

Judge Recommends Win For 3M In N95 Price-Gouging Suit

By Hailey Konnath

Law360 (April 28, 2023, 12:04 AM EDT) -- A New York federal magistrate judge on Wednesday recommended entering default judgment in favor of 3M Co. in its unanswered trademark infringement suit accusing a New Jersey company of selling 3M-branded N95 respirator masks at artificially inflated prices, saying 3M has succeeded on the merits of its case.

U.S. Magistrate Judge Jennifer E. Willis also recommended issuing a permanent injunction against Performance Supply LLC, finding that 3M has demonstrated it suffered irreparable harm from Performance Supply's trademark infringement. Other remedies are "inadequate to compensate for that injury," Judge Willis said in her report and recommendation, noting that Performance Supply's principal has pled guilty in a separate criminal case.

As far as the default judgment, Judge Willis noted that Performance Supply never appeared in the action, responded to the complaint or opposed any of 3M's motions. No defense has been presented, and all factual allegations in the complaint are therefore deemed admitted, she said.

Turning to the merits of its case, Judge Willis said 3M has maintained its trademark registration, and the court has already held that the 3M mark is distinctive and famous. Performance Supply fully reproduced 3M's mark and slogans, and the products are "identical," the judge said. On top of that, she added, there is evidence of actual confusion.

"Should defendant continue to use the 3M mark to create the impression that he is an authorized representative of 3M, it will likely jeopardize 3M's reputation," Judge Willis asked. "Defendant's efforts to sell N95 respirators were an example of price gouging during the worst of the COVID-19 pandemic; any perception created that 3M was engaging in such behavior would cause damage to their reputation."

3M alleged that the purported price-gouging by Performance Supply — and other companies taking advantage of the COVID-19 pandemic — denied health care and frontline workers access to much-needed N95 respirators. 3M's brand could also suffer lasting damage as it is implied it had approved the exorbitant prices, the company claimed.

In May 2020, a New York federal judge agreed to issue a preliminary injunction against Performance Supply, which 3M said inflated the price of its masks from just over \$1 apiece to more than \$6 each.

Notably, 3M didn't sue Performance Supply over the marked-up prices. Rather, it alleged trademark

violation and false advertising. Mayer Brown litigation partner Carmine Zarlenga, one of 3M's attorneys, told Law360 in 2021 that manufacturers generally cannot rely on price-gouging laws because the manufacturers aren't the ones paying the downstream prices. Thus, Zarlenga said, the team opted to sue under New York trademark law as well as under the Lanham Act.

According to 3M's complaint, Performance Supply tried to make itself appear as an authorized distributor by using 3M's marks and slogan in the price quote it provided to New York City public health procurement officers, even telling those officials that "acceptance of the purchase order is at the full discretion of 3M."

In May 2022, Ronald Romano, Performance Supply's principal, pled guilty to one count of conspiracy to violate the Defense Protection Act. He's since been sentenced to five years of probation.

Judge Willis' report and recommendation said a finding of bad faith is also appropriate in the case. The 3M mark was registered, Performance Supply specifically used the mark while peddling the masks, and New York City officials genuinely believed it was a vendor of 3M-brand N95 respirators.

"The fact that the city believed that the products were 3M products is proof that they were material, and would cause injury to plaintiff's reputation," the judge said. "Plaintiff has established defendant's liability as to the false advertising claim brought under the Lanham Act."

Performance Supply couldn't be reached for comment, and 3M didn't immediately respond to a request for comment late Thursday.

3M is represented by Jonathan W. Thomas, A. John P. Mancini, Andrew J. Calica, Jordan Sagalowsky, Daniel M. Rosales and Carmine R. Zarlenga of Mayer Brown LLP.

Counsel information for Performance Supply wasn't available Thursday.

The case is 3M Co. v. Performance Supply LLC, case number 1:20-cv-02949, in the U.S. District Court for the Southern District of New York.

--Editing by Jay Jackson Jr.