



# THINK FORWARD

## 3M Uses Trademark Law to Combat COVID-19-Related Price-Gouging Scheme

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### Brief Background

3M, the largest producer of N95 respirators in the United States, has filed suit in federal district court in New York against a company called Performance Supply, LLC (“Performance Supply”), alleging claims of trademark infringement, unfair competition, false endorsement, false designation of origin, trademark dilution, and false advertising to combat an alleged price-gouging scheme carried out against New York City. *3M Company v. Performance Supply, LLC*, No.1:20-cv-02949 (S.D.N.Y. Apr. 10, 2020). 3M seeks both injunctive relief and damages, which it indicates will be donated to a COVID-19 charitable organization or cause. It filed similar suits against other alleged price gougers in California, Texas, and Florida.

According to the complaint, Performance Supply sent a “Formal Quote” to New York City’s Office of Citywide Procurement offering to sell two million 3M-brand N95 Model 8210 respirators for \$6.05 each and five million 3M-brand N95 Model 1860 respirators for \$6.35 each. These prices are 600% over 3M’s suggested list price of \$1.02-\$1.31 for the 8210 Model and 500% over the list price of \$1.27 for the 1860 Model. Despite not being an authorized distributor of 3M products, Performance Supply used 3M’s marks throughout the Formal Quote, and similarly reproduced the marks in attached Technical Specification Sheets. The Formal Quote also stated that “acceptance of the purchase order is at the full discretion of 3M,” as well as other statements regarding 3M’s ability to ship the product and its manufacturing schedule. According to the complaint, in response to the Formal Quote, New York City officials prepared an evaluation request that incorrectly identified Performance Supply as a vendor of 3M.

### Trademark Claims

Interestingly, while New York and other states have laws prohibiting price-gouging, 3M instead chose a unique approach, asserting federal trademark infringement, unfair competition, false endorsement, false designation of origin, trademark dilution, and false advertising claims, as well as related state claims, to both combat the price-gouging and protect the value of its 3M brands. Indeed, 3M asserted that “[t]he mere association of 3M’s valuable brand with such shameless price-gouging harms the brand, not to mention its more serious threat to public health agencies that are under strain in the midst of a worldwide pandemic.”

To be successful in its trademark and unfair competition claims, 3M needs to prove that the use of the 3M marks in connection with the price-gouging scheme is likely to cause confusion. As such, the complaint states that Performance Supply’s use of the 3M marks and statements regarding 3M in its Formal Quote are likely to mislead or deceive reasonable consumers to believe that Performance

Supply is an authorized distributor of 3M's products and/or otherwise has an association or affiliation with 3M and its products. 3M's complaint further alleges that the Formal Quote "actually misled and deceived experienced buyers" into believing that Performance Supply was an authorized retailer of 3M, given that the experienced officials prepared an evaluation request of the Formal Quote.

Performance Supply is not without defenses. For example, Performance Supply may argue that its activities fall under the first sale doctrine (also known as the exhaustion doctrine), which generally allows purchasers to resell a product and accurately describe the item without incurring trademark infringement liability, provided that the product has not been altered. Furthermore, the "reasonable consumers" at issue in this case are government procurement officials, who are likely experienced in dealing with various schemes in this field. As a result, Performance Supply could argue that such officials are not likely to have been confused. In fact, the officials may have been aware that Performance Supply was not associated with 3M, but given the state of emergency, were nevertheless willing to purchase the marked-up goods.

### **Implications**

3M's trademark claims may face some challenges on the merits. Conversely, its efforts to stop an alleged price-gouging scheme in the midst of an unprecedented health crisis and donate any recovery received to COVID-19 relief efforts are certainly admirable and likely to garner widespread public support. We will continue to monitor any guidance provided by the court, particularly as it may address limits on the first sale doctrine and efforts to curtail unauthorized distributors/resellers.