

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X

TIFFANY AND COMPANY and
TIFFANY (NJ) LLC,

Plaintiffs,

-v-

No. 13CV1041-LTS-DCF

COSTCO WHOLESALE CORP.,

Defendant.

-----X

MEMORANDUM OPINION AND ORDER

By Opinion and Order dated September 8, 2015 (“Summary Judgment Opinion,” docket entry no. 175), the Court granted summary judgment in favor of Plaintiffs (collectively, “Tiffany”), holding Costco liable for trademark infringement and trademark counterfeiting under the Lanham Act with respect to engagement rings sold under certain signage that referenced the mark “Tiffany” as a standalone term. The recitation of undisputed facts and the conclusions of law set forth in the Summary Judgment Opinion are incorporated herein by reference. A jury trial on Tiffany’s claims for monetary recovery in the form of profits and statutory damages pursuant to 15 U.S.C. Section 1117¹, and punitive damages pursuant to New York state law, was held from September 19, 2016, to October 5, 2016. The jury rendered unanimous verdicts that Costco’s relevant profits – those derived from sales of rings “using display case signage that included the ‘Tiffany’ mark as a standalone term, not combined with any immediately following

¹15 U.S.C. § 1117(c) permits the plaintiff in a case involving the use of a counterfeit mark to elect, at any time before final judgment is rendered, to recover an award of statutory damages instead of profits.

modifier such as ‘setting,’ ‘set’ or ‘style’” – totaled \$3,700,000, that such profits are inadequate to compensate Tiffany, that \$5,500,000 would be a just award of profits, and that Tiffany is entitled to an award of statutory damages for the same conduct in the amount of \$2,000,000 and punitive damages for such conduct in the amount of \$8,250,000.

On October 20, 2016, the Court issued an order directing the parties to address whether and to what extent the jury’s verdict should be treated as advisory with respect to: (a) the determination of Costco’s relevant profits; (b) whether that profit determination was inadequate or excessive as an amount to be recovered by Tiffany in light of the nature of Costco’s wrongful conduct; and, if so, (c) what amount would be just as an award of profits. The parties were also directed to address: whether there are any “extenuating circumstances” within the meaning of 15 U.S.C. § 1117(b) that preclude the trebling of the profits award; whether and to what extent equitable and injunctive relief ought to be granted; and whether the jury’s verdict is supported by the weight of the evidence and otherwise authorized under the law. (See docket entry no. 387.) The parties’ familiarity with the underlying background of the case and the trial evidence is assumed.

This Memorandum Opinion and Order includes the Court’s findings of fact and conclusions of law with respect to the issues of Costco’s profits and the appropriate recovery thereof and Tiffany’s entitlement to equitable relief, and addresses the parties’ additional arguments. The Court has considered thoroughly the trial record and all of the parties’ submissions. As explained below, Tiffany is entitled to recover \$3.7 million as profits for trademark infringement, trebled, if it does not instead elect to recover statutory damages. Tiffany is also entitled to recover the jury’s punitive damages award of \$8.25 million.

I. Whether the Jury Verdict as to Profits is Advisory

In the Summary Judgment Opinion, the Court stated that “[i]t was still an open question in the Second Circuit as to whether the accounting of profits in a trademark infringement action is an equitable or legal remedy.” (S.J. Op. at 36.) In the parties’ post-trial briefing, Costco contends that the jury verdict on the “Accounting of Profits Issues” was rendered on an equitable remedy for which there is no federal right to a jury trial, and that the Court is obligated to make an independent determination as to the accounting of profits. Tiffany, likewise, urges that “regardless of where the Court comes out on the state of the law, Tiffany believes the Court should set out findings of fact that would support the jury’s determinations, whether or not it was advisory on actual profits.” (Tiffany Br. at 3.) Although the Second Circuit has not explicitly ruled on the issue, in Gucci America, Inc. v. Weixing Li, a trademark infringement action under 15 U.S.C. Section 1117(a), the court characterized the accounting of profits sought by the plaintiff as an “equitable remedy.” 768 F.3d 122, 130 (2d Cir. 2014). The Court will treat the jury verdict as to accounting of profits as advisory and make its own findings.

Even when accepting the aid of an advisory jury, the Court must make its own independent findings of fact and conclusions of law as required by Federal Rule of Civil Procedure 52(a). See, e.g., DeFelice v. American Int’l Life Assur., 112 F. 3d 61, 65 (2d Cir. 1997) (noting that a trial court using an advisory jury must both make ‘its own factual findings and conclusions, in reliance upon the advisory jury’s verdict if the court so chooses, and . . . explain how it arrived at those findings and conclusions.’) The views of an advisory jury may be “an important part of the data taken into consideration in arriving at the court’s independent conclusion.” Birnbaum v. United States, 436 F. Supp. 967, 988 (E.D.N.Y. 1977).

By way of brief background, in its Summary Judgment Opinion, the Court found that Tiffany had proven its federal and state law claims that, by displaying solitaire diamond rings in Costco stores next to signage that included the word “Tiffany” as a standalone term not combined with an immediately following modifying word such as “setting,” “set,” or “style” (“Standalone Signage”), Costco infringed Tiffany’s trademark and engaged in unfair competition under state and federal law and that Costco counterfeited the Tiffany trademark under federal law. At trial, the jury was instructed to determine what monetary relief, if any, Tiffany was entitled to recover as a result of Costco’s trademark infringement, unfair competition, and counterfeiting. Among the monetary relief categories was an accounting for profits, as to which the jury was instructed that “Tiffany is entitled to an award of all profits earned by Costco that are attributable to Costco’s misuse of Tiffany’s trademark through infringement and/or counterfeiting from February 14, 2007, to the present time.” (Court Ex. 2 at 15.) The jury was also instructed that it was to determine whether “one sign, which used the word ‘Tiffany’ on one line and the word ‘set’ at the beginning of the following line[,] was a use of ‘Tiffany’ as a standalone term or a use of ‘Tiffany set’ as a combined term in describing the merchandise.” (Id. at 16.)

The Court makes the following additional findings of fact on the basis of its consideration of the entire trial record, including documentary and physical evidence, the testimony, and the demeanor and credibility of the witnesses. Costco has sold rings under signage using “Tiffany” without a following modifier since before 2007. There was no evidence as to when precisely this usage began, nor any credible evidence as to Costco’s reason for using “Tiffany” without a following modifier.

Costco presented credible evidence, and the Court finds that, “Tiffany” is used

within the jewelry industry in the context of the combined term “Tiffany setting” to denote a certain type of multipronged solitaire ring setting. Costco used the terms “Tiffany style” and “Tiffany setting,” as to which Tiffany did not assert trademark infringement or counterfeiting claims in this case, in a large proportion of its diamond ring signage. Costco also used the infringing Standalone signage to a significant degree.

Costco’s proffered explanations for the Standalone usage – that clerical workers merely copied language from jewelry suppliers’ invoices as shorthand for Tiffany settings and that Costco therefore was not engaging in intentional infringement or counterfeiting – were not credible in light of trial evidence that showed that displays of fine jewelry are an integral part of Costco’s marketing strategy, Costco made frequent internal and external references to Tiffany as a quality and style benchmark, and Costco displayed rings with “Tiffany” Standalone Signage in proximity to displays of name-brand luxury watches. Costco’s salespeople 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. Costco’s upper management, in their testimony at trial and in their actions in the years prior to the trial, displayed at best a cavalier attitude toward Costco’s use of the Tiffany name in conjunction with ring sales and marketing. Additional evidence supporting the conclusion that Costco engaged in culpable standalone use of the mark “Tiffany” included Costco’s use of purported valuations identical to prices that Tiffany had actually charged for similar rings, in certificates that Costco provided to buyers of rings sold under the infringing signage.

In light of this evidence, the Court finds that Tiffany is entitled to recover Costco’s profits derived not only from sales of rings under signage in which “set,” “setting” or

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.