

LEGAL AND PRIVACY

## What trademark owners can learn from the Tiffany legal reversal against Costco

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*The Tiffany Setting with sustainably sourced diamonds. Image credit: Tiffany & Co.*

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In 2015 U.S. jeweler Tiffany & Co. obtained a judgment of more than \$21 million against price-club retailer Costco from a New York federal court for selling unbranded diamond engagement rings identified by point-of-sale signs containing the word "Tiffany."

*Luxury Daily* reported [this week](#) that a federal court of appeals has now reversed that ruling, finding that the lower court had improperly denied Costco a jury trial on the issues in the case.

There are two interesting points to the ruling, one having to do with the word Tiffany, the other with procedural rules in federal courts.

**Tiffany:** Both a brand and a setting style

In the litigation, Costco acknowledged that Tiffany owns the term TIFFANY as a registered trademark for fine jewelry.

But it also pointed to extensive evidence, not disputed by Tiffany, that "Tiffany" is not only a brand name, but also a widely recognized descriptive term for a particular style of pronged ring setting, and that it used the word on point-of-sale signs solely to identify engagement rings incorporating such settings.

Tiffany's founder, Charles Lewis Tiffany, developed and sold an engagement ring incorporating a particular style of six-prong diamond setting. Since that time, numerous advertisements, dictionaries, trade publications and other documents have referred to diamond settings reminiscent of that style as "Tiffany settings."

There thus exists a common usage of "Tiffany" not as a brand, but rather a descriptive adjective for a certain style of ring setting. Costco asserted that it was trying to use the term in that sense, and so should not be liable for trademark infringement.

**Summary judgment:** Evidence has to be one-sided

Tiffany's win in the lower court was based on a ruling that it was entitled to what is known as summary judgment that

it infringed Tiffany's trademark. Summary judgment is a procedural shortcut that allows courts to rule in one party's favor without having a trial.

But, crucially, to prevail, the party seeking summary judgment has to show that the evidence is so one-sided that, under the relevant law, it *must* win.

If the evidence is a mixed bag meaning a jury could hear the evidence and decide for either side then summary judgment cannot be granted and must be denied. This is so even if the judge thinks one side has the better argument.

At the court of appeals, this is where Tiffany's case failed.

In a trademark infringement case, the trademark owner must show that the defendant's use of its mark is likely to cause confusion. This means, as the court of appeals pointed out, that confusion is not merely possible, but probable.

While Tiffany had strong proofs that Costco's use of TIFFANY would confuse consumers, Costco countered with its own evidence.

Even if Tiffany had the better argument, Costco had put in enough evidence that a jury *could* find for it and thus summary judgment was improper.

Among other things pointed out by the court of appeals:

- Although Tiffany pointed to emails that Costco had acted in a bad faith by attempting to confuse its customers, other emails and actions by Costco suggested it was simply trying to reference the Tiffany-style setting.
- Although Tiffany introduced a survey expert's report that showed many consumers were confused by the Costco signs, Costco, through its own expert, put in evidence that gave specific reasons why Tiffany's survey was flawed and unreliable. Resolving such a "battle of the experts" is a classic jury function to weigh the experts' respective credibility.
- There was evidence that purchasers of diamond engagement rings are careful consumers it is an expensive purchase and has great sentimental importance. Where consumers are careful in deciding what to purchase, confusion is much less likely.
- The Costco tags that included Tiffany followed the same format as other tags in Costco's jewelry display cases. The place where Tiffany appeared on the tag was consistently used by Costco to denote a style, not a brand. Consumers seeing the tags, arguably, would understand that the term was being used as a style term, not a brand.

Since the evidence was mixed, a jury could find for either side. And thus summary judgment was improper, and the court of appeals reversed.

This does not mean, of course, that Tiffany has lost. It is still entitled to a trial on whether Costco's use is likely to cause confusion. But the procedural shortcut of summary judgment was improper.

What trademark owners should learn from the case

The *Tiffany* decision teaches several important lessons for brand owners.

First, as we have written before, trademark rights are more limited than people believe.

Tiffany does not *own* the word TIFFANY. What it owns, rather, is the right to identify jewelry and other items it sells by the source-identifier TIFFANY.

Where a competitor uses the same or a similar term in a way that confuses consumers, that is an infringement. But without such confusion, there is no infringement.

Second, as language evolves, brand terms can be appropriated by the public as generic or descriptive terms. Trademark lawyers refer to this as "genericide," meaning when a brand turns into a generic term.

Paradoxically, brands that are extremely successful and dominate their market risk the public using their brand names as generic terms.

The most famous example is ASPIRIN, once a brand term that became a generic term for acetyl salicylic acid.

Other brands that have struggled with genericide are KLEENEX, XEROX and VELCRO. A few years ago, Velcro put out a music video that tried to deal with the issue humorously.

*Don't say Velcro: It is hook-and-loop*

Brand owners should be alert to their brands being used by the public in a generic or descriptive sense.

There are steps, both legal and from a public relations viewpoint, that can be taken to mitigate the problem.

While they may not be successful the public is free to use language as it wishes it generally is always worthwhile to make the attempt.

Third, before bringing litigation, brand owners need to be aware of how the market perceives their brand and uses its term.

Tiffany was surely aware that TIFFANY has long been used as a description of a setting style, and that Costco would defend itself by asserting that it was using the term in the descriptive sense.

And, by the time Tiffany reached summary judgment typically done after extensive discovery it was aware of the evidence on both sides.

TIFFANY'S FIERCE defense of its rights in its most important asset its house mark is understandable. But trademark rights ultimately rest on consumer perception.

When a brand has become descriptive in some of its uses or generic, competitors are permitted to use your brand in that sense. And a trademark-infringement claim becomes more difficult to prevail on and more complex.



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