



INTELLECTUAL PROPERTY AND INNOVATION AMERICAN INN OF COURT

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Inn Luncheon Roundtable

CLE Materials

Topic

Tiffany and Company v. Costco Wholesale Corporation and Fair Use in the
Context of Trademark Infringement

Facilitated By

Thomas Sica, Esq., Heslin Rothenberg Farley & Mesiti P.C.

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15 U.S. Code § 1114. Remedies; infringement; innocent infringement by printers and publishers

U.S. Code Notes

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this paragraph, the term "any person" includes the United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, or other persons acting for the United States and with the authorization and consent of the United States, and any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, and any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

(2) Notwithstanding any other provision of this chapter, the remedies given to the owner of a right infringed under this chapter or to a person bringing an action under section 1125(a) or (d) of this title shall be limited as follows:

(A) Where an infringer or [violator](#) is engaged solely in the business of printing the [mark](#) or [violating matter](#) for others and establishes that he or she was an innocent infringer or innocent [violator](#), the owner of the right infringed or [person](#) bringing the action under [section 1125\(a\) of this title](#) shall be entitled as against such infringer or [violator](#) only to an injunction against future printing.

(B) Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in [section 2510\(12\) of title 18](#), the remedies of the owner of the right infringed or [person](#) bringing the action under [section 1125\(a\) of this title](#) as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The limitations of this subparagraph shall apply only to innocent infringers and innocent [violators](#).

(C) Injunctive relief shall not be available to the owner of the right infringed or [person](#) bringing the action under [section 1125\(a\) of this title](#) with respect to an issue of a newspaper, magazine, or other similar periodical or an electronic communication containing infringing matter or [violating matter](#) where restraining the dissemination of such infringing matter or [violating matter](#) in any particular issue of such periodical or in an electronic communication would delay the delivery of such issue or transmission of such electronic communication after the regular time for such delivery or transmission, and such delay would be due to the method by which publication and distribution of such periodical or transmission of such electronic communication is customarily conducted in accordance with sound business practice, and not due to any method or device adopted to evade this section or to prevent or delay the issuance of an injunction or restraining order with respect to such infringing matter or [violating matter](#).

(D)

(i)

(I) A [domain name](#) registrar, a [domain name](#) registry, or other [domain name](#) registration authority that takes any action described under clause (ii) affecting a [domain name](#) shall not be liable for monetary relief or, except as provided in subclause (II), for injunctive relief, to [any person](#) for such action, regardless of whether the [domain name](#) is finally determined to infringe or dilute the [mark](#).

(II) A [domain name](#) registrar, [domain name](#) registry, or other [domain name](#) registration authority described in subclause (I) may be subject to injunctive relief only if such registrar, registry, or other registration authority has—

(aa) not expeditiously deposited with a court, in which an action has been filed regarding the disposition of the [domain name](#), documents sufficient for the court to establish the court's control and authority regarding the disposition of the registration and [use](#) of the [domain name](#);

(bb) transferred, suspended, or otherwise modified the [domain name](#) during the pendency of the action, except upon order of the court; or

(cc) willfully failed to comply with any such court order.

(ii) An action referred to under clause (i)(I) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a [domain name](#)—

(I) in compliance with a court order under [section 1125\(d\) of this title](#); or

(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a [domain name](#) that is identical to, confusingly similar to, or dilutive of another's [mark](#).

(iii) A [domain name](#) registrar, a [domain name](#) registry, or other [domain name](#) registration authority shall not be liable for damages under this section for the registration or maintenance of a [domain name](#) for another absent a showing of bad faith intent to profit from such registration or maintenance of the [domain name](#).

(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any other [person](#) that a [domain name](#) is identical to, confusingly similar to, or dilutive of a [mark](#), the [person](#) making the knowing and material misrepresentation shall be liable for any damages, including costs and attorney's fees, incurred by the [domain name](#) registrant as a result of such action. The court may also grant injunctive relief to the [domain name](#) registrant, including the reactivation of the [domain name](#) or the transfer of the [domain name](#) to the [domain name](#) registrant.

(v) A [domain name](#) registrant whose [domain name](#) has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the [mark](#) owner, file a civil action to establish that the registration or [use](#) of the [domain name](#) by such registrant is not unlawful under this chapter. The court may grant injunctive relief to the [domain name](#) registrant, including the reactivation of the [domain name](#) or transfer of the [domain name](#) to the [domain name](#) registrant.

(E) As used in this paragraph—

(i) the term “[violator](#)” means a [person](#) who violates [section 1125\(a\) of this title](#); and

(ii) the term “[violating matter](#)” means matter that is the subject of a violation under [section 1125\(a\) of this title](#).

(3)

(A) Any [person](#) who engages in the conduct described in paragraph (11) of [section 110 of title 17](#) and who complies with the requirements set forth in that paragraph is not liable on account of such conduct for a violation of any right under this chapter. This subparagraph does not preclude liability, nor shall it be construed to restrict the defenses or limitations on rights granted under this chapter, of a [person](#) for conduct not described in paragraph (11) of [section 110 of title 17](#), even if that [person](#) also engages in conduct described in paragraph (11) of section 110 of such title.

(B) A manufacturer, licensee, or licensor of technology that enables the making of limited portions of audio or video content of a motion picture imperceptible as described in subparagraph (A) is not liable on account of such manufacture or license for a violation of any right under this chapter, if such manufacturer, licensee, or licensor ensures that the technology provides a clear and conspicuous notice at the beginning of each performance that the performance of the motion picture is altered from the performance intended by the [director](#) or copyright holder of the motion picture. The limitations on liability in subparagraph (A) and this subparagraph shall not apply to a manufacturer, licensee, or licensor of technology that fails to comply with this paragraph.

(C) The requirement under subparagraph (B) to provide notice shall apply only with respect to technology manufactured after the end of the 180-day period beginning on April 27, 2005.

(D) Any failure by a manufacturer, licensee, or licensor of technology to qualify for the exemption under subparagraphs (A) and (B) shall not be construed to create an inference that any such party that engages in conduct described in paragraph (11) of [section 110 of title 17](#) is liable for [trademark](#) infringement by reason of such conduct.

(July 5, 1946, ch. 540, title VI, § 32, [60 Stat. 437](#); [Pub. L. 87-772, § 17](#), Oct. 9, 1962, [76 Stat. 773](#); [Pub. L. 100-667, title I, § 127](#), Nov. 16, 1988, [102 Stat. 3943](#); [Pub. L. 102-542, § 3\(a\)](#), Oct. 27, 1992, [106 Stat. 3567](#); [Pub. L. 105-330, title II, § 201\(a\)\(8\)](#), Oct. 30, 1998, [112 Stat. 3070](#); [Pub. L. 106-43, § 4\(a\)](#), Aug. 5, 1999, [113 Stat. 219](#); [Pub. L. 106-113, div. B, § 1000\(a\)\(9\) \[title III, § 3004\]](#), Nov. 29, 1999, [113 Stat. 1536](#), 1501A-549; [Pub. L. 109-9, title II, § 202\(b\)](#), Apr. 27, 2005, [119 Stat. 223](#).)

15 U.S. Code § 1115 - Registration on principal register as evidence of exclusive right to use mark; defenses

U.S. Code Notes

(a) EVIDENTIARY VALUE; DEFENSES

Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a [mark](#) registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the [registered mark](#) and of the registration of the [mark](#), of the registrant's ownership of the [mark](#), and of the registrant's exclusive right to [use the registered mark in commerce](#) on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another [person](#) from proving any legal or equitable defense or defect, including those set forth in subsection (b), which might have been asserted if such [mark](#) had not been registered.

(b) INCONTESTABILITY; DEFENSES

To the extent that the right to [use](#) the [registered mark](#) has become incontestable under [section 1065 of this title](#), the registration shall be conclusive evidence of the validity of the [registered mark](#) and of the registration of the [mark](#), of the registrant's ownership of the [mark](#), and of the registrant's exclusive right to [use the registered mark in commerce](#). Such conclusive evidence shall relate to the exclusive right to [use](#) the [mark](#) on or in connection with the goods or services specified in the affidavit filed under the provisions of [section 1065 of this title](#), or in the renewal application filed under the provisions of [section 1059 of this title](#) if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to [use](#) the [registered mark](#) shall be subject to proof of infringement as defined in [section 1114 of this title](#), and shall be subject to the following defenses or defects:

(1) That the registration or the incontestable right to [use](#) the [mark](#) was obtained fraudulently; or

(2) That the [mark](#) has been abandoned by the registrant; or

(3) That the [registered mark](#) is being used by or with the permission of the registrant or a [person](#) in privity with the registrant, so as to misrepresent

the source of the goods or services on or in connection with which the [mark](#) is used; or

(4) That the [use](#) of the name, term, or device charged to be an infringement is a [use](#), otherwise than as a [mark](#), of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or

(5) That the [mark](#) whose [use](#) by a party is charged as an infringement was adopted without knowledge of the registrant's prior [use](#) and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive [use](#) of the [mark](#) established pursuant to [section 1057\(c\) of this title](#), (B) the registration of the [mark](#) under this chapter if the application for registration is filed before the effective date of the [Trademark Law Revision Act of 1988](#), or (C) publication of the [registered mark](#) under subsection (c) of [section 1062 of this title](#): Provided, however, That this defense or defect shall apply only for the area in which such continuous prior [use](#) is proved; or

(6) That the [mark](#) whose [use](#) is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of [section 1062 of this title](#) of the [registered mark](#) of the registrant, and not abandoned: Provided, however, That this defense or defect shall apply only for the area in which the [mark](#) was used prior to such registration or such publication of the registrant's [mark](#); or

(7) That the [mark](#) has been or is being used to violate the antitrust laws of the United States; or

(8) That the [mark](#) is functional; or

(9) That equitable principles, including laches, estoppel, and acquiescence, are applicable.

(July 5, 1946, ch. 540, title VI, § 33, [60 Stat. 438](#); [Pub. L. 87-772, § 18](#), Oct. 9, 1962, [76 Stat. 774](#); [Pub. L. 100-667, title I, § 128\(a\)](#), (b), Nov. 16, 1988, [102 Stat. 3944](#); [Pub. L. 105-330, title II, § 201\(a\)\(9\)](#), Oct. 30, 1998, [112 Stat. 3070](#); [Pub. L. 107-273, div. C, title III, § 13207\(b\)\(7\)](#), Nov. 2, 2002, [116 Stat. 1908](#).)

15 U.S. Code § 1117 - Recovery for violation of rights

U.S. Code Notes

(a) PROFITS; DAMAGES AND COSTS; ATTORNEY FEES

When a violation of any right of the registrant of a [mark](#) registered in the Patent and [Trademark](#) Office, a violation under [section 1125\(a\)](#) or (d) of this title, or a willful violation under [section 1125\(c\) of this title](#), shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

(b) TREBLE DAMAGES FOR USE OF COUNTERFEIT MARK

In assessing damages under subsection (a) for any violation of [section 1114\(1\)\(a\) of this title](#) or [section 220506 of title 36](#), in a case involving [use of a counterfeit](#) mark or designation (as defined in [section 1116\(d\) of this title](#)), the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever amount is greater, together with a reasonable attorney's fee, if the violation consists of—

(1) intentionally using a [mark](#) or designation, knowing such [mark](#) or designation is a [counterfeit mark](#) (as defined in [section 1116\(d\) of this title](#)), in connection with the sale, offering for sale, or distribution of goods or services; or

(2) providing goods or services necessary to the commission of a violation specified in paragraph (1), with the intent that the recipient of the goods or services would put the goods or services to [use](#) in committing the violation.

In such a case, the court may award prejudgment interest on such amount at an annual interest rate established under [section 6621\(a\)\(2\) of title 26](#), beginning on the date of the service of the claimant's pleadings setting forth the claim for such entry of judgment and ending on the date such entry is made, or for such shorter time as the court considers appropriate.

(c) STATUTORY DAMAGES FOR USE OF COUNTERFEIT MARKS

In a case involving the [use](#) of a [counterfeit mark](#) (as defined in [section 1116\(d\) of this title](#)) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a), an award of statutory damages for any such [use](#) in connection with the sale, offering for sale, or distribution of goods or services in the amount of—

(1) not less than \$1,000 or more than \$200,000 per [counterfeit mark](#) per type of goods or services sold, offered for sale, or distributed, as the court considers just; or

(2) if the court finds that the [use](#) of the [counterfeit mark](#) was willful, not more than \$2,000,000 per [counterfeit mark](#) per type of goods or services sold, offered for sale, or distributed, as the court considers just.

(d) STATUTORY DAMAGES FOR VIOLATION OF SECTION 1125(D)(1)

In a case involving a violation of [section 1125\(d\)\(1\) of this title](#), the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than \$1,000 and not more than \$100,000 per [domain name](#), as the court considers just.

(e) REBUTTABLE PRESUMPTION OF WILLFUL VIOLATION

In the case of a violation referred to in this section, it shall be a rebuttable presumption that the violation is willful for purposes of determining relief if the violator, or a [person](#) acting in concert with the violator, knowingly provided or knowingly caused to be provided materially false contact information to a [domain name](#) registrar, [domain name](#) registry, or other [domain name](#) registration authority in registering, maintaining, or renewing a [domain name](#) used in connection with the violation. Nothing in this subsection limits what may be considered a willful violation under this section.

(July 5, 1946, ch. 540, title VI, § 35, [60 Stat. 439](#); [Pub. L. 87-772, § 19](#), Oct. 9, 1962, [76 Stat. 774](#); [Pub. L. 93-596, § 1](#), Jan. 2, 1975, [88 Stat. 1949](#); [Pub. L. 93-600, § 3](#), Jan. 2, 1975, [88 Stat. 1955](#); [Pub. L. 98-473, title II, § 1503\(2\)](#), Oct. 12, 1984, [98 Stat. 2182](#); [Pub. L. 99-514, § 2](#), Oct. 22, 1986, [100 Stat. 2095](#); [Pub. L. 100-667, title I, § 129](#), Nov. 16, 1988, [102 Stat. 3945](#); [Pub. L. 104-153, § 7](#), July 2, 1996, [110 Stat. 1388](#); [Pub. L. 106-43, § 3\(b\)](#), Aug. 5, 1999, [113 Stat. 219](#); [Pub. L. 106-113, div. B, § 1000\(a\)\(9\) \[title III, § 3003\(a\)\(2\), \(b\)\]](#), Nov. 29, 1999, [113 Stat. 1536](#), 1501A-549; [Pub. L. 107-273, div. C, title III, § 13207\(a\), \(b\)\(11\)](#), Nov. 2, 2002, [116 Stat. 1906](#), 1908; [Pub. L. 108-](#)

[482, title II, § 202](#), Dec. 23, 2004, [118 Stat. 3916](#); [Pub. L. 110-403, title I, §§ 103, 104](#), Oct. 13, 2008, [122 Stat. 4259](#).)

15 U.S. Code § 1125 - False designations of origin, false descriptions, and dilution forbidden

U.S. Code Notes

(a) CIVIL ACTION

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(2) As used in this subsection, the term "any person" includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

(3) In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

(b) IMPORTATION

Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse

by protest or appeal that is given under the customs revenue laws or may have the remedy given by this chapter in cases involving goods refused entry or seized.

(C) DILUTION BY BLURRING; DILUTION BY TARNISHMENT

(1) INJUNCTIVE RELIEF

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

(2) DEFINITIONS

(A) For purposes of paragraph (1), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

(i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.

(ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.

(iii) The extent of actual recognition of the mark.

(iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(B) For purposes of paragraph (1), "dilution by blurring" is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

(i) The degree of similarity between the mark or trade name and the famous mark.

(ii) The degree of inherent or acquired distinctiveness of the famous mark.

(iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.

(iv) The degree of recognition of the famous mark.

(v) Whether the user of the [mark](#) or [trade name](#) intended to create an association with the famous [mark](#).

(vi) Any actual association between the [mark](#) or [trade name](#) and the famous [mark](#).

(C) For purposes of paragraph (1), “dilution by tarnishment” is association arising from the similarity between a [mark](#) or [trade name](#) and a famous [mark](#) that harms the reputation of the famous [mark](#).

(3) EXCLUSIONS

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

(A) Any fair [use](#), including a nominative or descriptive fair [use](#), or facilitation of such fair [use](#), of a famous [mark](#) by another [person](#) other than as a designation of source for the [person](#)’s own goods or services, including [use](#) in connection with—

(i) advertising or promotion that permits consumers to compare goods or services; or

(ii) identifying and parodying, criticizing, or commenting upon the famous [mark](#) owner or the goods or services of the famous [mark](#) owner.

(B) All forms of news reporting and news commentary.

(C) Any noncommercial [use](#) of a [mark](#).

(4) BURDEN OF PROOF

In a civil action for trade dress dilution under this chapter for trade dress not registered on the principal register, the [person](#) who asserts trade dress protection has the burden of proving that—

(A) the claimed trade dress, taken as a whole, is not functional and is famous; and

(B) if the claimed trade dress includes any [mark](#) or [marks](#) registered on the principal register, the unregistered matter, taken as a whole, is famous separate and apart from any fame of such [registered marks](#).

(5) ADDITIONAL REMEDIES

In an action brought under this subsection, the owner of the famous [mark](#) shall be entitled to injunctive relief as set forth in [section 1116 of this title](#). The owner of the famous [mark](#) shall also be entitled to the remedies set forth in sections 1117(a) and 1118 of this title, subject to the discretion of the court and the principles of equity if—

(A)the [mark](#) or [trade name](#) that is likely to cause dilution by blurring or dilution by tarnishment was first used in [commerce](#) by the [person](#) against whom the injunction is sought after October 6, 2006; and

(B)in a claim arising under this subsection—

(i)by reason of dilution by blurring, the [person](#) against whom the injunction is sought willfully intended to trade on the recognition of the famous [mark](#); or

(ii)by reason of dilution by tarnishment, the [person](#) against whom the injunction is sought willfully intended to harm the reputation of the famous [mark](#).

(6) OWNERSHIP OF VALID REGISTRATION A COMPLETE BAR TO ACTION

The ownership by a [person](#) of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register under this chapter shall be a complete bar to an action against that [person](#), with respect to that [mark](#), that—

(A)is brought by another [person](#) under the common law or a statute of a State; and

(B)

(i)seeks to prevent dilution by blurring or dilution by tarnishment; or

(ii)asserts any claim of actual or likely damage or harm to the distinctiveness or reputation of a [mark](#), label, or form of advertisement.

(7) SAVINGS CLAUSE

Nothing in this subsection shall be construed to impair, modify, or supersede the applicability of the patent laws of the United States.

(d) CYBERPIRACY PREVENTION

(1)

(A)A [person](#) shall be liable in a civil action by the owner of a [mark](#), including a personal name which is protected as a [mark](#) under this section, if, without regard to the goods or services of the parties, that [person](#)—

(i)has a bad faith intent to profit from that [mark](#), including a personal name which is protected as a [mark](#) under this section; and

(ii)registers, [traffics in](#), or [uses](#) a [domain name](#) that—

(I)in the case of a [mark](#) that is distinctive at the time of registration of the [domain name](#), is identical or confusingly

similar to that [mark](#);

(II) in the case of a famous [mark](#) that is famous at the time of registration of the [domain name](#), is identical or confusingly similar to or dilutive of that [mark](#); or

(III) is a [trademark](#), word, or name protected by reason of [section 706 of title 18](#) or [section 220506 of title 36](#).

(B)

(i) In determining whether a [person](#) has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

(I) the [trademark](#) or other intellectual property rights of the [person](#), if any, in the [domain name](#);

(II) the extent to which the [domain name](#) consists of the legal name of the [person](#) or a name that is otherwise commonly used to identify that [person](#);

(III) the [person](#)'s prior [use](#), if any, of the [domain name](#) in connection with the bona fide offering of any goods or services;

(IV) the [person](#)'s bona fide noncommercial or fair [use](#) of the [mark](#) in a site accessible under the [domain name](#);

(V) the [person](#)'s intent to divert consumers from the [mark](#) owner's online location to a site accessible under the [domain name](#) that could harm the goodwill represented by the [mark](#), either for commercial gain or with the intent to tarnish or disparage the [mark](#), by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

(VI) the [person](#)'s offer to transfer, sell, or otherwise assign the [domain name](#) to the [mark](#) owner or any third party for financial gain without having used, or having an intent to [use](#), the [domain name](#) in the bona fide offering of any goods or services, or the [person](#)'s prior conduct indicating a pattern of such conduct;

(VII) the [person](#)'s provision of material and misleading false contact information when applying for the registration of the [domain name](#), the [person](#)'s intentional failure to maintain accurate contact information, or the [person](#)'s prior conduct indicating a pattern of such conduct;

(VIII) the [person](#)'s registration or acquisition of multiple [domain names](#) which the [person](#) knows are identical or confusingly similar to [marks](#) of others that are distinctive at the time of registration of such [domain names](#), or dilutive of

famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c).

(ii) Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

(D) A person shall be liable for using a domain name under subparagraph (A) only if that person is the domain name registrant or that registrant's authorized licensee.

(E) As used in this paragraph, the term "traffics in" refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.

(2)

(A) The owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located if—

(i) the domain name violates any right of the owner of a mark registered in the Patent and Trademark Office, or protected under subsection (a) or (c); and

(ii) the court finds that the owner—

(I) is not able to obtain in personam jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or

(II) through due diligence was not able to find a person who would have been a defendant in a civil action under paragraph (1) by—

(aa) sending a notice of the alleged violation and intent to proceed under this paragraph to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and

(bb) publishing notice of the action as the court may direct promptly after filing the action.

(B) The actions under subparagraph (A)(ii) shall constitute service of process.

(C) In an in rem action under this paragraph, a [domain name](#) shall be deemed to have its situs in the judicial district in which—

(i) the [domain name](#) registrar, registry, or other [domain name](#) authority that registered or assigned the [domain name](#) is located; or

(ii) documents sufficient to establish control and authority regarding the disposition of the registration and [use](#) of the [domain name](#) are deposited with the court.

(D)

(i) The remedies in an in rem action under this paragraph shall be limited to a court order for the forfeiture or cancellation of the [domain name](#) or the transfer of the [domain name](#) to the owner of the [mark](#). Upon receipt of written notification of a filed, stamped copy of a complaint filed by the owner of a [mark](#) in a United States district court under this paragraph, the [domain name](#) registrar, [domain name](#) registry, or other [domain name](#) authority shall—

(I) expeditiously deposit with the court documents sufficient to establish the court's control and authority regarding the disposition of the registration and [use](#) of the [domain name](#) to the court; and

(II) not transfer, suspend, or otherwise modify the [domain name](#) during the pendency of the action, except upon order of the court.

(ii) The [domain name](#) registrar or registry or other [domain name](#) authority shall not be liable for injunctive or monetary relief under this paragraph except in the case of bad faith or reckless disregard, which includes a willful failure to comply with any such court order.

(3) The civil action established under paragraph (1) and the in rem action established under paragraph (2), and any remedy available under either such action, shall be in addition to any other civil action or remedy otherwise applicable.

(4) The in rem jurisdiction established under paragraph (2) shall be in addition to any other jurisdiction that otherwise exists, whether in rem or

in personam.

(July 5, 1946, ch. 540, title VIII, § 43, [60 Stat. 441](#); Pub. L. 100-667, title I, § 132, Nov. 16, 1988, [102 Stat. 3946](#); Pub. L. 102-542, § 3(c), Oct. 27, 1992, [106 Stat. 3568](#); Pub. L. 104-98, § 3(a), Jan. 16, 1996, [109 Stat. 985](#); Pub. L. 106-43, §§ 3(a)(2), 5, Aug. 5, 1999, [113 Stat. 219, 220](#); Pub. L. 106-113, div. B, § 1000(a)(9) [title III, § 3002(a)], Nov. 29, 1999, [113 Stat. 1536, 1501A-545](#); Pub. L. 109-312, § 2, Oct. 6, 2006, [120 Stat. 1730](#); Pub. L. 112-190, § 1(a), Oct. 5, 2012, [126 Stat. 1436](#).)



TIFFANY & Co.



Tiffany & Co. Lands \$21 Million Win in Costco Case

August 15, 2017 - By TFL

Image: Tiffany & Co.



A federal judge in Monday has ruled that Tiffany & Co may recover at least \$19.4 million in damages from Costco Wholesale Corp over the warehouse club chain's illegal sale of counterfeit diamond engagement rings bearing the "Tiffany" name. U.S. District Judge Laura Taylor Swain said Tiffany deserves \$11.1 million, plus interest, for Costco's trademark infringement, plus the \$8.25 million in punitive damages awarded by a jury last October.

The federal judge also permanently barred Costco from selling anything that Tiffany did not make as "Tiffany" products, unless it uses modifying language suggesting that the products have, for example, a Tiffany "setting" or "style."

New York-based Tiffany & Co. filed [its original lawsuit in February 2013](#) in the U.S. District Court for the Southern District of New York, a federal court in Manhattan, alleging that hundreds – if not thousands – of Costco members bought engagement rings under the false impression that they were authentic Tiffany products.

In an early ruling, Judge Swain ruled against Costco and shot down claims that Tiffany's trademarks were invalid because they sought to prevent others from using "Tiffany" as a generic description of a type of ring setting. Judge Swain held that Costco, the largest U.S. warehouse chain, had, in fact, infringed Tiffany's trademarks by selling engagement rings that caused confusion among consumers due to Costco's use of the word "Tiffany" in display case signs.

Thereafter, in a decision in September 2016, the jury has awarded Tiffany \$5.5 million in damages. It put wholesaler Costco's profits from the infringing sales at \$3.7 million but held that figure was inadequate to account for the benefits the defendant derived from the sales,

adding \$1.8 million on top to come up with the \$5.5 million figure. (On Monday, Judge Swain found the lower – \$3.7 million – sum to be sufficient).

A month later, in October 2016, the jury decided that Costco would pay Tiffany \$8.25 million in punitive damages for selling the counterfeit diamond rings. Punitive damages are awarded in addition to actual damages, and as a special form of damages, they are awarded only when the defendant's behavior is found to be especially harmful.

And most recently, in Monday's ruling, in addition to finalizing the damages amount and awarding Tiffany & Co. a permanent injunction barring Costco from using its trademark-protected name, Judge Swain spoke to the damage that Costco is doing to the Tiffany brand by selling roughly 2,500 rings using the "Tiffany" name.

Costco had argued that "Tiffany" had become a generic term, excusing its use on a standalone basis. But the judge found Costco's defenses "not credible," given evidence that displays of fine jewelry were a key part of the Issaquah, Washington-based company's marketing strategy.

Costco sales associates "described such rings as 'Tiffany' rings in response to customer inquiries, and were not perturbed when customers who then realized that the rings were not actually manufactured by Tiffany expressed anger or upset," Judge Swain wrote. She further noted that Costco's upper management, meanwhile, "displayed, at best, a cavalier attitude toward Costco's use of the Tiffany name in conjunction with ring sales and marketing.

Costco said it intends to appeal the ruling, calling the decision "a product of multiple errors" by Judge Swain. "This was not a case about counterfeiting in the common understanding of that word – Costco was not selling imitation Tiffany & Co rings," Costco said.

** The case is Tiffany and Co. et al v. Costco Wholesale Corp, 13-01041 (SDNY).*

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

August Term 2019

(Argued: January 21, 2020

Decided: August 17, 2020)

Nos. 17-2798-cv, 19-338, 19-404

TIFFANY AND COMPANY; TIFFANY (NJ) LLC

Plaintiffs-Counter-Defendants-Appellees

-v.-

COSTCO WHOLESALE CORPORATION,

Defendant-Counter-Claimant-Appellant

Before: LEVAL, RAGGI, and LIVINGSTON, *Circuit Judges*.

Tiffany brought suit against Costco under the Lanham Act and New York law, alleging that Costco was liable for, *inter alia*, trademark infringement and counterfeiting in connection with its sale of diamond engagement rings identified by point-of-sale signs containing the word “Tiffany.” Though Costco does not dispute that Tiffany has a valid, registered trademark for the word “Tiffany,” it argued before the district court that it was using that word in a different, widely recognized sense to refer to a particular style of pronged diamond setting not exclusive to rings affiliated with Tiffany. It therefore claimed that its use of the

term was not likely to confuse consumers—the essence of a claim for infringement—and that even if some degree of confusion was likely, it was entitled under the Lanham Act to the descriptive fair use of an otherwise protected mark. The district court (Swain, *J.*) granted summary judgment for Tiffany, holding that no reasonable jury could credit either of Costco’s arguments and further concluding that Costco’s infringement constituted counterfeiting as a matter of law. Following an advisory jury trial on the question of damages, the district court awarded Tiffany Costco’s trebled profits along with punitive damages and prejudgment interest, for a total of \$21,010,438.35. On appeal, Costco argues that the district court’s determination of liability was inappropriate at the summary judgment stage. We agree. Accordingly, the judgment of the district court is VACATED and the case is REMANDED for trial.

FOR PLAINTIFFS-COUNTER-
DEFENDANTS-APPELLEES:

JEFFREY A. MITCHELL (Judith R. Cohen; Brett D. Katz, *on the brief*), Browne George Ross LLP, New York, NY, *for Tiffany and Company and Tiffany (NJ) LLC.*

FOR DEFENDANT-COUNTER-
CLAIMANT-APPELLANT:

DAVID H. BERNSTEIN (Michael Schaper; Jared I. Kagan, *on the brief*), Debevoise & Plimpton LLP, New York, NY, *for Costco Wholesale Corporation.*

DEBRA ANN LIVINGSTON, *Circuit Judge:*

Defendant-Counter-Claimant-Appellant Costco Wholesale Corporation (“Costco”) appeals from an August 25, 2017 judgment of the United States District Court for the Southern District of New York (Swain, *J.*) awarding Plaintiffs-Counter-Defendants-Appellees Tiffany and Company and Tiffany (NJ) LLC (together, “Tiffany”) trebled profits, prejudgment interest, and punitive damages

totaling \$21,010,438.35, resulting from a determination on summary judgment that Costco was liable to Tiffany for trademark infringement and counterfeiting in violation of the Lanham Act, 15 U.S.C. §§ 1114(1) and 1117(a) and (b), and unfair competition in violation of New York law.¹ This suit arose from Costco's sale of otherwise unbranded diamond engagement rings identified by point-of-sale signs containing the word "Tiffany." Tiffany claimed, and the district court agreed, that Costco's use of a term identical to Tiffany's trademark in connection with the sale of engagement rings violated the Lanham Act as a matter of law.

In response, Costco argues 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. It emphasizes, among other things, that it also sold

¹ The Lanham Act provides, in relevant part, that "Any person who shall, without consent of the registrant . . . use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale . . . of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant." 15 U.S.C. § 1114(1)(a). A defendant found liable for the foregoing infringement must typically pay to the plaintiff "(1) [its] profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action." *Id.* § 1117(a). "In a case involving [knowing and intentional] use of a counterfeit mark" the defendant will instead be liable for "three times such profits or damages, whichever amount is greater, together with a reasonable attorney's fee." *Id.* § 1117(b). In a case involving a counterfeit mark, a plaintiff may also elect to receive statutory damages in lieu of profits and/or damages. *Id.* § 1117(c).

several other styles of unbranded diamond engagement ring identified by similar point-of-sale signs, each of which indicated the name of the corresponding ring's setting style and none of which used the word "Tiffany." In light of this and other related evidence, Costco contends that a reasonable jury could conclude that its use of the word "Tiffany" was not likely to confuse its customers and that, even if some confusion was likely, Costco was entitled under the Lanham Act to use the term "in good faith only to describe" the style of its rings. 15 U.S.C. § 1115(b)(4). We agree and accordingly VACATE the judgment of the district court and REMAND the case for trial.

BACKGROUND

I. Factual Background

Founded in 1837 by Charles Lewis Tiffany, Tiffany is a major producer of fine jewelry, including diamond engagement rings. Tiffany holds 97 separate trademarks related to the company name, including registrations for the use of the word "Tiffany" in connection with "Decorative Art Objects Made in Whole or in Part of Precious or Semiprecious Metals," TIFFANY, Registration No. 1,228,409, and for the stylized word mark "Tiffany" in connection with "Jewelry for Personal Wear," TIFFANY, Registration No. 133,063. At some point in the late nineteenth

century, 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.”

One enterprise that claims to have adopted that century-old practice is Costco, which operates a chain of membership-only warehouse stores at which shoppers may purchase various brand-name, store-brand, and generic goods across numerous product categories. Among these products are diamond engagement rings, which Costco displays along with other jewelry in display cases near the entrance to its stores. Costco refers to its engagement rings, which are produced specially for Costco by a supplier called R.B. Diamond Inc., as “unbranded.” Costco sells engagement rings with a variety of setting styles, an assortment that during the relevant time period included a bezel setting, cathedral setting, channel setting, and the so-called Tiffany setting.

Costco identified each of its engagement rings using small, white point-of-sale signs that displayed certain information about the rings (ostensibly including setting style) in uniform black text, along with their prices in larger, bold text. In general format, but not necessarily in size, these signs resembled other point-of-

sale signs that identified virtually all items for sale throughout Costco stores. Costco attests that it drew the information for the point-of-sale signs in its jewelry cases directly from descriptions supplied by vendors like R.B. Diamond. According to Costco, the various point-of-sale signs identifying rings with a Tiffany setting at times identified the ring setting using the phrases “Tiffany setting,” “Tiffany set,” or “Tiffany style,” and at other times used only the word “Tiffany” for that purpose. Costco apparently identified other setting styles in a similarly variable manner.

In November 2012, a Costco customer alerted Tiffany that she had observed engagement rings that she believed were being advertised as Tiffany rings at a Costco store in Huntington Beach, California. Tiffany engaged an investigation service to visit that store, where investigators observed a jewelry display case containing, among other items, one engagement ring displayed next to a sign reading “639911 / PLATINUM TIFFANY / .70 VS2,I ROUND / DIAMOND RING / **3199.99**” and a second ring displayed next to a sign reading “605880 / PLATINUM TIFFANY VS2,I / 1.00CT ROUND BRILLIANT / DIAMOND SOLITAIRE RING / **6399.99**.”² J.A. 2,914 (emphasis in original).

² The slashes in the foregoing quotations indicate line breaks in the original

On December 10, 2012, Tiffany contacted Costco regarding the two rings its investigators observed, asserting that “[t]he designation of the ring[s] by Costco as ‘Tiffany’ was not only a misrepresentation of the product, but it also constitutes infringement and counterfeiting.” J.A. 2,509. Costco maintains that within one week, it voluntarily removed all uses of the word “Tiffany” from the signs in its jewelry display cases and that since that time, it has not listed a setting style on signs identifying any rings bearing the so-called Tiffany setting.

Several months later, after Tiffany had filed the operative complaint in this case, Costco sent a letter to all customers who had purchased engagement rings with Tiffany settings to alert them that Tiffany had initiated the suit now on appeal. The letter explained that Costco’s point-of-sale signs had “used the word ‘Tiffany’ to indicate that [the associated] ring had a Tiffany-style pronged setting,” asserted that Costco “do[es] not believe [its] signs were inaccurate,” and reminded buyers that Costco’s return policy entitled them to return their rings for a full refund at any time. Approximately 1.3% of customers who received this letter returned their rings to Costco.

document.

II. Procedural History

On Valentine's Day 2013, approximately two months after Costco ceased using the word "Tiffany" on any signs in its jewelry display cases, Tiffany commenced the present action against Costco in the United States District Court for the Southern District of New York. Tiffany's complaint alleged that Costco was liable for trademark infringement, dilution, counterfeiting, unfair competition, false and deceptive business practices, and false advertising in violation of the Lanham Act and New York law. Notably, Tiffany's complaint alleged these various trademark violations only in connection with those of Costco's point-of-sale signs that included the word "Tiffany" unaccompanied by the words "setting," "style," or "set."

In response, Costco argued that its use of the word "Tiffany" to describe certain rings' setting styles was not infringement and raised, *inter alia*, a "fair use" affirmative defense under the Lanham Act, asserting that it used the term "otherwise than as a mark, . . . in good faith only to describe" its ring settings. J.A. 89 (quoting 15 U.S.C. § 1115(b)(4)). Costco also filed a counterclaim seeking to modify or partially cancel any federal trademark registrations that might prevent retailers from using the word "Tiffany" to indicate that a ring has a Tiffany setting.

The case proceeded to discovery, during which time Tiffany filed an unsuccessful summary judgment motion seeking to dismiss Costco's counterclaim. During discovery, the parties compiled a voluminous evidentiary record including the declarations and deposition testimony of Costco customers and employees, expert declarations, sales records, and physical specimens of both parties' engagement rings and ring packaging. Following the completion of discovery, Tiffany again moved for summary judgment, this time seeking not only to dismiss Costco's counterclaim but also to hold Costco liable for trademark infringement and counterfeiting as a matter of law. Costco cross-moved for summary judgment seeking, *inter alia*, dismissal of Tiffany's counterfeiting and punitive damages claims.

On September 8, 2015, the district court issued an opinion and order granting Tiffany's summary judgment motion in its entirety, concluding that Costco had failed to raise a genuine issue of material fact as to any of the factors relevant to the infringement analysis, that Costco's fair use defense failed as a matter of law, and that Costco's infringement constituted counterfeiting as a matter of law. In the same order, the district court ruled that punitive damages would not be available to Tiffany under the Lanham Act, but that they would be

available under New York law.

Following its determination of Costco's liability, the district court held a trial from September 19 through October 5, 2016 on the issue of Tiffany's entitlement to recovery in the form of profits and statutory damages pursuant to 15 U.S.C. § 1117. At trial, the district court instructed the jury that it had already found Costco liable for trademark infringement, unfair competition under New York law, and counterfeiting, and that Costco's conduct was willful. The jury awarded Tiffany \$3.7 million in an accounting of Costco's profits, a further \$1.8 million on the grounds that the award of profits was inadequate compensation, and an additional \$8.25 million in punitive damages.

In a subsequent order, the district court characterized the accounting of Costco's profits as an equitable remedy and deemed the jury's verdict on that score to be advisory. Making its own determination as to damages, the district court awarded Tiffany trebled profits in the amount of \$11.1 million (based on the advisory jury's award of \$3.7 million), along with the additional \$8.25 million in punitive damages awarded by the jury.³ The district court entered its final

³ 15 U.S.C. § 1117(b) instructs the court to award treble profits or damages for a knowing and intentional violation involving the use of a counterfeit mark.

judgment and damages award, which ran to \$21,010,438.35 including prejudgment interest, on August 25, 2017.

Costco appealed the judgment on September 8, 2017. Then, on September 22, Costco requested that the district court amend its findings under Federal Rule of Civil Procedure 52(b); amend the judgment under Rule 59(e); and grant Costco judgment as a matter of law or, in the alternative, a new trial under Rule 50(b). Pursuant to Federal Rule of Appellate Procedure 4(a)(4), we stayed Costco's appeal pending the district court's resolution of Costco's motions. The district court denied each of these motions on January 7, 2019. We removed the stay on January 23, 2019, and this appeal followed.

DISCUSSION

We review the district court's rulings on summary judgment *de novo*, resolving all ambiguities and drawing all permissible inferences in favor of the nonmoving party. *Jones v. County of Suffolk*, 936 F.3d 108, 114 (2d Cir. 2019). Pursuant to Rule 56(a) of the Federal Rules of Civil Procedure, we will affirm a grant of summary judgment "only where there are no genuine disputes concerning any material facts, and where the moving party is entitled to judgment as a matter of law," *id.* (internal quotation marks omitted), or in other words,

where no reasonable jury could return a verdict for the nonmoving party, *see Holtz v. Rockefeller & Co.*, 258 F.3d 62, 69 (2d Cir. 2001).

On appeal, Costco argues that the district court erroneously granted Tiffany's motion for summary judgment on its infringement and counterfeiting claims, improperly depriving Costco of the opportunity to present its case to a jury. In particular, Costco contends that after resolving several critical facets of the trademark infringement analysis in Tiffany's favor without sufficiently crediting Costco's contrary evidence, the district court erroneously rejected Costco's fair use defense and held Costco liable for trademark infringement and counterfeiting as a matter of law. For the reasons that follow, we agree that Costco has raised a question of material fact as to its liability for trademark infringement and counterfeiting and, relatedly, its entitlement to present its fair use defense to a jury. Accordingly, we vacate the district court's grant of summary judgment, and remand the case for trial.

I. Tiffany's Trademark Infringement Claim

The district court concluded that no reasonable jury could find either that Costco's use of the word "Tiffany" was not likely to cause confusion with Tiffany's registered mark or that Costco's use of the word constituted fair use. We conclude

that the district court erred on both points.

A. Tiffany's Infringement Claim

Under the Lanham Act, a plaintiff alleging trademark infringement must demonstrate that (1) "it has a valid mark that is entitled to protection" and that (2) the defendant's "actions are likely to cause confusion with [that] mark." *The Sports Auth., Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 960 (2d Cir. 1996). "[A] plaintiff does not have to show necessarily that consumers would believe that the defendant's goods or services are from the same source as those of the plaintiff." *Id.* Rather, a defendant may also be liable for trademark infringement if its "actions are 'likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association' of the defendant's goods or services with those of the plaintiff." *Id.* (quoting 15 U.S.C. § 1125(a)(1)(A)); *see also Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153, 161–63 (2d Cir. 2016). That said, the mere possibility of confusion is not enough. To prevail in a trademark infringement action, a plaintiff must prove "a probability of confusion . . . affecting numerous ordinary prudent purchasers." *Star Indus., Inc. v. Bacardi & Co. Ltd.*, 412 F.3d 373, 383 (2d Cir. 2005) (emphasis added) (internal quotation marks omitted).

With the first prong of the infringement inquiry presumptively satisfied,⁴ the principal question in this appeal is whether Costco’s use of the word “Tiffany” was likely to cause confusion with Tiffany’s registered mark. We evaluate this question using the test articulated in *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961) (“*Polaroid*”), which balances the following eight factors: (1) the strength of the trademark; (2) the degree of similarity between the plaintiff’s mark and the defendant’s allegedly imitative use;⁵ (3) the proximity of the products and their competitiveness with each other; (4) the likelihood that the plaintiff will “bridge the gap” by developing a product for sale in the defendant’s market;⁶ (5)

⁴ The Lanham Act treats trademark registration as “conclusive evidence of the validity of the registered mark . . . , of the registrant’s ownership of the mark, and of the registrant’s exclusive right to use the registered mark in commerce,” 15 U.S.C. § 1115, and Costco does not contest that Tiffany has registered “Tiffany” as a mark in connection with the sale of jewelry.

⁵ We have often referred to this factor as examining the similarity between the plaintiff’s and defendant’s marks. See, e.g., *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97, 115 (2d Cir. 2009). But a defendant that uses a term identical to a plaintiff’s registered mark may be liable for infringement even if it cannot be said to use that term “as a mark,” that is, “as a symbol to attract public attention.” *Kelly-Brown v. Winfrey*, 717 F.3d 295, 308 (2d Cir. 2013) (internal quotation marks omitted); see also *id.* at 306–07 (explaining that customer confusion may exist even where the defendant was not attempting to establish a competing mark, and identifying cases in which we have “allowed certain claims to proceed even where the defendant is not using the plaintiff’s mark as a mark”).

⁶ The district court did not consider the likelihood that Tiffany would “bridge the gap” into Costco’s market below, and neither party argues that this factor is relevant on appeal. As the district court correctly explained, Costco’s and Tiffany’s diamond

evidence of actual consumer confusion; (6) evidence that the defendant adopted the imitative term in bad faith; (7) the respective quality of the products; and (8) the sophistication of the relevant population of consumers. *See Polaroid*, 287 F.2d at 495; *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 115 (2d Cir. 2009). The “evaluation of the *Polaroid* factors is not a mechanical process where the party with the greatest number of factors weighing in its favor wins. Rather, a court should focus on the ultimate question of whether consumers are likely to be confused.” *Nabisco, Inc. v. Warner-Lambert Co.*, 220 F.3d 43, 46 (2d Cir. 2000) (internal quotation marks omitted).

Though our past cases have always recognized that the “district court’s balancing of the *Polaroid* factors is subject to *de novo* review,” some of these cases have purported to afford “considerable deference” to district courts’ findings “with respect to predicate facts underlying each *Polaroid* factor,” *Playtex Prods., Inc. v. Ga.-Pac. Corp.*, 390 F.3d 158, 162 (2d Cir. 2004), or even to its “finding on each factor” generally, *Natural Organics, Inc. v. Nutraceutical Corp.*, 426 F.3d 576, 578 (2d

engagement rings are already in competitive proximity. *See, e.g., Paddington Corp. v. Attiki Importers & Distribs., Inc.*, 996 F.2d 577, 586 (2d Cir. 1993) (“Since the [products] . . . compete in the same market, the district court correctly found that the likelihood-of-bridging-the-gap factor . . . was irrelevant.”).

Cir. 2005); *see also Cadbury Beverages, Inc. v. Cott Corp.*, 73 F.3d 474, 478 (2d Cir. 1996). These cases should not be read to suggest that “a district court deciding a motion for summary judgment in a trademark infringement case has . . . greater discretion than it would have in a non-trademark case to resolve disputed issues of fact or draw inferences against the non-moving party.” *Patsy’s Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209, 216 (2d Cir. 2003), *abrogated on other grounds by 4 Pillar Dynasty LLC v. N.Y. & Co.*, 933 F.3d 202 (2d Cir. 2019); *see also Kelly-Brown v. Winfrey*, 659 F. App’x 55, 58 n.3 (2d Cir. 2016) (summary order) (noting the inconsistency between a “considerable deference” standard and our responsibility to review a district court’s summary judgment ruling *de novo*).

Though “considerable deference” has become an oft-repeated incantation since we first observed in *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.* “that the district court’s detailed findings on each of the *Polaroid* factors are entitled to considerable deference,” 799 F.2d 867, 873 (2d Cir. 1986) (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 250 & n.6 (1986), for the proposition that a “district court’s findings of fact on summary judgment, although not required, ‘are extremely helpful to a reviewing court’”), we have never purported to expand a district court’s license to *make* factual findings at summary judgment beyond those very

limited circumstances in which “the uncontroverted evidence and the reasonable inferences to be drawn in the nonmoving party’s favor” support only a single conclusion, *see Hunt v. Cromartie*, 526 U.S. 541, 553 (1999). In other words, a district court will be authorized to find the sorts of facts that are entitled to deference only in circumstances in which the traditional summary judgment standard has been satisfied. And even when it is so authorized, “its subsidiary conclusions as to each *Polaroid* factor . . . are not immune from appellate review.” *Patsy’s Brand*, 317 F.3d at 216.

As in any other area of law, then, “[i]f a factual inference must be drawn to arrive at a particular finding on a *Polaroid* factor, and if a reasonable trier of fact could reach a different conclusion, the district court may not properly resolve that issue on summary judgment.” *Cadbury*, 73 F.3d at 478; *see also Liberty Lobby*, 477 U.S. at 249 (“[A]t the summary judgment stage the judge’s function is not himself to weigh the evidence and determine the truth . . . but to determine whether there is a genuine issue for trial.”). Moreover, insofar as the determination of whether one of the *Polaroid* factors favors one party or another involves a legal judgment—which it often does⁷—we must review that determination *de novo*. *See Knight v.*

⁷ “For example, there is a considerable component of law in the determination

State Univ. of N.Y. at Stony Brook, 880 F.3d 636, 640 (2d Cir. 2018) (“We review questions of law *de novo*.”). Accordingly, in the majority of cases, we should review *de novo* both a district court’s determinations as to each *Polaroid* factor and its ultimate balancing of those factors.

Here, the district court found that “Costco has proffered no evidence that raises a disputed issue of material fact with respect to any of the *Polaroid* factors” and that Tiffany therefore “demonstrated a likelihood of confusion” sufficient to warrant summary judgment in its favor as to its trademark infringement claims. *Tiffany & Co. v. Costco Wholesale Corp.*, 127 F. Supp. 3d 241, 247 (S.D.N.Y. 2015). On appeal, Costco principally contests the district court’s analysis of three of these factors: whether Costco’s customers were actually confused, whether Costco adopted Tiffany’s mark in bad faith, and whether the relevant population of consumers was sufficiently sophisticated to avoid confusion. We conclude that Costco has raised a triable question as to each of these factors and, by extension, the ultimate issue of whether Costco’s actions generated a likelihood of customer confusion.

whether a mark has the degree of strength necessary to weigh in favor of the party claiming infringement.” *Patsy’s Brand*, 317 F.3d at 216.

1. Actual Confusion

Concluding that Tiffany had established actual customer confusion as a matter of law, the district court pointed to two categories of evidence proffered by Tiffany. First, it referred to the deposition testimony of six Costco customers, each of whom alleged that he or she was confused by Costco's point-of-sale signs. Second, it described the results of a customer confusion survey and report created by Tiffany's expert, Dr. Jacob Jacoby. Dr. Jacoby's report included responses from 944 people surveyed through the internet, 606 of whom identified themselves as Costco patrons who thought that "they [or their significant other] would consider buying a diamond engagement ring at Costco that cost at least \$2,500." J.A. 1,452. Jacoby estimated that of these 606 responders—each of whom was shown a photo of a diamond engagement ring alongside one of Costco's point-of-sale signs,⁸ either in isolation or after seeing photos of other branded items sold by Costco—"more than two out of five . . . were likely confused into believing that Tiffany & Co. was the source of the rings." *Id.* at 1,454. The district court deemed this evidence un rebutted and concluded that Costco had failed to raise a factual

⁸ The sign in Dr. Jacoby's survey read "639911 / PLATINUM TIFFANY / .70CT VS2,I ROUND / DIAMOND RING / 3199.99." J.A. 1,539 (emphasis in original).

question as to whether customers were actually confused by its use of the word “Tiffany” on its signs. For the following reasons, we disagree.

To begin, Costco did seek to rebut Tiffany’s evidence of confusion. First, it argued that the testimony of six customers—out of the 3,349 customers who purchased Tiffany-set rings at Costco during the relevant period—was only *de minimis* evidence of confusion and insufficient to resolve the issue definitively against Costco. Second, and more importantly, it submitted a report from its own expert, Dr. Russel S. Winer, criticizing Dr. Jacoby’s survey methodology and results. Dr. Winer opined that Dr. Jacoby should have targeted only customers with a “present purchase interest in buying a diamond ring,” and that Dr. Jacoby’s actual survey respondents “could not have been a group whose perceptions provided any valid or reliable predictor of past or future Costco diamond ring purchaser beliefs.” *Id.* at 4,226. Dr. Winer further asserted that Dr. Jacoby’s study was fatally flawed due to “artificial, contrived and biasing” stimuli that “ignore[d] the reality of the customer purchase process.” *Id.* at 4,228. For example, Dr. Winer noted that rather than showing survey responders a point-of-sale sign as it would have appeared to customers—in a display case surrounded by other rings identified by “other tags . . . , some of which would have other setting and style

types indicated” —Jacoby’s survey showed them only a single ring and sign in isolation.⁹ *Id.* at 4,305. Winer also assessed that on top of these flawed survey conditions, Dr. Jacoby’s screening questions, which required responders to sort words into brand names and descriptive words, “trained” those responders to “bias[] the responses in favor of selecting Tiffany as a brand identifier.” *Id.* at 4,303.

We conclude that this evidence was sufficient to raise a question as to whether potential buyers of Costco’s diamond engagement rings were actually confused by the appearance of the word “Tiffany” on Costco’s signs. In concluding otherwise, the district court observed that Dr. Winer’s criticisms go to the weight of Tiffany’s evidence rather than its admissibility and that he did not perform his own survey to demonstrate affirmatively that Costco’s customers were *not* confused. But the weight to be given to a particular piece of evidence can be determinative of whether the moving party is entitled to summary judgment or

⁹ Dr. Winer asserted in his report that although both of the images Dr. Jacoby provided in his survey—one depicting only a single point-of-sale sign and the other depicting a small section of a Costco display case—provided insufficient context to replicate the experience of actual customers in a Costco store, the decrease in putative confusion among the survey respondents who saw the more contextual image was “striking.” J.A. 4,305. A jury was entitled to consider, as Dr. Winer did, “how the percentage [of customers identifying ‘Tiffany’ as a descriptive word rather than a brand] might have changed had the context provided been comparable to the real world experience.” *Id.* at 4,307.

whether a jury could find a material fact favorable to the non-moving party. And in the circumstances here, neither of the putative shortcomings on which the district court relied is sufficient to resolve the customer-confusion factor in Tiffany's favor as a matter of law. Tiffany bears the burden of proof on its own motion for summary judgment. Resolving all factual inferences in Costco's favor, a reasonable jury could find that Tiffany failed to present sufficiently persuasive evidence to meet that burden.

2. Costco's Good Faith.

In analyzing whether a defendant has acted in bad faith, the question is whether the defendant attempted "to exploit the good will and reputation of a senior user by adopting the mark with the intent to sow confusion between the two companies' products." *Star Indus.*, 412 F.3d at 388. We have cautioned that "where the allegedly infringing mark is identical to the registered mark, and its use began subsequent to the plaintiff's trade-mark registration, the defendant must carry the burden of explanation and persuasion." *Kiki Undies Corp., v. Promenade Hosiery Mills, Inc.*, 411 F.2d 1097, 1101 (2d Cir. 1969). But "[p]rior knowledge of a senior user's trade mark does not necessarily give rise to an inference of bad faith and may [actually] be consistent with good faith." *Sports*

Auth., 89 F.3d at 964 (quoting *Arrow Fastener Co. v. Stanley Works*, 59 F.3d 384, 397 (2d Cir. 1995)). Indeed, “the intent to compete by imitating the successful features of another’s product is vastly different from the intent to deceive purchasers as to the source of [one’s own] product.” *Nora Beverages, Inc. v. Perrier Grp. of Am., Inc.*, 269 F.3d 114, 123 (2d Cir. 2001) (internal quotation marks and alterations omitted); see also *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1541 (2d Cir. 1992) (“Absent confusion, imitation of certain successful features in another’s product is not unlawful . . .”). And as we have consistently observed, “subjective issues such as good faith are singularly inappropriate for determination on summary judgment.” *Cadbury*, 73 F.3d at 483 (internal quotation marks and alterations omitted) (declining to grant summary judgment on the matter of good faith even where the plaintiff’s “registered mark is identical—in style as well as in name—to [the defendant’s] adopted logo . . . [and the defendant’s] explanation is not particularly persuasive”).

The district court concluded that “no rational finder of fact could conclude that Costco acted in good faith in adopting the Tiffany mark.” *Tiffany*, 127 F. Supp. 3d at 252 (emphasis added). It cited several pieces of evidence proffered by Tiffany, including an email from a Costco employee indicating that Costco’s jewelry boxes

should have a more “Tiffany or upscale look,” the deposition testimony of a Costco inventory control specialist who acknowledged that she took no action in response to two emails ostensibly indicating customer and employee confusion over the source of Costco’s rings, and photographs and emails that suggest efforts by Costco to “copy Tiffany’s designs by making references to Tiffany designs and sharing links to Tiffany’s website [in communications with vendors].” *Id.* at 251–52.

The district court acknowledged Costco’s contrary evidence that it had never attempted to adopt the Tiffany mark, that its signs actually used the word “Tiffany” as a brand-independent description of a particular style of diamond setting, and that those signs merely reflected information provided by its own suppliers. *Id.* at 252. The court nonetheless concluded that a jury could not reasonably credit an argument that “Costco jewelry buyers used the word ‘Tiffany’ in a generic sense when communicating with vendors, while at the same time asking those vendors to copy Tiffany & Co. designs, and that signage incorporating the word ‘Tiffany’ on the resulting merchandise was nothing more than clerical duplication of a generic reference from an invoice.” *Id.* Again, we disagree.

Although a jury could reasonably draw the conclusion that Costco's interest in emulating Tiffany's designs spilled over into an intent to mislead buyers as to the origins of its own jewelry, it could also reasonably conclude that Costco intended to borrow "certain successful features [from Tiffany's] product" without implying that Tiffany actually produced or endorsed the jewelry at issue. *George Basch Co.*, 968 F.2d at 1541. We have consistently recognized that intent to copy a product's useful, nonprotected attributes should not be equated automatically with an intent to deceive. *See Nora Beverages*, 269 F.3d at 123. Therefore, Costco's admitted intent to sell jewelry that *looks like* Tiffany's—as opposed to an intent to have its jewelry pass as Tiffany's—cannot be enough to justify a finding that Costco acted in bad faith in connection with Tiffany's trademark infringement claim.

In concluding otherwise, the district court overlooked substantial evidence that Costco did *not* attempt to sow confusion among its customers. As the district court recognized in its good faith analysis, two Costco representatives—a diamond buyer and an assistant general merchandise manager—submitted declarations affirming that Costco inventory control personnel took the term "Tiffany" directly from vendor descriptions, that the representatives understood

Tiffany as a “generic style name,” and that indeed it was “the only name . . . used to denote [that] type of pronged setting.”¹⁰ J.A. 2,927. Costco backed these claims with evidence that the term “Tiffany” has been used as a generic descriptor—both explicitly in conjunction with a word like “setting” and implicitly by itself—in thousands of advertisements, dictionaries, trade publications, and other public documents since the late 1800s. And as the district court recognized elsewhere in its decision, Costco presented evidence that its rings were not branded with Tiffany’s mark (and indeed were branded with R.B. Diamond’s logo instead); that the rings came in unbranded containers bearing no resemblance to Tiffany’s distinctive robin’s-egg blue packaging; that buyers received *Costco*-branded receipts, appraisal forms, and other sales documents; and that Costco’s return policy permitted customers to return their rings any time after purchase.¹¹

¹⁰ As far as we can tell, Tiffany’s only reply to this evidence is that after Costco voluntarily stopped using the name “Tiffany” on its signs, it was still able to describe those rings’ settings as “Solitaire.” But “Solitaire,” which describes any single gem in a simple setting, is undeniably a less descriptive term than “Tiffany,” which ostensibly describes a specific type of six-prong setting.

¹¹ Both Tiffany and Costco point to a customer email asking whether the word “Tiffany” on the label referred to the “Tiffany setting or Tiffany brand,” J.A. 15,333. Consistent with Costco’s argument that it acted in good faith, a Costco employee responded to the customer’s email that “[i]t means Tiffany setting.” *Id.* at 15,334. Notably, the jury could also consider this email as evidence of an absence of actual customer confusion. See *Nora Beverages*, 269 F.3d at 124 (“Inquiries about the relationship between the owner of a mark and an alleged infringer do not amount to actual confusion. Indeed,

Crediting this evidence, a reasonable jury could conclude that Costco did not intend to mislead its customers and that signs bearing the word “Tiffany” were the product of a good-faith attempt to communicate to its customers the setting style of certain rings that it sold.¹²

3. Consumer Sophistication

“Our analysis of consumer sophistication ‘consider[s] the general impression of the ordinary purchaser, buying under the normally prevalent conditions of the market and giving the attention such purchasers usually give in buying that class of goods.’” *Star Indus.*, 412 F.3d at 390 (quoting *Sports Auth.*, 89 F.3d at 965); *see also Streetwise Maps, Inc. v. VanDam, Inc.*, 159 F.3d 739, 746 (2d Cir. 1998). In general, “the more sophisticated the purchaser, the less likely he or she will be confused by the presence of similar marks in the marketplace.” *Savin Corp.*

such inquiries are arguably premised upon a *lack* of confusion between the products such as to inspire the inquiry itself.” (emphasis in original)).

¹² A jury would also be entitled to infer good faith from Costco’s conduct after Tiffany asserted that Costco’s had infringed its trademark. Costco offered evidence that it voluntarily ceased using the word “Tiffany” on its product signs within a week of receiving Tiffany’s demand letter. And after Tiffany filed its complaint, Costco wrote to all purchasers of Costco rings bearing a Tiffany-style setting alerting them to Tiffany’s claim and reminding them of their right to return their purchase at any time for a full refund. While Tiffany disputes certain of these facts, we assume in assessing Tiffany’s motion for summary judgment that a jury would resolve those disputes in Costco’s favor.

v. Savin Grp., 391 F.3d 439, 461 (2d Cir. 2004). Likewise, “[t]he greater the value of an article[,] the more careful the typical consumer can be expected to be.” *Manhattan Indus., Inc. v. Sweater Bee by Banff, Ltd.*, 627 F.2d 628, 631 (2d Cir. 1980) (internal quotation marks omitted). Although sophistication may usually be proven by direct evidence, including expert opinions or surveys, “in some cases a court is entitled to reach a conclusion about consumer sophistication based solely on the nature of the product or its price.” *Star Indus.*, 412 F.3d at 390.

The district court correctly identified the competing expert reports submitted by Dr. Jacoby and Dr. Winer as the principal evidence on the question of customer sophistication. As indicated above, Dr. Jacoby’s study assumed that survey responders who said they “would consider buying a diamond engagement ring at Costco” were representative of customers who would likely interact with Costco’s allegedly infringing point-of-sale signs. Tiffany offered no other evidence regarding the sophistication of the relevant consumer population. In response, Dr. Winer countered that the purchase of an engagement ring is a “high involvement” transaction, and that actual purchasers—as opposed to those who merely “would consider buying an engagement ring”—have, or acquire, substantial “subject matter knowledge and familiarity with the relevant vocabulary.” J.A. 4,226.

The district court nonetheless determined that Costco failed to raise a question as to whether its customers were sufficiently sophisticated that its use of the word “Tiffany” would not create confusion. As in its analysis of actual confusion, the district court concluded that Costco’s evidence goes only to “the weight that Tiffany’s evidence should be accorded, and fails to provide competing affirmative evidence regarding the relevant population of consumers.” *Tiffany*, 127 F. Supp. 3d at 254. Once again, its appraisal erroneously shifted Tiffany’s burden onto Costco. As explained above, the weight of a piece of evidence can be determinative as to whether summary judgment is appropriate. What’s more, it is simply incorrect to say that Costco proffered no affirmative evidence regarding customer sophistication. As the district court otherwise described, Costco *did* offer evidence, in the form of Dr. Winer’s declaration, that “[i]n the case of purchasing a diamond ring, . . . actual prospective purchasers proximal to the purchase decision definitely know more than people not in the market.” J.A. 4,300. And as Dr. Winer’s report further opined:

[A] group of ‘actively in the market’ prospective diamond ring buyers would clearly be more attuned to the marketing of diamond rings, the jargon associated with diamond rings, and the shopping process and experience associated with diamond rings, and thus be more knowledgeable about whether the word Tiffany in the context of the small product labels referred to the ‘Tiffany & Co.’ brand or was being

used to describe a particular type of ring setting.

Id. Indeed, we have previously recognized that “[t]he purchaser of a diamond ring, particularly of a wedding or engagement ring, will be most discriminating in his purchase, and make it carefully and deliberately.” *J.R. Wood & Sons, Inc. v. Reese Jewelry Corp.*, 278 F.2d 157, 159 (2d Cir. 1960). A jury could reasonably conclude, by crediting Costco’s evidence and rejecting Tiffany’s, that the relevant population of consumers would be sufficiently attentive and discriminating as to recognize that Tiffany had nothing to do with Costco’s diamond engagement rings.

4. Overall Likelihood of Customer Confusion

We conclude that Costco’s evidence has, when considered in the aggregate, created a genuine question as to the likelihood of customer confusion. *See Star Indus.*, 412 F.3d at 383. Our conclusion rests primarily on the combination of (1) Costco’s evidence that “Tiffany” is a broadly recognized term denoting a particular style of pronged ring setting and (2) its further indications, backed by prior pronouncements of this Court, that purchasers of diamond engagement rings educate themselves so as to become discerning consumers.

Affording full credit to this evidence, a jury could reasonably conclude that

consumers of diamond engagement rings would know or learn that “Tiffany” describes a style of setting not unique to rings manufactured by Tiffany, and recognized that Costco used the term only in that descriptive sense. Such consumers may also be distinctly capable of recognizing that Costco’s rings were *not* manufactured by Tiffany—based, for example, on their price, place of purchase, packaging, or paperwork—and consequently be particularly unlikely to be confused by any aspect of Costco’s point-of-sale signs. Moreover, *any* Costco customer looking at a Tiffany-set ring identified by a sign that includes the word “Tiffany” would also see a jewelry case full of other unbranded rings, each identified by a sign indicating its own setting type in a similar or identical way.

To be sure, Tiffany has made a persuasive (and essentially unrebutted) showing that the general public associates its famous brand with high-quality engagement rings that compete directly with those sold by Costco. But even the potential for confusion inherent in such circumstances cannot dictate a judgment for Tiffany in light of Costco’s evidence that engagement-ring purchasers exercise care and become savvy, and that the context Costco provided at the point of sale was sufficient for those careful customers to recognize that its signs used “Tiffany” only as a generic descriptor. In short, Costco’s use of the word “Tiffany” to

describe engagement rings may have created a *possibility* of confusion. It may even be the more reasonable inference that confusion was *likely*. But in light of Costco’s competing evidence—and Tiffany’s failure to demonstrate that actual purchasers would not recognize the word “Tiffany” as denoting a commonly used setting style—we decline to hold that *no* reasonable jury could find that Costco’s signs were not confusing.¹³ See *Island Software & Comput. Serv., Inc. v. Microsoft Corp.*, 413 F.3d 257, 264 (2d Cir. 2005) (“[A]t the summary judgment stage, [even if one] inference . . . seems the better of the possible inferences that can be drawn, we must still draw all inferences in favor of the non-moving party.”).

B. Costco’s Fair Use Defense

To avoid liability for infringement, however, Costco need not rely on a jury to reject Tiffany’s claim that Costco’s actions created a likelihood of confusion. Contrary to the district court’s holding, Costco is also entitled to present its fair use affirmative defense at trial. The Lanham Act provides that when a party “uses the words constituting [a registered] mark in a purely descriptive sense, this use

¹³ Because liability for trademark infringement under New York law mirrors liability under the Lanham Act, see *Standard & Poor’s Corp., Inc. v. Commodity Exchange, Inc.*, 683 F.2d 704, 708 (2d Cir. 1982), the district court likewise should not have granted Tiffany’s motion for summary judgment in connection with its state-law infringement claim.

may qualify as permissible fair use.” *Kelly-Brown v. Winfrey*, 717 F.3d 295, 308 (2d Cir. 2013). Crucially, a defendant may raise a fair use defense even where the challenged material is likely to cause some confusion. *See KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 121–22 (2004). To demonstrate fair use, a defendant must establish that it used the allegedly infringing term “(1) other than as a mark, (2) in a descriptive sense, and (3) in good faith.” *JA Apparel Corp. v. Abboud*, 568 F.3d 390, 400 (2d Cir. 2009) (internal quotation marks omitted); *see also* 15 U.S.C. § 1115(b)(4).

The district court rejected Costco’s fair use defense at summary judgment on the basis that—for the same reasons that underpinned its *Polaroid* analysis—Costco’s evidence was insufficient to establish that it used the word “Tiffany” in good faith.¹⁴ Having resolved the motion on the basis of good faith alone, the district court did not consider the other factors pertinent to the fair use defense. On appeal, Costco argues that the record contains sufficient evidence to support

¹⁴ The “good faith” prong of the fair use analysis is essentially identical to the same prong of the *Polaroid* analysis and “concerns the question whether the user of a mark intended to create consumer confusion as to source or sponsorship.” *JA Apparel*, 568 F.3d at 401 (quoting *EMI Catalogue P’ship v. Hill, Holliday, Connors, Cosmopolos Inc.*, 228 F.3d 56, 66–67 (2d Cir. 2000)).

each prong of its affirmative defense. We agree. For the reasons stated above, the district court should not have concluded that no question of material fact exists on the question of Costco's good faith. For the reasons that follow, we likewise conclude that Costco created a triable question as to the remaining factors of the fair use analysis.

1. Use "As a Mark"

A defendant uses a term "as a mark" when it employs it "as a symbol to attract public attention," *Kelly-Brown*, 717 F.3d at 306 (internal quotation marks omitted), or "to identify and distinguish . . . goods [or services] . . . and to indicate [their] source," 15 U.S.C. § 1127. Whether a defendant has done so may entail an investigation into, *inter alia*, whether the challenged material appeared on the product "itself, on its packaging, or in any other advertising or promotional materials related to [the] product," and the degree to which "defendants were trying to create, through repetition . . . a[n] association between [themselves] and the [mark]." *Kelly-Brown*, 717 F.3d at 310–11 (internal quotation marks omitted).

A jury could reasonably conclude that Costco did not use the term "Tiffany" as a trademark. Tiffany's own evidence indicates that Costco typically identifies the trademark associated with its branded products as the first word on the

product label.¹⁵ For this litigation, Costco produced hundreds of examples of signs for its engagement rings, *none* of which began with the word “Tiffany” or any other brand name. Instead, Costco’s evidence demonstrates that it displayed the word “Tiffany” in the exact same manner (including typeface, size, color, and relative location on the signs) that it displayed setting information for other engagement rings. Costco also proffered evidence that the word “Tiffany” did not appear on any of its rings or ring packaging, and that the rings actually bore the logo of a *different* manufacturer. See *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 270 (2d Cir. 1995) (explaining that a defendant’s display of its own trademark on a tree-shaped car freshener suggested that the product’s shape was used otherwise than as a mark).

2. Descriptive Use

Whether a phrase is descriptive refers to its tendency to describe the goods in question in a broad sense, including not only “words that describe a characteristic of the goods[] such as size or quality,” but also words or images that

¹⁵ Costco’s evidence indicates that when it did sell genuine Tiffany merchandise, “Tiffany” was indeed the first word on the accompanying signs. Both parties agree, however, that Costco has never sold engagement rings produced by Tiffany in its American stores.

more abstractly identify some information about the goods in question. *Cosmetically Sealed Indus. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (2d Cir. 1997) (citing *Car-Freshner Corp.*, 70 F.3d at 269–70 (concluding that a car freshener's pine-tree shape was a fair use of a protected image because the shape indicated both the product's scent and the season in which it was sold)).

Here, a jury could reasonably find that Costco used the term “Tiffany” descriptively, based on Costco's evidence that (1) “Tiffany” has a descriptive meaning independent of Tiffany's brand and (2) Costco intended to and did invoke that meaning when it created its point-of-sale signs. As noted above, Costco has identified over a century's worth of documents suggesting that “Tiffany” — both alone and in conjunction with words like “ring,” “setting,” “style,” or “mounting” — is widely understood to refer to a particular type of pronged diamond setting. And as Costco's employees attested in their declarations, both they and their vendors understood the term to be the only precise way to describe that style. Costco also presented un rebutted evidence that it used the term “Tiffany” exclusively on signs identifying rings bearing a Tiffany setting, and that it displayed the same set of information for engagement rings of all styles. In other words, Costco would generally display a diamond ring with a cathedral or bezel

diamond setting along with a sign displaying the word “Cathedral” or “Bezel” in the same way that a sign identifying a diamond ring with a Tiffany setting would display the word “Tiffany.”

Tiffany, for its part, resists the conclusion that the term “Tiffany” is amenable to descriptive use—or indeed any use other than as a mark—within the jewelry industry. It argues that “no case has ever bisected a trademark to allow the same word to be used exclusively by the trademark holder to denote the source of goods for every product in a registered class except one,” and that doing so here would bring about the “absurd” result that “Tiffany” could be a source identifier for rings of other styles, but a descriptive term for rings in the so-called “Tiffany” style. Appellees’ Br. 10.

Tiffany’s argument fundamentally misunderstands our caselaw. There is nothing inherently absurd about a single word’s being both a source identifier and a descriptive term within the same product class. See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976) (“[T]he same term may be put to different uses with respect to a single product.” (citing 15 U.S.C. § 1115(b)(4))). To the extent that “Tiffany” actually does have the descriptive meaning Costco submits that it does, Tiffany’s putative “absurd” result is nothing more than the

predictable reality of a legal regime in which “trademark rights may be acquired in a word or image with descriptive qualities.” *Car-Freshner*, 70 F.3d at 269. And within that reality, it is well established that “the public’s right to use descriptive words or images in good faith in their ordinary descriptive sense must prevail over the exclusivity claims of the trademark owner.”¹⁶ *Id.*

As a result, the simple fact that a defendant has trademarked a term for use in a particular industry does not preclude a jury’s finding that the term has some descriptive use within the same industry. *See JA Apparel*, 568 F.3d at 402–03 (holding that fair use may entitle a clothing company to identify its designer on

¹⁶ That Tiffany & Co. and the Tiffany setting derive their names from a common source—Charles Lewis Tiffany, who both founded the company and invented the setting—does not alter this proposition. *See JA Apparel*, 568 F.3d at 394 (explaining that the plaintiff’s trademark “Joseph Abboud” refers to the same individual identified in the defendant’s ostensibly descriptive advertising materials); *id.* at 402–03 (explaining that the challenged usage might nonetheless be fair use). Nor does it matter that the word “Tiffany” is not *inherently* descriptive of the diamond setting at issue. One who possesses exclusive rights in a mark by virtue of having used it in commerce can lose that right to exclusivity—either outright or in connection with a limited application—by failing to enforce the mark so that, through usage by others in the marketplace, it becomes generic at least in a limited sense. The record reflects that Tiffany used the word mark “Tiffany” in commerce as early as 1868, while the use of the term “Tiffany” to describe a particular setting style acquired currency in the late 1800s. The record suggests no reason that Tiffany could not have taken action in the late 1800s to prevent the use of the word “Tiffany” descriptively in the general marketplace. Whatever Tiffany’s reasons for not doing so, Costco’s evidence suggests that the word “Tiffany” did acquire an adjectival meaning in the trade to identify a particular style of setting.

advertisements even where a competitor has registered that same designer's name as a trademark in connection with the sale of apparel). Indeed, the fact that Tiffany does not here challenge Costco's use of the phrase "Tiffany set" or "Tiffany setting" may signal an implicit recognition that some uses of its protected mark are indeed descriptive. As we explained in *JA Apparel*, whether a defendant has used a name descriptively requires "individualized consideration" of *how* the defendant has used the name. *Id.* at 402. And as we explained above, Costco's evidence is sufficient for a jury to find the word "Tiffany," when used in conjunction with a particular six-pronged stone setting, had acquired a descriptive meaning in the jewelry trade that did not suggest an association with the jeweler Tiffany & Co., and that Costco used the word descriptively in that sense and in good faith under the particular circumstances of this case. To be sure, a reasonable jury could also *reject* Costco's evidence and find that customers would not recognize the word "Tiffany" as descriptive even with the context Costco provided. On this record, however, that decision belongs to the jury and not to the court.

II. Tiffany's Trademark Counterfeiting Claim

Having determined that Costco's use of the word "Tiffany" constituted trademark infringement, the district court proceeded to conclude as a matter of law that Costco's infringement involved a counterfeit mark.¹⁷ Under the Lanham Act, "[a] counterfeit is a 'spurious mark which is identical with, or substantially indistinguishable from, a registered mark.'" *Kelly-Brown*, 717 F.3d at 314 (quoting 15 U.S.C. § 1127). Echoing its principal infringement analysis, the district court held that Costco's conduct had necessarily involved such a mark because it had "utilized a word mark identical to the one that Tiffany has registered" and done

¹⁷ In a Lanham Act litigation, a plaintiff who has employed "a counterfeit mark" — as opposed to a mere "colorable imitation" or other infringing usage—is subject to heightened statutory penalties. *See* 15 U.S.C. § 1117. "In a case involving the use of a counterfeit mark," a Lanham Act plaintiff may elect to recover, in lieu of the standard profits and damages available for mere infringement, "an award of statutory damages . . . not less than \$1,000 or more than \$200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed." 15 U.S.C. § 1117(c). Even greater penalties are available upon a finding that a defendant used a counterfeit mark willfully. If a defendant has "intentionally us[ed] a mark or designation, knowing that such mark or designation is a counterfeit mark," and the plaintiff elects to pursue standard profits and damages, the court "shall, unless [it] finds extenuating circumstances, enter judgment for three times [defendant's] profits or [plaintiff's] damages, whichever amount is greater, together with a reasonable attorney's fee." *Id.* § 1117(b). And if a plaintiff elects instead to pursue statutory damages, a "court [that] finds that the use of the counterfeit mark was willful," may impose damages of up to "\$2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed." *Id.* § 1117(c)(2). In this case, after holding Costco liable for willful trademark counterfeiting as a matter of law, the district court awarded Tiffany treble profits pursuant to § 1117(b).

so with the “intent to confuse customers as to the source of the rings,” rendering its “use of the Tiffany mark . . . ‘spurious’ as a matter of law.” *Tiffany*, 127 F. Supp. 3d at 255. Because it was inappropriate to hold Costco liable for trademark *infringement* at the summary judgment stage—and because counterfeiting is merely an aggravated form of infringement—we vacate the district court’s judgment as to counterfeiting as well.¹⁸

¹⁸ We cannot conclude on the record here that no reasonable jury could find in favor of Tiffany on the counterfeiting claim, and we therefore affirm the district court’s denial of Costco’s motion for summary judgment as to this claim. We do note that it is likely inappropriate to impose liability for trademark counterfeiting when a defendant is able to establish—with or without the other two elements of the fair use defense—that it used a term identical to the registered mark otherwise than as a mark. In order for material to qualify as “counterfeit” under the Lanham Act, it must be a “spurious mark.” 15 U.S.C. § 1127. A “spurious” mark, in turn, is one that is “fake” and “[d]eceptively suggest[s] an erroneous origin.” *Spurious*, Black’s Law Dictionary (11th ed. 2019). We fail to see how a term can be a “fake” mark if it is not actually *used* as a mark, or how a term can “deceptively suggest an erroneous origin” if it is not used as a means to indicate origin in the first place. *See* 15 U.S.C. § 1127 (defining “trademark” and “service mark” as “any word, name, symbol, or device, or any combination thereof” used “to indicate the source” of goods and services). Terms not used as a mark may still generate confusion as to “affiliation, connection, . . . association[,] . . . sponsorship or approval,” *id.* § 1125(a)(1)(A), or “misrepresent the nature, characteristics, qualities, or geographic origin” of a good or service, *id.* § 1125(a)(1)(B), and therefore constitute trademark *infringement*. *See Int’l Info. Sys. Sec. Certification Consortium*, 823 F.3d at 161 (“[P]rotection is not exclusively limited . . . to cases in which there may be confusion as to source.”); *Kelly-Brown*, 717 F.3d at 308 (“Lanham Act plaintiffs [need not] show that the defendant was using the allegedly infringing content ‘as a mark’ . . . in order to establish consumer confusion.”). But because terms not used as marks are not “spurious,” they cannot, as a matter of law, be *counterfeit*.

III. Tiffany's Entitlement to Punitive Damages

In their briefing, both parties address the question whether—assuming Costco's liability for infringement—Tiffany is entitled to punitive damages under New York law. Because we vacate the district court's ruling as to Costco's liability, we decline to address the question whether punitive damages would be available to Tiffany if a jury were to find in its favor on remand.

CONCLUSION

For the foregoing reasons, we VACATE the judgment of the district court and REMAND the case for trial.

Second Circuit Vacates Trademark Infringement Holding Against Costco For Use of the Term 'Tiffany'



By [Rebecca Tapscott](#)
August 24, 2020

[Pri](#)

“The Circuit Court ... concluded that Costco’s evidence presented a ‘genuine question as to the likelihood of customer confusion’ because Costco provided evidence that ‘Tiffany’ is a broadly recognized term to describe a particular type of ring setting and because purchasers of diamond rings ‘educate themselves so as to become discerning consumers.’”

On August 17, the United States Court of Appeals for the Second Circuit vacated and remanded a decision of the district court in [Tiffany & Co. v. Costco Wholesale Corp.](#) In particular, the Circuit Court held that the district court’s determination that Costco was liable for trademark infringement and counterfeiting was inappropriate at the summary judgment stage.



Procedural History

In November 2012, a customer alerted Tiffany that Costco was selling diamond engagement rings that she believed were being advertised as Tiffany & Co. rings. Costco admitted to selling rings with identifying signs using the phrases “Tiffany setting,” “Tiffany set,” or “Tiffany style,” and in some instances using only the word “Tiffany” for identifying the setting style of the ring. The rings identified by the customer were accompanied by signs reading “Platinum Tiffany.”

In December 2012, Tiffany contacted Costco asserting that the designation of Costco rings as “Tiffany” was a misrepresentation of the product and constituted infringement and counterfeiting.

According to Costco, it voluntarily removed all uses of the word “Tiffany” from the signs in its jewelry display cases within two weeks of being notified by Tiffany. In February 2013, Tiffany filed suit against Costco alleging that Costco was liable for “trademark infringement, dilution, counterfeiting, unfair competition, false and deceptive business practices, and false advertising in violation of the Lanham Act and New York law” in connection with Costco’s signs that included the word “Tiffany” without being accompanied by the words “setting,” “style,” or “set.” In response, Costco asserted that its use of the word “Tiffany” to describe a style of ring setting was not infringement. Costco raised a “fair use” defense under the Lanham Act and filed “a counterclaim seeking to modify or partially cancel any federal trademark registrations that might prevent retailers from using the word ‘Tiffany’ to indicate that a ring has a Tiffany setting.”

In September 2015, the district court granted Tiffany’s summary judgment motion and concluded that Costco failed to raise a genuine issue of material fact as to any of the relevant factors to the infringement analysis, Costco’s fair use defense failed as a matter of law, and Costco’s infringement constituted counterfeiting. In August 2017, the district court entered a final judgment and awarded damages in an amount of \$21,010,438.35, including prejudgment interest. In September 2017, Costco appealed to the Circuit Court.

Tiffany’s Infringement Claim

Noting that in order to prove trademark infringement a plaintiff must show: (1) “it has a valid mark that is entitled to protection” and that (2) the defendant’s “actions are likely to cause confusion with [that] mark”, the Circuit Court explained that the first prong is presumptively satisfied and that the issue on appeal is whether Costco’s use of the word “Tiffany” on its point-of-sale signs was likely to cause confusion with Tiffany’s registered mark. The Circuit Court noted that the question of likelihood of confusion was to be evaluated using the eight factor test set forth in [Polaroid Corp. v. Polarad Elecs. Corp.](#) The eight factors are as follows:

(1) the strength of the trademark; (2) the degree of similarity between the plaintiff’s mark and the defendant’s allegedly imitative use; (3) the proximity of the products and their competitiveness with each other; (4) the likelihood that the plaintiff will “bridge the gap” by developing a product for sale in the defendant’s market; (5) evidence of actual consumer confusion; (6) evidence that the defendant adopted the imitative term in bad faith; (7) the respective quality of the products; and (8) the sophistication of the relevant population of consumers.

In considering actual confusion, the district court concluded that Costco did not rebut Tiffany’s customer testimony or consumer confusion survey and, therefore, Costco failed to raise a question as to whether customers were actually confused by its use of the word “Tiffany.” The Circuit Court disagreed, explaining that Costco did sufficiently rebut Tiffany’s evidence of confusion by submitting arguments and an expert report that criticized Tiffany’s customer confusion survey. In particular, Costco’s expert report pointed out that the survey only showed a single sign in isolation

rather than showing other signs which may have indicated that the word “Tiffany” only referred to the style of setting. Thus, the Circuit Court concluded that when “[r]esolving all factual inferences in Costco’s favor, a reasonable jury could find that Tiffany failed to present sufficiently persuasive evidence to meet that burden.”

The Circuit Court also analyzed the *Polaroid* factors of whether Costco acted in bad faith, the level of consumer satisfaction, and the overall likelihood of consumer confusion. In disagreeing with the district court, the Circuit court explained that even though Costco admitted to intending to sell more upscale jewelry that looked like Tiffany’s it did not have an intent to “have its jewelry pass as Tiffany’s.” The Circuit Court noted that the intent to sell jewelry that looked like Tiffany’s is not enough to establish that Costco acted in bad faith. The Circuit Court also noted that the “the district court overlooked substantial evidence that Costco did not attempt to sow confusion among its customers.” Thus, the Circuit Court concluded that a reasonable jury could conclude that Costco did not intend to mislead its customers and its use of the word “Tiffany” constituted a good faith attempt to describe the style of ring setting.

With respect to customer satisfaction, the Circuit Court explained that the district court erred in concluding that “Costco failed to raise a question as to whether its customers were sufficiently sophisticated that its use of the word ‘Tiffany’ would not create confusion.” The Circuit court noted that the district court erroneously shifted Tiffany’s burden to Costco in its conclusion that Costco’s evidence only went to the weight of Tiffany’s evidence and failed to provide a competing affirmative defense. The Circuit court stated that “the weight of a piece of evidence can be determinative as to whether summary judgment is appropriate” and Costco did offer evidence in the form of its expert declaration that customers who are purchasing diamond rings “definitely know more than people not in the market.” Thus, the Circuit Court concluded that a “jury could reasonably conclude, by crediting Costco’s evidence and rejecting Tiffany’s, that the relevant population of consumers would be sufficiently attentive and discriminating as to recognize that Tiffany had nothing to do with Costco’s diamond engagement rings.”

The Circuit Court also concluded that Costco’s evidence presented a “genuine question as to the likelihood of customer confusion” because Costco provided evidence that “Tiffany” is a broadly recognized term to describe a particular type of ring setting and because purchasers of diamond rings “educate themselves so as to become discerning consumers.” Thus, the Circuit Court concluded that a jury could reasonably conclude that the consumers who are shopping for diamond engagement rings “would know or learn that ‘Tiffany’ describes a style of setting not unique to rings manufactured by Tiffany, and recognized that Costco used the term only in that descriptive sense.”

Fair Use Defense

Noting that in order to establish fair use a defendant must show “that it used the allegedly infringing term ‘(1) other than as a mark, (2) in a descriptive sense, and (3) in good faith’”, the Circuit Court explained that the district court was incorrect in determining that no question of material fact existed with respect to Costco’s good faith, which is the factor upon which the district court rejected Costco’s defense.

The Circuit Court noted that a jury could reasonably conclude that Costco did not use the term “Tiffany” as a trademark because the word never appeared first in a product name, the word was the same size and font as the other words, and the word did not appear on the rings or ring packaging. The Circuit Court also explained that a jury could reasonably conclude that Costco used the term “Tiffany” descriptively because Costco presented evidence to establish that “(1) “Tiffany” has a descriptive meaning independent of Tiffany’s brand and (2) Costco intended to and did invoke that meaning when it created its point-of-sale signs.”

Counterfeiting

With respect to Tiffany’s trademark counterfeiting claim, the Circuit Court noted that since the district court erred in holding Costco liable for trademark infringement at the summary judgment stage, the district court’s counterfeiting judgment must also be vacated.

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