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Price Gouging Weekly Round Up

January 11, 2021

Price gouging enforcement and litigation is front and center for company counsel and business managers nationwide. Our weekly round up highlights some of the most relevant news and information for our clients and friends.

Santa Monica Woman Pleads Guilty Under the Defense Production Act to Hoarding and Price Gouging

A Santa Monica woman recently pled guilty to hoarding and price gouging face masks in violation of the Defense Production Act of 1950 ("DPA"). The DPA prohibits the accumulation of materials "in excess of the reasonable demands of business, personal, or home consumption," as well as the accumulation of materials for the "purpose of resale at prices in excess of prevailing market prices." According to prosecutors, the defendant began accumulating face masks in February "in anticipation of a shortage that would be caused by a global pandemic resulting from the spread of the novel coronavirus." The woman accumulated nearly 20,000 face masks between February and June, reselling them for as much as $15 a mask. The woman's sentencing hearing is set for May 2021, where she faces up to a year in federal prison. For more information on the Defense Production Act, read our prior post.

California Grocer Sued for Price Gouging in Class Action Complaint

On January 5, 2021, a class action was filed in the Superior Court of California for the County of Orange against a local gourmet grocer for allegations of price gouging. According to the complaint, “Defendants willfully increased their prices [of food items and other consumer goods] beyond permissible limits after the March 4, 2020 declaration of a state of emergency in California in violation of Penal Code § 396, Executive Order N-44-20, and Executive Order
N-78-20.” The lawsuit alleges that plaintiff “observed that prices for many food items and other consumer goods had been increased by more than 10% of the price they had been prior to the declared state of emergency” and that defendants knew or should have known that its prices were unlawful. The complaint seeks actual damages, restitution, and attorneys’ fees.

Michigan Attorney General Settles Price Gouging Case

On December 21, 2020, the Michigan Department of the Attorney General announced a settlement had been reached with a company accused of violating the Michigan Consumer Protection Act for price gouging. According to the Attorney General’s office, the office began receiving complaints in April about a business advertising excessively priced face masks for sale. In connection with the settlement, Michigan Attorney General Dana Nessel stated that “[f]rom the outset, my office has been committed to protecting consumers from retailers who try to use this pandemic as an excuse to prey on the vulnerabilities of hard-working people. We will continue to be vigilant and follow through on credible consumer complaints to ensure Michigan residents are not being taken advantage of.”

Vermont Attorney General Settles Price Gouging Case

On December 21, 2020, Vermont Attorney General T.J. Donovan announced that his office had reached a settlement with a business and its owner accused of selling surgical masks to a Vermont hospital and the state of Vermont at unlawful prices. According to the lawsuit, the business resold surgical masks that cost 10 cents each for $2.50. In April 2020, the court granted the Attorney General's request for an injunction, preventing defendants from selling personal protective medical equipment at inflated prices. Attorney General Donovan stated that "[p]rice-gouging will not be tolerated in Vermont, especially during this historic pandemic. Protecting Vermonters, especially hospitals and medical professionals, from unfair practices involving medical equipment will remain a top priority for my office."

California Governor Extends Price Gouging Prohibitions Related to Wildfires Through the End of 2021

On December 30, 2020, California Governor Gavin Newsom extended the state's prohibition on price gouging in Butte, Los Angeles, Mendocino, Napa, Sonoma, and Ventura counties. Price gouging protections have been in place for certain counties for several years resulting from the wildfires that caused widespread destruction across the state. According to the executive order, "communities impacted by these [2017 and 2018] wildfires . . . have indicated a need for price gouging protections to remain in place because, for example, many rebuilding permits for homes damaged or destroyed by the wildfires have not yet been submitted, much less approved." Governor Newsom's executive order shall remain in effect through December 31, 2021.

Related Professionals

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