable effort at petitioning for redress and therefore not a sham."[92] However, it is not necessary that the litigant win the case to be protected under the *Noerr-Pennington* doctrine. Rather, a mere showing of probable cause to institute the legal proceedings will preclude a finding that the party has engaged in sham litigation.[93] Under the Supreme Court's definition, probable cause to institute civil proceedings requires no more than a "reasonabl[e] belie[f] that there is a chance that [a] claim may be held valid upon adjudication."[94]

The second issue, that of whether a single non-meritorious lawsuit is sufficient to constitute "sham" litigation against the target entity, remains unresolved. The confusion on that issue stems from the Supreme Court's decision in *Vendo Co. v. Lektro-Vend Corp.*.[95] In *Lektro-Vend*, the Court addressed, but did not decide, the issue. The four-justice dissent opined that one baseless suit may constitute a sham,[96] the two-justice concurrence argued that more than one suit was needed,[97] and the three-justice plurality implied that at least one fully litigated claim must be proven baseless before institution of further claims may be penalized.[98]

After *Lektro-Vend*, but prior to *Professional Real Estate Investors*, a few courts held that proof of multiple groundless suits was necessary before litigation could be deemed to constitute a "sham."[99] Most courts, however, held that a single instance of baseless and vexatious litigation could constitute "sham" litigation that is not protected under the *Noerr-Pennington* doctrine.[100] At least two courts

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92. *Id.* at 1928 n.5.
93. *Id.* at 1929.
94. *Id.* (citation omitted).
95. 433 U.S. 623 (1977).
96. *Id.* at 662 (Stevens, J., dissenting).
97. *Id.* at 644-45 (Blackmun, J., concurring).
98. *Id.* at 635-36 n.6.
99. *See, e.g.*, Surgidev Corp. v. Eye Technology, Inc., 625 F. Supp. 800, 804 (D. Minn. 1986); Johns-Manville Corp. v. Guardian Indus. Corp., 1981-1 Trade Cas. (CCH) ¶ 64,054; Mid-Texas Communications Sys., Inc. v. American Tel. & Tel. Co., 615 F.2d 1372, 1384 n.9 (5th Cir. 1980), *cert. denied*, 449 U.S. 912 (1980); Mountain Grove Chem. Ass'n v. Norwalk Vault Co. 428 F. Supp. 951, 955 (D. Conn. 1977); Central Bank v. Clayton Bank, 424 F. Supp. 163, 167 (E.D. Mo. 1976), *aff'd*, 553 F.2d 102 (8th Cir.), *cert. denied*, 433 U.S. 910 (1977).
100. *See, e.g.*, MCI Communications Corp. v. American Tel. & Tel. Co., 708 F.2d 1081, 1154-55 (7th Cir. 1983), *cert. denied*, 464 U.S. 891 (1983); Clipper Exxpress v. Rocky Mountain Motor Tariff Bureau, Inc., 690 F.2d 1240, 1254-55 (9th Cir. 1982), *cert. denied*, 459 U.S. 1227 (1983); Aydin Corp. v. Loral Corp., 1982-1 Trade Cas. (CCH) ¶ 64,485; Sage Int'l, Ltd. v. Cadillac Gage Co., 507 F. Supp 939, 946 (E.D. Mich. 1981); Colorado Petroleum Marketers Ass'n v. South Land Corp., 476 F. Supp 373, 377-78 (D. Colo. 1979); First Nat'l Bank v.

took a middle position, holding that a single groundless suit could constitute "sham" litigation only where there were allegations that the groundless lawsuit involved serious misconduct constituting "a serious abuse, misuse, or corruption of the judicial process."[101]

While the issue is not free from all doubt, it seems that those courts which hold that one lawsuit can constitute "sham" litigation have the better argument. As the court in *Colorado Petroleum Marketers Ass'n* observed: "the [C]ourt [in *Colorado Motor Transport Co. v. Trucking Unlimited* did not] intended to give every dog one free bite, thus making it an irrebuttable presumption that the first lawsuit was not a sham regardless of overwhelming evidence indicating otherwise."[102]

The opinion issued by the Ninth Circuit in *Clipper Exxpress*[103] convincingly argued that it is unnecessary to allege and prove more than a single suit to invoke the sham exception to the *Noerr-Pennington* doctrine. In *Clipper Exxpress*, the judges of the Ninth Circuit unanimounsly found that the theoretical underpinnings of the *Noerr-Pennington* doctrine protect only genuine efforts to influence government action.[104] Actions which are in actuality brought not for their result, but rather for the devastating effect that the pendency of the action itself will have against the competitor, are not protected:

> An examination of the theoretical underpinnings of *Noerr-Pennington* and the sham exception indicates that it is unnecessary to allege and prove more than the institution of a single suit or protest to invoke the sham exception. The *Noerr-Pennington* doctrine is itself a judicially created exception to the application of the antitrust laws based on the first amendment. First Amendment protection is extended and application of the antitrust laws suspended because a legitimate effort to influence government action is part of the guaranteed right to petition. [Citation omitted.]
>
> The sham exception, on the other hand, reflects a judicial recognition that not all activity that appears as an effort to influence government is actually an exercise of the First Amendment right to

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Markette Nat'l Bank, 482 F. Supp. 514, 520-521 (D. Minn. 1979), *aff'd*, 636 F.2d 195 (8th Cir. 1980), *cert. denied*, 450 U.S. 1042 (1981); Technicon Med. Info. Sys. Corp. v. Green Bay Packaging, Inc., 480 F. Supp. 124, 127 (E.D. Wis. 1979); Feminist Women's Health Ctr. v. Mohammad, 586 F.2d 530, 543 n.6 (5th Cir. 1978), *cert. denied*, 444 U.S. 924 (1979); Cyborg Sys. v. Management Science Am., Inc., 1978-1 Trade Cas. (CCH) ¶ 61,927; Associated Radio Serv. Co. v. Page Airways, Inc., 414 F. Supp. 1088, 1096 (N.D. Tex. 1976).

101. AirCapital Cablevision, Inc. v. Starlink Communications, Inc., 634 F. Supp. 316, 321 (D. Kan. 1986); Razorback Ready Mix Concrete Co., Inc. v. Weaver, 761 F.2d 484, 487 (8th Cir. 1985).

102. *Colorado Petroleum Marketers Ass'n*, 476 F. Supp. at 378.

103. 690 F.2d 1240 (9th Cir. 1982).

104. *Id.*

> petition. At times this activity, disguised as petitioning, is simply an effort to interfere directly with a competitor. In that case, the "sham" petitioning activity is not entitled to first amendment protection, *because it is not an exercise of first amendment rights.*[105]

The opinion in *Clipper Exxpress* is completely consistent with the Supreme Court's most recent exposition of its position on sham litigation in *Professional Real Estate Investors*. Every case that has considered the issue in light of *Professional Real Estate Investors* has held that a single groundless lawsuit can fall within the "sham" exception to the *Noerr-Pennington* doctrine. For example, in *Skinder-Strauss Associates v. Massachusetts Continuing Legal Education, Inc.*,[106] the court held:

> [T]hat the sham exception can be invoked on the basis of a single lawsuit, without proof of any other misconduct, if the lawsuit meets the two-part test established in *Professional Real Estate Investors*. Because MCLE's counterclaims allege that the lawsuit filed by Skinder is objectively baseless and conceals an attempt to interfere directly with the business relationships of a competitor, the counterclaims adequately state a claim and should not be dismissed under FED. R. Civ. P. 12(b)(6).[107]

The courts of appeal for the Ninth and the Federal Circuits have also concluded that, under *Professional Real Estate Investors*, a single instance of baseless litigation can fall within the "sham" exception to the *Noerr-Pennington* doctrine.[108] Furthermore, at least one district court has held that a counterclaim for unfair competition based on a single instance of groundless litigation fell within the "sham" exception to the *Noerr-Pennington* doctrine in light of the Supreme Court's holding in *Professional Real Estate Investors*.[109]

B. Applicability of Noerr-Pennington Doctrine to Common Law Causes of Action in Tort.

The vast majority of cases that have construed and applied the *Noerr-Pennington* doctrine involved allegations that institution of sham litigation constituted actionable conduct under federal or state antitrust laws. The remaining question is whether the *Noerr-Penning-*

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105. *Id.* at 1254-55 (emphasis in original) (footnotes omitted).
106. 870 F. Supp. 8 (D. Mass. 1994).
107. *Id.* at 10.
108. USS-POSCO Indus. v. Contra Costa County Bldg. & Constr. Trades Council, AFL-CIO, 31 F.3d 800, 810-11 (9th Cir. 1994); Carroll Touch, Inc. v. Electro Mechanical Sys., Inc., 15 F.3d 1573, 1582 (Fed. Cir. 1993).
109. *American Home Prod.*, 1994 U.S. Dist. LEXIS 1579 (E.D. Pa. 1994).

ton doctrine is applicable to causes of action based on state common law, or whether it is more appropriately limited as a defense to claims asserting violations of antitrust law.

Prior to the decision of the Supreme Court in *Professional Real Estate Investors*, a number of courts considered whether the *Noerr-Pennington* doctrine was applicable to causes of action based on state common law.[110] Some of those courts applied the *Noerr-Pennington* doctrine to common law claims related to unfair competition.[111] Those courts and others held that the *Noerr-Pennington* doctrine was fundamentally based upon First Amendment principles, rather than antitrust doctrine.[112] Additionally, Colorado courts twice applied the *Noerr-Pennington* doctrine to bar state law claims other than unfair competition.[113] However, those decisions were criticized for simply assuming that the *Noerr-Pennington* doctrine applied to common law claims, without actually analyzing the issue.[114]

At least one court refrained from concluding that the *Noerr-Pennington* immunity applied to common law unfair competition torts. In *Ball Corp. v. Xidex Corp.*,[115] the court held that:

> As a preliminary matter, defendants contend that the *Noerr-Pennington* doctrine of immunity form antitrust liability under the

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110. Some of the early applications of the Noerr-Pennington doctrine in suits involving allegations of wrongdoing apart from antitrust cases are summarized in Robert A. Zuzmer, Note, *The Misapplication of the Noerr-Pennington Doctrine in Non-Antitrust Right to Petition Cases*, 36 STAN. L. REV. 1243 (1984). The author of this Note argued that the courts had improperly extended the application of the *Noerr-Pennington* doctrine beyond the boundaries of antitrust law. *Id.* at 1256-62. However, in light of the more recent cases and authorities set forth below, it appears unlikely that the courts will agree that the *Noerr-Pennington* doctrine should be confined to the realm of antitrust law.

111. *See* Pacific Gas & Elec. v. Baer Stearns & Co., 791 P.2d 587, 595-97 (Cal. 1990); Surigdev Corp. v. Eye Technology, Inc., 625 F. Supp. 800, 803 (D. Minn. 1986) ("The act of filing suit is generally privileged from tort or antitrust liability."); G. Fruge Junk Co. v. City of Oakland, 637 F. Supp. 422, 425 (N.D. Cal. 1986); Wilmorite, Inc. v. Eagan Real Estate, Inc., 454 F. Supp. 1124, 1132 (N.D. N.Y. 1977), *aff'd*, 578 F.2d 1372 (2d Cir.), *cert. denied*, 439 U.S. 983 (1978); South Dakota v. Kansas City S. Indus., Inc., 880 F.2d 40, 50-53 (8th Cir. 1989), *cert. denied*, 493 U.S. 1023 (1990); Sierra Club v. Butz, 349 F. Supp. 934, 938-939 (N.D. Cal. 1972).

112. *See supra* note 111. *See also* Azzar v. Primebank, FSB, 499 N.W.2d 793, 796 (1993) (holding that "the *Noerr-Pennington* doctrine is a principle of constitutional law that bars litigation arising from injuries received as a consequence of First Amendment petitioning activity, regardless of the underlying cause of action asserted by the plaintiffs."); Webb v. Fury, 282 S.E.2d 28, 36-37 (W. Va. 1981), *overruled by* Harris v. Adkins, 432 S.E.2d 549 (W. Va. 1993).

113. *See* Protect Our Mountain Env't, Inc. v. District Court, 677 P.2d 1361, 1365-66 (Colo. 1984) (applying the doctrine to abuse of process and civil conspiracy claims); Anchorage Joint Venture v. Anchorage Condominium Ass'n, 670 P.2d 1249, 1250-51 (Colo. App. 1983) (upholding dismissal of negligence, abuse of process and tortious interference with business expectancy claims).

114. Salomon S.A. v. Alpina Sports Corp., 737 F. Supp. 720, 724 (D. N.H. 1990).

115. 705 F. Supp. 1470 (D. Colo. 1988).

> Sherman Act extends to common law tort actions for unfair competition. The *Noerr-Pennington* doctrine holds that genuine attempts to influence the government are protected from Sherman Act liability by the overriding protections of the First Amendment. *California Motor Transport* [citation omitted]. Defendants urge this court to adopt the holding of *Sierra Club v. Butz* [citation omitted]. That court found that the combined effect of Supreme Court law on the First Amendment, defamation and the Sherman Act immunizes parties who conspire to influence government to competitively injure others. We note that other courts confronting distinguishable allegations of fraudulent statements to the PTO have applied the doctrine to Sherman Act claims while refraining from applying it to common law unfair competition claims. [Citation omitted.] We also note that First Amendment law does not absolutely protect false statements like those alleged in this complaint. [Citations omitted.] The parties have not adequately briefed the issue of whether the chilling effect attributable to common law unfair competition torts invokes the same policy concerns as does the potential for substantial liability under the Sherman Act. Accordingly, we refrain from holding that the *Noerr-Pennington* doctrine should be extended to the claims brought in this litigation.[116]

The reasoning in *Ball* was found to be persuasive by the United States District Court in the District of New Hampshire in *Salomon S.A. v. Alpina Sports Corp.*, which likewise refused to dismiss, on *Noerr-Pennington* grounds, a counterclaim for unfair competition based on the filing of groundless litigation.[117]

Following the Supreme Court's decision in *Professional Real Estate Investors*, the issue of the applicability of the *Noerr-Pennington* doctrine to state law tort claims was again analyzed by the United States District Court for the District of Colorado in *Computer Associates International, Inc. v. American Fundware, Inc.*.[118] In *Computer Associates*, plaintiff sued a former licensee for breach of contract and misappropriation of trade secrets. The defendant licensee asserted counterclaims for unfair competition and for groundless and frivolous claims. The plaintiff moved for summary judgment on the counterclaims. The defendant/counterclaimant argued that the *Noerr-Pennington* doctrine should not bar its counterclaims for unfair competition. The *Computer Associates* court concluded that, based on the language of the Supreme Court in *Professional Real Estate Investors* and other cases, the *Noerr-Pennington* immunity is a constitutional, and not merely an antitrust, doctrine:

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116. *Id.* at 1472.
117. *Salomon*, 737 F. Supp. at 725.
118. 831 F. Supp. 1516 (D. Colo. 1993).

> In *Professional Real Estate Investors*, the Supreme Court established the requirements for the sham exception to the *Noerr-Pennington* doctrine. In its analysis, the Court wrote: "Whether applying *Noerr* as an antitrust doctrine *or invoking it in other contexts*, we repeatedly reaffirmed that evidence of anti-competitive intent or purpose alone cannot transform otherwise legitimate activity into a sham." [Citation omitted.] This statement indicates the Court's view that *Noerr-Pennington* is not limited to the antitrust arena.
>
> . . . .
>
> Thus, *Professional Real Estate Investors* . . . support[s] the proposition that *Noerr-Pennington* immunity is a constitutional, not an antitrust, doctrine.
>
> . . . .
>
> Consequently, I hold that the *Noerr-Pennington* doctrine is applicable to AFW's counterclaim for unfair competition.[119]

Most recent is the case of *American Home Products*,[120] which assumed without deciding that the *Noerr-Pennington* doctrine applied to a state law counterclaim for unfair competition based on the groundless claims brought by the opposing party. The *American Home Products* court also appeared to base its assumption on the reference in the *Professional Real Estate Investors* opinion to "applying *Noerr* as an antitrust doctrine *or invoking it in other contexts*. . . ."[121]

The applicability of the *Noerr-Pennington* doctrine to state law torts, including claims for unfair competition, is as yet undecided. However, even if it is applicable, the *Noerr-Pennington* doctrine is not a complete bar to counterclaims alleging that the opposing party has maliciously filed a baseless claim. The "sham" exception allows the *Noerr-Pennington* immunity to be avoided by making the two-part showing required under *Professional Real Estate Investors*. The "sham" litigation exception to the *Noerr-Pennington* doctrine has been held to apply even where just a single instance of vexatious litigation by the "aggressor against the victim" can be shown.

V. CONCLUSION

The common law torts of malicious civil prosecution and abuse of process are of little value to the victimized defendant in a civil action which is completely without factual or legal foundation, and which is brought for the ulterior purpose of diverting the defendant's time, money or resources. However, at least in some states, such as

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119. *Id.* at 1522-23 (emphasis in original).
120. 1994 U.S. Dist. LEXIS 1579 (E.D. Pa. 1994).
121. *Id.* at *2 (quoting *Professional Real Estate Investors*, 113 S. Ct. at 1927).

Ohio and Pennsylvania, the common law tort of unfair competition has been held to encompass claims for the vexatious filing of unfounded litigation for ulterior purposes. The victimized party immediately can bring a counterclaim against the aggressor for unfair competition, which is vastly preferable until awaiting the termination of litigation in favor of the counterclaim plaintiff.

There are few cases in general, and no Ohio cases, that have addressed the issue of whether the *Noerr-Pennington* doctrine, originally developed in the context of antitrust cases, is a defense to a claim for unfair competition based upon the vexatious filing of unfounded civil litigation. However, even if the courts should ultimately decide that *Noerr-Pennington* does apply in the context of state law tort actions, the immunity provided under the doctrine can be avoided by demonstrating that the groundless litigation constituted a "sham," as that term has been defined by the United States Supreme Court in *Professional Real Estate Investors*.