

Tiffany & Co. Jury Verdict Against Costco Loses All Its Luster

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It is an epic trademark dispute with a lot of bling. Tiffany & Co. vs. Costco. The famed jeweler from the east vs. the titan of warehouse discounts from the west. A jury found that Costco was liable to Tiffany & Co. to the tune of over \$21,000,000 for trademark infringement and related claims due to Costco's use of "Tiffany." Yesterday, the Second Circuit overturned that sterling verdict and gave Tiffany & Co. a big lump of coal instead. The Court's decision is an important one regarding descriptive uses of registered trademarks, as well as the trial court's proper role in wading into the waters of trademark

disputes at summary judgment.

The setting for this dispute dates back to the late 1800s. That is when Charles Lewis Tiffany first developed a diamond ring designed with “six prongs” that affixed the diamond to the ring. Since that time, numerous advertisements, publications, and many other documents have referred to diamond settings of that style as “Tiffany settings.” Tiffany & Co. owns a small arsenal of federal trademark registrations for the word “Tiffany,” including a registration dating back to 1920 for “jewelry for personal wear.” A number of years ago, Costco began advertising and selling diamond rings to its members using such words as “Tiffany,” “Tiffany set,” or “Tiffany style,” in its point of sale material. Tiffany & Co. did not take a shine to Costco’s use and sued under the Lanham Act and New York law for injunctive relief and damages.

After lengthy discovery and motion practice, the trial court granted summary judgment to Tiffany & Co. on its claims for relief. It also rejected Costco’s “fair use” defense that it was only using “Tiffany” to describe the style of “setting” rather than as a source identifier. The case proceeded to trial on damages and Tiffany & Co. received a total verdict of just over \$21,000,000.

Costco appealed, and won. The Court’s analysis revolved around 3 key pieces of evidence that were considered in the trial court’s summary judgment ruling.

First, Tiffany & Co. produced a consumer survey showing consumers were confused. Costco did not commission its own survey, but only attacked the methodology used by Tiffany & Co.’s expert. The trial court found Costco’s lack of a counter-survey meant there was no dispute as to actual confusion. The appellate court disagreed and determined that the jury should have been given an opportunity to weigh in on this competing battle of evidence.

Second, although the trial court found Costco’s bad faith undisputed, the appellate court again disagreed. Perhaps Costco was just trying to borrow certain successful features from Tiffany & Co. As the appellate court noted, there is a difference from selling jewelry that “looks like Tiffany’s as opposed to an intent to have its jewelry pass as Tiffany’s.”

Finally, the appellate court held that there was competing evidence on the issue of “sophistication” of potential consumers and that the trial court should have let the jury decide that issue too.

The case was remanded for a trial on the merits, including Costco’s “fair use” defense that it was only using “Tiffany” in a descriptive sense.

Summary judgement is typically tough to get in trademark cases. *Tiffany v. Costco* is a shiny example of that proposition. This case is also a good reminder about the power of the descriptive use defense to trademark infringement and related claims. Even storied, well-known brands with big bejeweled portfolios aren’t necessarily able to stop all commercial uses of their registered marks.

