

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
3M COMPANY,

Plaintiff,

-against-

PERFORMANCE SUPPLY, LLC,

Defendant.
-----X

Report & Recommendation

20-CV-2949 (JLR) (JW)

To the Honorable Jennifer L. Rochon, United States District Judge:

On November 23, 2022, this case was referred for a Report and Recommendation on Plaintiff's then-anticipated motion for a default judgment and motion for a permanent injunction. Dkt. No. 35. On January 13, 2023, Plaintiff filed their motions, Dkt. No. 45 ("Motion" or "Mot."), as well as a Memorandum of Law, Dkt. No. 46 ("Memorandum" or "Memo."), Proposed Findings of Fact and Conclusions of Law, Dkt. No. 47 ("Proposed Findings"), and the Affidavit of Jonathan W. Thomas, Dkt. No. 48 ("Thomas Affidavit" or "Thomas Aff."). On January 18, 2023, Plaintiff filed an affidavit that notice of their motion was served on Defendant. Dkt. No. 49. Defendant did not appear in this action, and did not file any opposition papers. See Dkt. No. 42 (setting a deadline of January 27, 2023 for Defendant to respond). It is my recommendation that the motion for a default judgment be GRANTED, and the motion for a permanent injunction be GRANTED.

BACKGROUND

On April 10, 2020, Plaintiff filed the Complaint that forms the basis for this action. Proposed Findings at ¶ 1. Plaintiff's allegations concern the rise in demand

for N95 respirators, along with other personal protective equipment (“PPE”), following the onset of the COVID-19 pandemic. Id. at ¶¶ 20-21. Plaintiff is a manufacturer of N95 respirators and has sold the respirators under their brand name and marks for decades. Id. at ¶¶ 30-31. Since the onset of the pandemic, Plaintiff has increased their output of respirators to 1.1 billion per year. Id. at ¶ 33.

As demand for PPE rose, third parties began to exploit the moment by reselling 3M-brand N95 respirators at high prices, selling counterfeit versions of 3M-brand respirators, and collecting payments for 3M-brand N95 respirators that they do not possess and are not authorized to sell. Proposed Findings at ¶ 34. Plaintiff engaged in efforts to combat price-gouging and counterfeiting during the pandemic. Id. at ¶¶ 35-36. Plaintiff brought several successful actions along these lines. Id. at ¶ 37.

On March 30, 2020, Defendant sent a letter to a purchasing agent at New York City’s Office of Citywide Procurement (the “City”) a quote offering to sell seven million 3M-brand N95 respirators. Proposed Findings at ¶ 39. Defendant is not a licensed or authorized distributor, agent, or representative of 3M or its brand N95 respirators. Id. Defendant offered to sell two million 3M 8210 respirators at a 460-590% markup, and five million 3M 1860 respirators at a 500% mark up. Id. In the quote, Defendant reproduced 3M’s Marks and Slogans, referred to their headquarters in Minnesota, and included 3M Technical Specification Sheets for the models. Id. at ¶ 40.

The City received Defendant’s quote and, in response, prepared an Evaluation Request—Bid Document Review, within which Defendant was twice identified as a “vendor” of 3M-brand respirators. Proposed Findings at ¶ 41. As part of that process,

the City contacted a 3M Business Development Manager to verify Defendant's claim. Id. at ¶ 45. The sale was, ultimately, averted. Id.

This Action was initiated on April 10, 2020. Dkt. No. 1. On April 24, 2020, Plaintiff filed a motion for a temporary restraining order and preliminary injunction against Defendant. Dkt. No. 12. On May 4, 2020, District Judge Loretta A. Preska granted the motion for a preliminary injunction. Dkt. No. 22. On May 21, 2020, the United States District Attorney for the Southern District of New York criminally charged Defendant's principal regarding his participation in a fraud scheme to sell 3M-branded N95 respirators to government agencies. Dkt. No. 28. At that time, Plaintiff informed the Court that they were considering filing an amended complaint based on the allegations in the criminal complaint, as well as moving forward with a default judgment. Id. On December 17, 2021, Plaintiff wrote to the Court that they were inclined to defer to the criminal proceeding before moving forward with this civil action. Dkt. No. 30. Judge Preska approved this approach that same day. Dkt. No. 31. On September 15, 2022, the criminal proceeding concluded. Dkt. No. 33. Plaintiff informed the now-presiding judge, District Judge Jennifer L. Rochon, that they were ready to proceed with seeking a default judgment and permanent injunction. Id.

On November 29, 2022, a Clerk's Certificate of Default was entered in this matter. Dkt. No. 39. Plaintiff filed their Motion for Default Judgment and Permanent Injunction on January 13, 2023. Dkt. No. 45.

THE MOTION FOR A DEFAULT JUDGMENT

“In deciding a motion for default judgment, the Court must consider the following three factors: (1) whether the defendant’s default was willful; (2) whether defendant has a meritorious defense to plaintiff’s claims; and (3) the level of prejudice the non-defaulting party would suffer as a result of the denial of the motion for default judgment.” [Indymac Bank, F.S.B. v. Nat’l Settlement Agency, Inc.](#), No. 07-cv-6865 (LTS) (GWG), 2007 WL 4468652, at *1 (S.D.N.Y. Dec. 20, 2007) (internal quotations omitted). “Once the Court finds that these factors favor the plaintiff, it must determine whether the plaintiff has pleaded facts supported by evidence sufficient to establish the defendant’s liability with respect to each cause of action.” [Nespresso USA, Inc. v. Africa America Coffee Trading Co. LLC](#), No. 15-cv-5553 (LTS), 2016 WL 3162118, at *2 (S.D.N.Y. June 2, 2016). For purposes of the inquest inquiry, the Court accepts as true “all the factual allegations of the complaint except those relating to damages.” [Au Bon Pain Corp. v. Artect, Inc.](#), 653 F.2d 61, 65 (2d Cir. 1981).

The Court finds that all three factors for deciding a motion for default judgment weigh in favor of Plaintiff. First, Defendant’s nonappearance in the action, as well as their failure to respond to the Complaint and this motion for default judgment, constitute willful conduct.¹ See [Indymac Bank, F.S.B.](#), 2007 WL 4468652, at *1. Second, for the same reason, the Court cannot determine whether Defendant has a meritorious defense as no defense has been presented to the Court, and all

¹ As stated above, while this civil case was ongoing Defendant’s principal was charged criminally and participated in that case. This indicates that Defendant was suitably on notice, yet chose not to engage in this matter.

factual allegations in the complaint are deemed admitted. Id. Third, denying the motion would prejudice Plaintiff, who faces an absent opponent who made no response to the allegations in the Complaint. Id.

Thus, the Court moves to the second part of the analysis: whether Plaintiff has established Defendant's liability as to each cause of action.

A. The Trademark Claims

To succeed with trademark claims under the Lanham Act, Plaintiff must satisfy two elements: one, that Plaintiff has a valid mark that is entitled to protection under the Act; and two, that Defendant's use of the mark infringes the mark of the Plaintiff such that it is likely to cause confusion. See [Lexington Mgmt. Corp. v. Lexington Capital Partners](#), 10 F. Supp. 2d 271, 277 (S.D.N.Y. 1998). As recently as 2020, 3M's registrations for its Marks were held to be "incontestable" within the meaning of 15 U.S.C. § 1065." [3M Co. v. Performance Supply, LLC](#), 458 F. Supp. 3d 181, 193 (S.D.N.Y. 2020). Thus, the first element is satisfied.

For the second element, confusion, Court's in this Circuit look to the eight Polaroid factors: "(1) the strength of the plaintiff's mark; (2) the degree of similarity between the marks; (3) the proximity of the products or services; (4) the likelihood that the senior user will 'bridge the gap' into the junior user's product or service line; (5) evidence of actual confusion between the marks; (6) whether the defendant adopted the mark in good faith; (7) the quality of defendant's products or services; and (8) the sophistication of the parties' customers." [Lexington Mgmt. Corp.](#), 10 F.

Supp. at 278 (citing [Polaroid Corp. v. Polarad Elecs. Corp.](#), 287 F.2d 492, 495 (2d Cir. 1961)).

At the preliminary injunction stage, the District Judge found that all eight factors weighed in favor of Plaintiff. While the analysis at this stage is similar, for completeness the Court will briefly analyze the factors.

First, the strength of Plaintiff's mark: “The strength of a mark refers to its distinctiveness... To gauge a mark’s strength, we consider two factors: its inherent distinctiveness, and its distinctiveness in the marketplace.” [Streetwise Maps, Inc. v. VanDam, Inc.](#), 159 F.3d 739, 743 (2d Cir. 1998). To determine a mark’s inherent distinctiveness, or its conceptual strength, courts rely on the [Abercrombie](#) rubric which establishes four categories: “(1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful.” [Landscape Forms, Inc. v. Columbia Cascade Co.](#), 113 F.3d 373, 377 (2d Cir. 1997) (citing [Abercrombie & Fitch Co. v. Hunting World, Inc.](#), 537 F.2d 4, 11 (2d Cir. 1976)). The 3M Mark, namely “3M,” bears no relationship to respirators and is therefore fanciful in this context. See [Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc.](#), 192 F.3d 337, 344 (2d Cir. 1999) (“[A] fanciful mark is not a real word at all, but is invented for its use as a mark.”). A mark’s distinctiveness in the marketplace occurs when “in the minds of the public, the primary significance of [the mark] is to identify the source of the product rather than the product itself.” [Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.](#), 696 F.3d 206, 216 (2d Cir. 2012) (citing [Inwood Labs., Inc. v. Ivs Labs., Inc.](#), 456 U.S. 844, 851 n. 11 (1982)). Beyond 3M’s consistent maintenance of the registration of their mark, this

Court has found that the 3M Mark is distinctive and famous, and at least one other Court has as well. See 3M Co., 458 F. Supp. 3d at 194; 3M Co. v. Christian Investments LLC, No. 11-cv-627, 2012 WL 6561732, at *8 (E.D. Va. July 12, 2012). Thus, the first Polaroid factor leans in Plaintiff's favor.

Second, the degree of similarity between the marks: Defendant fully reproduced the 3M Mark and Slogans in the quote submitted to the City, as well as on the Technical Specification Sheets. See Proposed Findings ¶ 40. This factor also favors Plaintiff.

Third, the proximity of the products or services: “[T]he closer the secondary user’s goods are to those the consumer has seen marketed under the prior user’s brand, the more likely that the consumer will mistakenly assume a common source.” Virgin Enterprises Ltd. v. Nawab, 335 F.3d 141, 150 (2d Cir. 2005). It is commonly known that 3M manufactures and markets N95 respirators. Proposed Findings ¶¶ 30-31. Defendant purported to offer those exact same respirators. Thus, the third factor also weighs in Plaintiff's favor.

Fourth, the likelihood that the gap will be bridged: As noted in the decision granting the preliminary injunction, “there is no ‘gap’ to bridge” in this case. 3M Co., 458 F. Supp. 3d at 195. The products in this case are identical; the “two companies are likely to compete directly in the same market.” Gucci Am., Inc. v. Guess?, Inc., 868 F. Supp. 2d 207, 239-240 (S.D.N.Y. 2012). This factor is in Plaintiff's favor.

Fifth, evidence of actual confusion: Officials at the City believed Defendant was a vendor of 3M-brand N95 respirators. Proposed Findings ¶ 41. When confusion

has actually occurred, as in this case, this factor is self-evident. See Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 259 (2d Cir. 1987). This factor favors Plaintiff.

Sixth, whether the mark was adopted in good faith: “Registration of a mark in the principal register [constitutes] constructive notice of the registrant’s claim of ownership thereof.” 15 U.S.C. § 1072. The 3M Mark was federally registered; therefore Defendant was, absent of all other considerations, on notice of 3M’s Mark’s therein. When notice is “accompanied by similarities so strong that it seems plain that deliberate copying has occurred, [the Second Circuit has] upheld findings of bad faith.” Paddington Corp. v. Attiki Importers & Distribs., Inc., 996 F.2d 577, 586-87 (2d Cir. 1993). Here, Defendant specifically used the 3M Marks while purporting to sell 3M N95 respirators. The similarities are, in point of fact, identical. Proposed Findings ¶ 40. Thus, a finding of bad faith is appropriate, and this factor goes in Plaintiff’s favor.

Seventh, the quality of Defendant’s goods: 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. See Louis Vuitton Malletier v. Sunny Merchandise Corp., 97 F. Supp. 3d 485, 497-98 (S.D.N.Y. 2015). 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. Thus, factor seven weighs in favor of Plaintiff.

Eighth, the sophistication of the purchaser: In the decision granting the preliminary injunction, Judge Preska stated that “In the current [COVID-19] pandemic, purchasers of N95 respirators are government entities and hospitals and healthcare providers. These customers are sophisticated and prone to exercise high degrees of care; however, the current state of emergency has stymied the ability of customers to take the time and conduct the diligence necessary to show extensive care.” [3M Co.](#), 458 F. Supp. 3d at 196 (internal citation omitted). The heightened state of emergency that existed in early 2020 has passed; thus, this factor is not as strongly in Plaintiff’s column. However, a consequence of the pandemic has been that ordinary consumers are more likely to purchase N95 respirators. Thus, while the specific sophisticated purchasers at issue in the prior decision might be less likely to purchase the product now, the overall sophistication of the consumers interested in N95 respirators has decreased. At best for Defendant, this factor is neutral.

Seven, if not eight, of the Polaroid factors weigh in favor of Plaintiff. Thus, Plaintiff has established Defendant’s liability as to the trademark claims brought under the Lanham Act.

B. The False Advertising Claim

Plaintiff also brings a claim for false advertising under Section 43(a)(1)(B) of the Lanham Act. [15 U.S.C. § 1125\(a\)\(1\)\(B\)](#). “To prevail on a Lanham Act false advertising claim, a plaintiff must establish that the challenged message is (1) either literally or impliedly false, (2) material, (3) placed in interstate commerce, and (4) the

cause of actual or likely injury to the plaintiff.” [Church & Dwight Co., Inc. v. SPD SWISS Precision Diagnostics, GmbH](#), 843 F.3d 48, 65 (2d Cir. 2016).

As for the first element of falsity, “[a] plaintiff may establish falsity in two different ways. To establish literal falsity, a plaintiff must show that the advertisement either makes an express statement that is false or a statement is false by necessary implication, meaning that the advertisement’s words or images, considered in context, necessarily and unambiguously imply a false message.” *Id.* at 65. Defendant’s use of the 3M Mark in interstate commerce in conjunction with the quote and Technical Specification Sheets while claiming to sell a product 3M was known to manufacture unambiguously imply a false message: namely, that the masks were 3M products sold by a legitimate 3M vendor. 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. Plaintiff has established Defendant’s liability as to the false advertising claim brought under the Lanham Act.

C. Claims under New York General Business Law (“GBL”) §§ 349, 350

Plaintiff also asserts claims for Deceptive Acts and Practices, as well as False Advertising, under GBL §§ 349 and 350. For Plaintiff to prevail on these claims, they must show that Defendant “has engaged in (1) consumer-oriented conduct that is (2) materially misleading and that (3) [P]laintiff suffered injury as a result of the allegedly deceptive act or practice.” [Orlander v. Staples, Inc.](#), 802 F.3d 289, 300 (2d Cir. 2015) (citing [Koch v. Acker, Merrall & Condit Co.](#), 18 N.Y.3d 940, 941 (2012)).

Here, Plaintiff has satisfied all three elements. Defendant's conduct was clearly consumer-oriented, as the quote was sent to the City in order to lead to a purchase. Proposed Findings ¶¶ 39-40. Defendant's conduct was materially misleading, as Defendant was not an authorized vendor and yet the City officials prepared to bid on the products offered. *Id.* at ¶¶41-43. Finally, Plaintiff suffered injury as purchasers were misled into believing they were dealing with Plaintiff, when they were not. *Id.* Plaintiff has established Defendant's liability under GBL §§ 349 and 350.

As Plaintiff has established Defendant's as to all the claims asserted, I recommend that the motion for a default judgment in Plaintiff's favor be GRANTED.

THE MOTION FOR A PERMANENT INJUNCTION

The Court may issue a permanent injunction "when a plaintiff has succeeded on the merits and has demonstrated that (1) it suffered irreparable harm; (2) that remedies available at law are inadequate to compensate for that injury; (3) that the balance of hardships between the parties warrants such a remedy; and (4) that the public interest would not be disserved by the issuance of an injunction." [Diageo North Am., Inc. v. W.J. Deutsch & Sons Ltd.](#), No. 17-cv-4259 (LLS), 2022 WL 4093752, at *11 (S.D.N.Y. Sept. 7, 2022). The Lanham Act provides the Court with the authority to provide injunctive relief to prevent further trademark violations. 15 U.S.C. § 1116; see also [Moonbug Entertainment Limited v. A20688](#), No. 21-cv-4313 (VM), 2022 WL 1239586, at *2 (S.D.N.Y. Apr. 26, 2022).

As noted above, Plaintiff has established Defendant's liability as to all causes of action, and a default judgment is recommended. Thus, this Court finds that Plaintiff has succeeded on the merits. The Court's analysis therefore moves to the four factors that must be demonstrated to support a grant of a permanent injunction.

Plaintiff has demonstrated that they suffered irreparable harm. First, "[a] plaintiff seeking any such injunction [to prevent the violation of a registered mark] shall be entitled to a rebuttable presumption of irreparable harm upon the finding of a [trademark] violation." 15 U.S.C. § 1116(a). Further, "[t]he loss of reputation and goodwill constitutes irreparable harm." [Really Good Stuff, LLC v. BAP Investors, L.C.](#), 813 F. App'x 39, 44 (2d Cir. 2020). Plaintiff has provided two categories through which their reputation has been harmed by Defendant's actions. The first is that Defendant purported that his products were manufactured by Plaintiff; yet, Plaintiff had no control over their manufacture or any insight into what was being sold under their Mark. See [El Greco Leather Prods. Co., Inc. v. Shoe World, Inc.](#), 806 F.2d 392, 395 (2d Cir. 1986) ("One of the most valuable and important protections afforded by the Lanham Act is the right to control the quality of the goods manufactured and sold under the holder's trademark."). Second, Defendant engaged in price-gouging during the height of the COVID-19 pandemic; this would naturally, if associated with Plaintiff, reflect poorly upon them and their mark. Both of these damage Defendant's reputation and goodwill in a way constituting irreparable harm. See also [Church of Scientology Intern. v. Elmira Mission of the Church of Scientology](#), 794 F.2d 38, 41

(2d Cir. 1986) (“[The Second Circuit’s] cases clearly say that establishing a high probability of confusion ... almost inevitably establishes irreparable harm.”).

The remedies available at law are also inadequate to compensate for the injury to Plaintiff’s goodwill and reputation. A defaulting defendant may be presumed to be willing to continue their infringement of a mark. See Kelly Toys Holdings, LLC v. alialialiLL Store, No. 21-cv-8434 (AKH) (RWL), 2022 WL 2072567, at *52-53 (S.D.N.Y. June 9, 2022). Thus, there is no guarantee that monetary damages will suffice to protect Plaintiff’s Mark moving forward. As such, a permanent injunction is likely necessary to remedy Plaintiff’s injury.

There is no hardship to Defendant in enjoining him from abusing Plaintiff’s Mark in the future. Defendant’s actions were unlawful and were the basis for his criminal conviction. Rather than a hardship, it would be to Defendant’s benefit to refrain from using the Mark in the future, as doing so could expose him to further criminal liability. Furthermore, it is generally accepted that an infringer cannot claim hardship due to “the loss of ability to offer its infringing product.” WpIX, Inc. v. ivi, Inc., 691 F.3d 275, 287 (2d Cir. 2012). Thus, the balance of hardships is in Plaintiff’s favor.

Finally, the public interest would be served by the granting of this injunction. The public has an interest in receiving the products that they think they are receiving. An injunction would protect the public from purchasing an N95 respirator believing it was manufactured and sold by 3M, when in fact it was not. See New York City Triathlon, LLC v. NYC Triathlon Club, Inc., 704 F. Supp.2d 305, 344 (S.D.N.Y.

2010) (“[T]he public has an interest in not being deceived – in being assured that the mark it associates with a product is not attached to goods of unknown origin and quality.”). The permanent injunction is the most effective safeguard for the public against confusion.

Plaintiff has satisfied all the requirements for a permanent injunction, and it is therefore my recommendation that the motion for a permanent injunction be GRANTED.

RECOMMENDATION

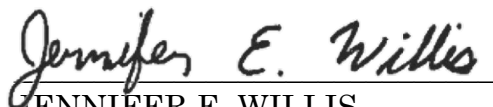
In light of the foregoing, I recommend that the motion for default judgment be GRANTED and the motion for a permanent injunction be GRANTED.

FILING OF OBJECTIONS TO THIS REPORT AND RECOMMENDATION

Pursuant to 28 U.S.C. § 636(b)(1) and Rule 72(b) of the Federal Rules of Civil Procedure, the parties shall have fourteen days from service of this Report to file written objections. See also Fed. R. Civ. P. 6. Such objections, and any responses to objections shall be filed with the Clerk of Court and on ECF. Any requests for an extension of time for filing objections must be directed to Judge Rochon. **Failure to file objections within fourteen days will result in a waiver of objections and will preclude appellate review.** See [Thomas v. Arn](#), 474 U.S. 140 (1985); [Cephas v. Nash](#), 328 F.3d 98, 107 (2d Cir. 2003).

SO ORDERED.

DATED: New York, New York
April 26, 2023


JENNIFER E. WILLIS
United States Magistrate Judge