

LEGAL/PRIVACY

Is Tiffany's lawsuit against Costco worth it?

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The Tiffany[®] Setting

By TRICIA CARR

Tiffany & Co.'s trademark infringement suit against Costco Wholesale Corp. and the wholesaler's counterclaims could result in deeming "tiffany" a generic diamond setting and create challenges for the brand.

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Costco filed counterclaims including the argument that the tiffany setting is a generic term used to describe a ring after the jeweler sent a cease-and-desist letter last year ordering the wholesaler to take down signs in its Huntington Beach, CA, warehouse store that promoted "Tiffany setting" rings. While the counterclaims give Tiffany the opportunity to defend its brand name in court, the process could also position its rings as commonplace and dilute the brand name.

"I think the Tiffany trademark infringement claim is worth the brand's time if only to prove and educate the public of the limited distribution channel of Tiffany's jewelry," said Courtney Albert, management consultant at [Parker Avery Group](#), Atlanta.

"Since Costco's argument is that they never sold Tiffany rings, this could help protect the luxury jeweler's reputation," she said.

Tiffany is know for its zealous approach to protecting imagery that reflects its products or

retailing experience, going so far as to defend its sole right to use the shade of blue associated with its packaging.

Trademark troubles

Costco filed its counterclaims March 8 in response to Tiffany's December cease-and-desist letter, according to [a report in Women's Wear Daily](#).

Costco said "the word tiffany is a generic term for ring settings comprising multiple slender prongs extending upward from a base to hold a single gemstone."

The wholesaler said it was "falsely accused" of trademark infringement and is also asking the court to no longer allow Tiffany to control the use of the generic ring setting term, per WWD.

The December cease-and-desist letter that prompted the response from Costco had referenced signs that promoted tiffany rings, which the wholesaler took down.

Luxury marketers that wish to protect the integrity of their brand and products use trademark suits to bring attention to the potential misconduct, but it is an uphill battle to win, per Ms. Albert.

One reason Tiffany likely introduced the lawsuit was to protect the public perception of its rings.

The items available at Costco were tiffany-cut rings and did not include the signature blue packaging. However, consumers could have thought that the pieces were the unbranded versions of Tiffany rings.

"Some consumers believe that the price differentiation between a luxury brand product and a mass-market product is solely based on the brand name or marketing and not craftsmanship, service or quality," Ms. Albert said.

"Similarly, if a consumer truly believes they can buy the very same product at a much lower price through a very reputable retailer, why not?" she said.

"This is why it is so important for luxury brands to protect distribution outlets, because one of the key factors that classifies a luxury item is limited distribution and supply."

Generic consequences

If Costco were to eventually win in court and the "tiffany setting" is deemed generic, the term could be used by other marketers to sell rings.

Tiffany might be able to prove its point if it can demonstrate that consumers believe an item labeled as a "tiffany setting" is one of the brand's rings.

"A tiffany setting is not just limited to Tiffany, but this lawsuit will help to set the advertising boundaries retailers can use in the future," Ms. Albert said. "Will retailers have to use the term 'setting' in their marketing, or always include a notice that the item is not associated with Tiffany?"



The Tiffany setting from Tiffany & Co.

Soon enough it will be decided if Tiffany will challenge the generic use of the term in court.

Luxury marketers that let their brand be associated with generic products are more vulnerable to dilution, per Andy Churley, marketing director at [NetNames, Ltd.](#), London.

This leads to lost revenue as product differentiation is harder to maintain.

"Tiffany is a globally recognized aspirational and very desirable brand which can command a higher price than competitors offering similar products," Mr. Churley said.

"If anyone can use the term 'tiffany setting,' how does Tiffany differentiate itself as a brand in such a competitive market place?" he said. "This is probably one of the fundamental drivers behind their decision to take the current course of action."

Luxury brands that charge a high price for their products can justify doing so for the craftsmanship and design efforts that are involved in making each item.

Marketers spend a lot of time and money building their reputation on their core values. Therefore, they should not back down when this reputation is threatened.

"Any premium brand that ignores potential infringements that weaken the brand in anyway whatsoever, especially from other recognized brands, could jeopardize its very existence," Mr. Churley said.

"And, remember, ultimately this is not just about a name," he said. "This is about the livelihoods of the staff that the brand employs and the boost to economies that these brands bring, the suppliers, stakeholders and communities that these premium brands support."

Good with the bad

Generally, consumers could confuse the tiffany setting with a Tiffany ring, but most affluent consumers are aware of the generic use of the term, per Al Ries, founder and chairman of [Ries & Ries](#), a Roswell, GA-based marketing strategy consultancy.

The discussion on the “tiffany setting” could boost the Tiffany brand as it validates the jeweler’s leadership in the diamond ring industry.

The lawsuit may not be the best use of Tiffany’s resources since it has achieved widespread brand awareness among many target demographics.

“Every luxury goods maker should be on the lookout for cases of trademark infringement,” Mr. Ries said. “The best response is usually a cease-and-desist letter.

“It seldom pays to launch a lawsuit for trademark infringement of a well-known brand,” she said. “What can make sense, however, is to launch a lawsuit for trademark infringement of a lesser-known brand.

“Sometimes, the publicity the lawsuit receives can actually help to build the brand.”

Who wins?

If the case does make it to court, Costco seems to have a better argument over Tiffany’s original lawsuit, per Pam Danziger, president of [Unity Marketing](#), Stephens, PA.

Costco used the term “tiffany” to describe a setting and did not copy the Tiffany logo or packaging.

The next challenge for Tiffany will be to distinguish itself from the generic setting when it markets diamond rings.

But the legal argument will likely be decided out of court.

“Luxury goods brands like Tiffany have worked long and hard to build their brand names and reputations, and rightly they are zealous about maintaining control of their brand names,” Ms. Danziger said. “But having seen some of the Costco jewelry products and labeling in question, I have to side with Costco.

“My guess is that the parties will settle, because even Wikipedia recognizes the concept of a tiffany mount for jewelry,” she said.

Final Take

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