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UNITED STATES DISTRICT COURT FOR
THE EASTERN DISTRICT OF CALIFORNIA
SACRAMENTO DIVISION

Dr. Sundar Natarajan,)	Case No.: No. _____
)	
Plaintiff,)	COMPLAINT FOR DECLARATORY AND
)	INJUNCTIVE RELIEF
vs.)	
)	
Dignity Health,)	
)	
Defendant(s))	

I. THE RELIEF SOUGHT BY DR. NATARAJAN

In California, physicians have a fundamental vested property right to practice their profession. This right is amplified for physicians who practice medicine exclusively as hospitalists, like Dr. Natarajan. However, California law now permits private corporations to take away or limit physicians' right to practice medicine without due process of law. This lawsuit is intended to redress the ongoing unconstitutional deprivation of the rights of Dr. Sundar Natarajan and other California physicians, specifically hospitalists.

The State of California has the legal responsibility to protect the public health by monitoring and disciplining California physicians and, to prevent California residents from receiving unsafe or incompetent medical care. Pursuant to statute and case law, California has expressly delegated to private health corporations the primary responsibility for monitoring, investigating, disciplining and

1 reporting California physicians. Those private health corporations are now permitted under state law
2 to restrict or remove a physician's ability to practice medicine without due process of law.

3 Plaintiff Dr. Natarajan is a highly qualified and competent physician who made complaints to
4 hospital administrators to protect the safety of patients at their hospitals. He also was a direct economic
5 competitor of the hospital. The Defendant, a private health corporation who operated the hospital where
6 he worked, subsequently retaliated against him and removed his privileges under color of state law
7 through actions which violated federal due process protections.

8 This lawsuit seeks a declaration that California's law governing medical disciplinary actions
9 by private corporations violates the Fourteenth Amendment's guarantee of due process of law and 42
10 U.S.C. section 1983. Dr. Natarajan also seeks an injunction requiring the reinstatement of his hospital
11 privileges at St. Josephs which was terminated by Defendant Dignity on November 2015.

12 **II. IDENTIFICATION OF THE PARTIES**

13 Dr. Sundar Natarajan is a physician trained in internal medicine and pediatrics licensed to
14 practice medicine in California. Defendant Dignity Health is a private California corporation in the
15 business of providing healthcare. Dignity owns and operates St. Joseph's Medical Center, the hospital
16 in which Dr. Natarajan's privileges were terminated.
17

18 **III. JURISDICTION OF THIS COURT**

19 This court has jurisdiction over this case pursuant to 28 U.S.C. section 1331, because it is a
20 civil action arising under the Constitution and law of the United States. This court also has jurisdiction
21 over this case pursuant to 28 U.S.C. section 1343 because it is brought to redress the deprivation, under
22 color of State law, statute, ordinance, regulation, custom or usage, of a right, privilege or immunity
23 secured by the Fourteenth Amendment of the Constitution of the United States and by 42 U.S.C. section
24 1983.

25 **IV. VENUE**

26

Venue is proper in the Eastern District of California, pursuant to 28 U.S.C. section 1391, subd. (b), because Defendant's Hospital, St. Joseph's Medical Center is located in Stockton, California. Venue is also proper in the Eastern District of California because a substantial part of the events giving rise to the claim occurred in the Eastern District of California, including but not limited to the medical disciplinary hearing of Plaintiff Dr. Sundar Natarajan. Venue is also proper in the Eastern District of California as to the Defendant in this action pursuant to 28 U.S.C. section 1391, sub. (c), because the defendant has sufficient contacts with the Eastern District of California to subject it to personal jurisdiction if that district were a separate State.

V. INTRADISTRICT VENUE

Intradistrict venue is proper in the Sacramento Division because a substantial part of the events giving rise to the claim occurred in Stockton, San Joaquin County, including but not limited to the medical disciplinary hearing of Plaintiff Dr. Sundar Natarajan, as well as other Dignity meetings concerning Dr. Natarajan's disciplinary proceedings.

VI. CALIFORNIA'S PEER REVIEW PROCEDURES VIOLATE DUE PROCESS.

California's "Fair Hearing" Requirement Was Created to Protect Physicians'

Right to Practice Their Profession.

Starting in 1959, with the case of *Wyatt v. Tahoe Forest Hospital* (1959) 174 Cal.App.2d 709, 715, the California courts developed a common law doctrine that physicians could not have their hospital privileges restricted or revoked without first receiving a "fair hearing." The California courts initially adopted the fair hearing requirement to protect the rights of physicians in public hospitals. The requirement was then extended to private hospitals, private medical groups, and private medical societies. The California Supreme Court held in *Anton v. San Antonio Community Hospital* (1977) 19 Cal.3d 802, 823-825, that physicians have a fundamental and vested protected property right to practice their profession and cannot fully exercise that right without access to hospitals.

1 The California Legislature codified the requirements of fair hearing procedures in 1989,
2 following the passage of a federal law, the Health Care Quality Improvement Act of 1986, which
3 regulated peer review proceedings. The stated purposes of the 1989 law, California Business and
4 Professions Code section 805 et seq., were to protect both patient safety and the right of physicians to
5 practice their profession.

6 **Medical Disciplinary Hearings Are State Action.**

7 It is a duty and function of the State of California to protect the health and welfare of the
8 people of California. In the 1989 act, the legislature delegated to private health care entities primary
9 responsibility for monitoring and disciplining physicians in the interest of public safety.

10 Under California Business and Professions Code section 809, subd. (a)(3) it is the express
11 policy of the State of California that “peer review, fairly conducted, is essential to preserving the
12 highest standards of medical practice.” Under California Business and Professions Code section 809,
13 subd. (a)(4) it is the express policy of the State of California that “peer review that is not conducted
14 fairly results in harm to both patients and healing arts practitioners by limiting access to care.”

15 Under California Business and Professions Code section 809, subd. a(6), it is the express policy
16 of the State of California to use peer review conducted by private entities to exclude physicians who
17 provide substandard care or who engage in professional misconduct, in order to protect the health and
18 welfare of the people of California. Pursuant to Section 809, subd. (a)(9)(A), an express purpose of the
19 1989 Act was to integrate public and private peer review in California. Pursuant to Section 809, subd.
20 A(8), the State required hospital medical staffs and their governing bodies to adopt bylaws
21 implementing the provisions of the 1989 Act.

22 Under California Business and Professions Code section 805 et seq., private hospital entities
23 are required by statute to give physicians a hearing before taking any action restricting or revoking
24 privileges or employment for a “medical disciplinary cause or reason.” A medical disciplinary cause
25 or reason is defined in Business and Professions Code section 805, subd. a(6) as “that aspect of a
26

1 licentiate's competence or professional conduct that is reasonably likely to be detrimental to patient
2 safety or to the delivery of patient care.” Business and Professions Code section 809.5 permits a
3 healthcare corporation to summarily suspend a physician without a hearing, but only if patients or
4 someone else might be in “imminent danger” if the physician is allowed to continue to practice. In
5 addition, Section 809.5 requires a physician to receive the opportunity for a “fair hearing” after the
6 summary suspension. Business and Professions Code Section 805, subds (c) and (e) require that
7 disciplinary actions taken by private corporations be reported to the State in “805 Reports.” A failure
8 to make a required 805 report is punishable by fines up to \$100,000. These 805 reports are then used
9 by both State and other private healthcare corporations to determine whether the physician’s practice
10 of medicine should be further restricted or terminated. Hospitals and other healthcare corporations are
11 required to request and review any 805 reports on file with the Medical Board of California before
12 granting or renewing a physician’s medical staff privileges pursuant to Business and Professions Code
13 section 805.5. A failure to comply with section 805.5 is a criminal offense. The State’s system of
14 monitoring and disciplining physicians to ensure the public health and safety is intertwined with the
15 performance by private healthcare corporations of medical disciplinary hearings and medical
16 disciplinary actions.

18 This delegation of the State’s responsibility for maintaining the public health and safety was
19 expressly confirmed by the California Court of Appeal in the case of *Unnamed Physician v. Board of*
20 *Trustees* (2001) 93 Cal. App. 4th 607, 617. The California Supreme Court subsequently held in *Kibler*
21 *v. Northern Inyo County Local Hospital District* (2006) 39 Cal.4th 192, 196, that “the Business and
22 Professions Code sets out a comprehensive scheme that incorporates the peer review process into the
23 overall process for the licensure of California physicians.” It further held that a medical disciplinary
24 hearing is an “official proceeding authorized by law” (*Id.*, at p. 199.) It held that the Legislature
25 has accorded to these hearings “a status comparable to that of quasi-judicial public agencies whose
26 decisions likewise are reviewable by administrative mandate.” (*Id.*, at p. 200.) It also held that the

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