

TIFFANY'S TRADEMARK INFRINGEMENT VICTORY A COSTLY LESSON FOR COSTCO

Sep 19, 2017

A federal district court has ordered Costco to pay Tiffany at least \$19.4 million in a trademark infringement battle based on generic diamond engagement rings bearing the “Tiffany” name.

Judge Laura Taylor Swain in the Southern District of New York ruled that Tiffany is entitled to \$11.1 million as profits for trademark infringement, plus interest, representing triple its lost profits, plus \$8.25 million in punitive damages awarded by a jury last October. Judge Swain also permanently barred Costco from using “Tiffany” as a stand-alone term, without modifiers such as “setting,” “set” or “style.” Tiffany did not assert any infringement claims based on Costco’s use of the terms “Tiffany style” and “Tiffany setting,” leaving open the question of whether these modifiers could provide a fair use defense. Costco has appealed the ruling.

In an unsuccessful bid to dismiss the case before trial, Costco had argued that “Tiffany” has become a generic term, and that “[t]he diamond ring in question had a pronged setting style that is commonly known as a ‘Tiffany’ setting.” Costco further argued that it intended that the word Tiffany in its signs “convey only that the rings had this style of setting — not that the rings were Tiffany & Co. brand rings.” As evidence, it pointed out that the rings were not sold using Tiffany’s trademark blue boxes.

Judge Swain was not swayed by these arguments. She ruled that Costco’s evidence in the case was “not credible” and “insufficient” to establish that the company’s use of the Tiffany name “was not an intentionally deceptive marketing ploy.”

Tiffany initially sued Costco on Valentine’s Day in 2013 alleging trademark infringement and counterfeiting. The lawsuit charged that a customer shopping in Costco’s Huntington Beach, California warehouse complained that “Costco was offering for sale what were promoted on in-store signs as Tiffany diamond engagement rings.” Costco allegedly was not using the Tiffany marks online, thereby avoiding detection of its unlawful use by Tiffany’s ordinary trademark policing procedures. In September 2015, summary judgment was entered in favor of Tiffany on its infringement claims, and the issue of damages went to a Manhattan federal jury in October 2016.

Judge Swain's decision also dismissed Costco's argument that the financial award to Tiffany was excessive. "Costco is a large corporation" that in 2014 reported "annual sales of over \$113 billion" and "\$2.4 billion in profits," the judge wrote.

The decision raises important considerations for other businesses. To protect your company's trademarks, consider monitoring and pursuing enforcement actions against uses that tend to dilute the marks or use them in a descriptive sense, as in "Tiffany ring setting." Policing procedures should not be confined to online monitoring. And to avoid infringement actions in developing and advertising products, consult with counsel concerning whether a word or phrase is registered with the U.S. Patent and Trademark Office for a similar product, or category of products.

Bryan Cave LLP has substantial experience defending and advising clients in trademark and other intellectual property matters. For more information, contact the authors, Merrit Jones at merrit.jones@bryancave.com or (415) 675-3435, Alexandra Whitworth at alex.whitworth@bryancave.com or (415) 675-3463, Nancy Franco at nancy.franco@bryancave.com or (310) 576-2327, or any member of the [Retail](#) or [Intellectual Property](#) teams.

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