

ON AUGUST 14, 2017, JUDGE SWAIN ORDERED COSTCO TO PAY TIFFANY MORE THAN \$19 MILLION IN ECONOMIC DAMAGES FOR SELLING GENERIC DIAMOND ENGAGEMENT RINGS THAT WERE MARKETED USING TIFFANY'S NAME.



IS IT A

TIFFANY

RING?

By Andrew Malec, Ph.D.

In a past article, I wrote that a trademark is one of the most valuable types of intellectual property that a company owns because it identifies the brand owner and typically consists of a name, logo, design, or symbol. Companies need to understand the value of their trademark, as well as protect one of their most valuable assets – their brand. Tiffany & Co., the iconic jewelry store in New York, agrees.

In 2013, Tiffany and Co. (“Tiffany”) sued Costco Wholesale Corporation (“Costco”) in Federal Court for trademark infringement when it learned that salespersons at Costco were responding to customer inquiries by calling certain diamond rings “Tiffany” rings. Although the case involved approximately 2,500 rings, Tiffany sued to protect its brand.

The rings in question had a pronged setting that Costco said is commonly known as a “Tiffany Setting”. Costco alleged that “Tiffany” is a generic term for a general setting type or style of engagement ring and asserted that Tiffany does not own any trademark rights to exclude Costco from using the word “Tiffany” to indicate that a ring has that type of setting. Costco contends that the rings were not marked with the Tiffany name and were not sold using Tiffany’s trademark blue boxes. However, Judge Swain was not swayed. Judge Swain noted that Costco’s salespersons were not disturbed when customers expressed concern that the rings were

not actually manufactured by Tiffany. Judge Swain further noted that Costco’s upper management in trial testimony, and actions in the years prior to trial, displayed at best a cavalier attitude toward Costco’s use of the Tiffany name.

On August 14, 2017, Judge Swain ordered Costco to pay Tiffany more than \$19 million in economic damages (\$11.1 million in compensatory damages for trademark infringement, and \$8.25 million in punitive damages) for selling generic diamond engagement rings that were marketed using Tiffany’s name. Back in October 2016, a New York jury awarded Tiffany \$5.5 million in compensatory damages and \$8.25 million in punitive damages. Judge Swain found that although the jury awarded Tiffany \$5.5 million in compensatory damages, the \$3.7 million determined to be lost profit was sufficient. Judge Swain then trebled (i.e., tripled) that amount arriving at \$11.1 million in compensatory damages.

This case shows that retaining an economic expert is important. Even though the jury awarded compensatory damages, Judge Swain felt that it did not reflect appropriate economic damages. Instead, Judge Swain relied on the determined lost profits amount. Therefore, it is important to retain an economic damages expert to ascertain appropriate economic damages in a litigious matter should liability be found.

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