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**DIAMONDS IN THE ROUGH: A REVIEW OF
TIFFANY V. COSTCO AND A CALL TO APPLY DAUBERT TO
THE ADMISSIBILITY OF CONSUMER SURVEY EVIDENCE IN
TRADEMARK INFRINGEMENT LITIGATION**

*Michael J. Borger**

INTRODUCTION

The illustrious history of Costco Corporation dates back to 1976 when it began its business operations inside of a remodeled airplane hangar.¹ With its first store located in a small town on the outskirts of San Diego, the company quickly became known for pioneering the wholesale membership club concept—a business model that was originally developed to meet the unique needs of small business owners.² After experiencing great economic success from the outset, Costco spent the next four decades expanding its business worldwide into Japan, Mexico, South Korea, France, and several other industrial countries, becoming recognized as a global powerhouse in the wholesale market space.³

Even with fierce competition from Amazon, an online conglomerate that recently acquired Whole Foods Market and successfully launched Prime Pantry,⁴ Costco shattered the

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¹ COSTCO.COM, ABOUT <https://www.costco.com/about.html>.

² *Id.*

³ *Id.*

⁴ It should be noted that Amazon acquired Wholefoods Market in August of 2017. *See* BUSINESS INSIDER, *Whole Foods is overtaking Amazon's brands with \$10 million in online sales in just 4 months*, (Dec. 20, 2017) <http://www.businessinsider.com/amazon-sells-10-million-in-whole-foods-products-2017-12>.

expectations of financial analysts when it generated over \$116 billion in gross revenue for the fiscal year ending in August 2016 and substantially increased its overall membership in 2017.⁵ However, despite the company's efforts to earn the trust and respect of its members by offering them the highest quality ground beef, shredded wheat, and coffee products at heavily discounted prices, on Valentine's Day in 2013, Costco broke the hearts of its loyal customer base when it was accused of selling its customers nothing more than large quantities of bulk deception.⁶

Nestled behind the large display of gallon-sized tubs of mayonnaise—and across the aisle from a mob of food vendors offering free samples of tasty frozen pizza treats—a flashy and attractive jewelry counter sits at the center of almost every Costco wholesale club. A variety of men's and women's watches, rings, and necklaces are prominently featured behind the glass case; some of the more popular and attractive pieces bear the name "Tiffany" and resemble the same diamond setting that Tiffany & Co. has made famous over the past century and a half.⁷ Well over two thousand Costco customers may have thought that their local wholesale clubs were merchandising and promoting the prestigious and exclusive Tiffany & Co. jewelry brand that has earned world-wide recognition for its high-quality products and unique ring settings.⁸ One Costco shopper with a particularly keen eye for the famous jewelry brand, however, would alert Tiffany & Co. of Costco's allegedly deceitful merchandising strategy.⁹ This complaint quickly prompted the initiation of a multi-million-dollar trademark infringement lawsuit that resulted in Tiffany

⁵ WALLSTREETJOURNAL.COM, *Amazon Hasn't Crushed Costco Yet and This One New Stat Proves It* <https://www.thestreet.com/story/14330149/1/costco-is-amazon-s-biggest-grocery-competitor-but-its-holding-up-ok.html>; COSTCO.COM, <https://www.costco.com/about.html>.

⁶ See Complaint, *Tiffany and Company v. Costco Wholesale Corp.*, No. 13 CV 1041, 2013 WL 541501 (S.D.N.Y. Feb. 14, 2013) (Tiffany & Co. alleged in its complaint that Costco engaged in "trademark infringement, dilution, counterfeiting, unfair competition, injury to business reputation, false and deceptive business practices and false advertising" by selling jewelry labeled and promoted as "Tiffany" in its wholesale stores) [hereinafter "Tiffany Complaint"].

⁷ Plaintiff's Memorandum of Law in Support of Motion for Summary Judgment at 3, *Tiffany and Company v. Costco Wholesale Corp.*, No. 13CV01041, 2013 WL 6778365 [hereinafter "Tiffany Motion for Summary Judgment"].

⁸ Tiffany Motion for Summary Judgment at 3.

⁹ See Complaint at ¶4 ("In November 2012, a consumer shopping in the Huntington Beach, California Costco warehouse complained to Tiffany that she was disappointed to observe that Costco was offering for sale what were promoted on in-store signs as Tiffany diamond engagement rings.").

& Co.'s prevailing on summary judgment, and subsequently being awarded a jury verdict—including both compensatory and punitive damages—worth over \$19,000,000.¹⁰ The jury calculated this award based on the factual findings procured by the district court, which held that Costco infringed upon the good will and reputation that Tiffany & Co. had established over the past century by promoting and protecting its luxurious, beautifully designed, globally recognized brand.¹¹ Specifically, the court found that Costco's use of the word "Tiffany" as a stand-alone term on promotional materials and in-store point-of-sale signage, without an attached modifier such as "style," "set," or "setting" attached to it, infringed upon the mark that Tiffany & Co. has used in commerce since 1868.¹²

Following this massive award, both parties submitted briefs to the district court regarding the damages awarded by the jury.¹³ The court reaffirmed that there was substantial anecdotal evidence of *actual* consumer confusion with regard to the rings sold at the wholesale club as well as evidence that Costco managers were engaging in bad-faith practices intended to free-ride on Tiffany & Co.'s success.¹⁴ More importantly, the court reiterated that when Costco sold jewelry bearing the name "Tiffany," it created a likelihood of confusion among consumers in the market for engagement rings.¹⁵ This determination was made following the testimony of Jacob Jacoby, Tiffany & Co.'s expert witness, and the court's evaluation of his consumer confusion survey evidence,¹⁶ the "keystone" element of a trademark infringement claim.¹⁷

¹⁰ *Tiffany and Company v. Costco Wholesale Corp.*, 274 F. Supp. 3d 216, 227 (S.D.N.Y. 2017) ("the Court finds that Plaintiffs are entitled to recover trebled profits of \$11.1 million . . . and punitive damages of \$8.25 million").

¹¹ Plaintiff's Memorandum of Law in Support of Motion for Summary Judgment at 3, *Tiffany and Company v. Costco Wholesale Corp.*, No. 13CV01041, 2013 WL 6778365 (hereinafter "Tiffany's Motion for Summary Judgment").

¹² *Tiffany and Company*, 2017 WL 3485380 at *1 (referencing the district court's summary judgment opinion and subsequent jury trial for monetary recovery); *Tiffany and Co. v. Costco Wholesale Corp.*, 127 F. Supp. 3d 241, 245 (S.D.N.Y. 2015).

¹³ *Tiffany and Company*, 2017 WL 3485380 at *1.

¹⁴ *Tiffany and Company*, 2017 WL 3485380 at *3 (giving great weight to evidence that Costco managers referenced Tiffany & Co. in numerous internal and external communications in an effort to ensure that the rings it was selling were comparable in price, style, and overall appearance to authentic Tiffany & Co. jewelry).

¹⁵ *Tiffany and Co.*, 127 F. Supp. 3d at 253.

¹⁶ *Id.* at 249, 253.

¹⁷ J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:1 (5th ed. 2017) ("Likelihood of confusion is the fundamental test of both state common-law

To the ordinary observer, it might appear that the court was justified in allowing the jury to award such harsh punitive damages against Costco in addition to actual damages sustained by the famous jeweler.¹⁸ After all, since “Costco is a company with billions of dollars in annual revenue,” the wholesaler would be hard-pressed to convince a court that the jury was excessive in its punitive damages award.¹⁹ However, after a closer evaluation of the evidence that Tiffany & Co. presented at trial to establish consumer confusion and Costco’s bad faith, there is a strong argument to be made that this evidence was significantly flawed and should not have been admitted.

In fact, Costco presented the court with genuine, well-founded objections that called into question the reliability and trustworthiness of the opinion of Tiffany & Co.’s expert witness, Dr. Jacob Jacoby, as well as the structure of Dr. Jacoby’s study. Costco argued that the survey evidence was not admissible because:

(i) it utilized false, built-in assumptions; (ii) it utilized oversimplified, misleading and erroneous instructions; (iii) it utilized contrived and artificial stimuli that either omitted context necessary for disambiguation or provided false and misleading “context”; (iv) it was administered to the wrong subject population; (v) and it did not properly address whether Tiffany was a generic term for the specific “genus at issue in this case.”²⁰

Costco also cited to a litany of cases upon which the district court had previously admonished and reprimanded Dr. Jacoby for utilizing “flawed,”²¹ “unreliable,”²² and poorly designed surveys that “reveal[ed] no confusion no matter how confusing the . . . issue actually was.”²³

The court, however, quickly dismissed these objections without much explanation, explaining that “[the] criticism of Dr.

and statutory trademark infringement and federal statutory trademark infringement.”) (internal citations and quotations omitted).

¹⁸ *Tiffany and Company*, 2017 WL 3485380 at *1 (listing punitive, statutory, and compensatory damages awarded to Tiffany & Co.).

¹⁹ *Tiffany and Company*, 2017 WL 3485380 at *6.

²⁰ *Tiffany and Co. v. Costco Wholesale Corp.*, 127 F. Supp. 3d 241, (S.D.N.Y. 2015).

²¹ *Kargo Global, Inc. v. Advance Magazine Publishers, Inc.*, 2007 WL 2258688, at 12* (S.D.N.Y. Aug. 6, 2007).

²² *Malletier v. Dooney & Bourke, Inc.*, 525 F. Supp. 2d 558, 569-70 (S.D.N.Y. 2007).

²³ *Weight Watchers Int’l, Inc. v. Stouffer Corp.*, 744 F. Supp. 1259, 1272 (S.D.N.Y. 1990).

Jacoby's survey is just that: criticism."²⁴ In fact, there was virtually no discussion in the lower court that addressed the qualifications of Tiffany & Co.'s expert, or the reliability of his suggestive, non-scientific consumer confusion survey which led to the massive monetary award. Rather than excluding the defective survey because it did not meet the threshold requirements mandated by the Federal Rules of Evidence, the court held that the flaws contained within the report went to the "weight, rather than the admissibility, of Tiffany's consumer confusion evidence."²⁵

The outcome of this case is alarming on numerous fronts. First, the testimony and opinions of expert witnesses, in virtually every other legal context—whether the expert is a doctor in a drug manufacturer's products liability action testifying that defendant's drug could exacerbate cirrhosis of the liver,²⁶ or an engineer with an expertise in the mechanical workings of farm augers testifying about the process in which this equipment is used to transfer grain or feed from one location to another²⁷—are subject to rigorous scrutiny by the courts. In order for these expert opinions to be admissible, not only must they satisfy Rule 403 and Rule 702 of the Federal Rules of Evidence,²⁸ but they are also subjected to the extensive *Daubert factors* established by the U.S. Supreme Court to ensure that expert witnesses refrain from using "junk science" to form the basis of their opinions.²⁹

Surprisingly, neither of these fundamental evidentiary standards was critically analyzed by the court during the *Tiffany & Co. v. Costco* litigation, despite Costco's vigorous challenges to the flawed methodology of Jacob Jacoby's survey which formed the basis of his opinion.³⁰ Rather, since the court accepted that consumer confusion

²⁴ *Tiffany and Co.*, 127 F. Supp. 3d at 254.

²⁵ *Id.* at 250-51.

²⁶ *See Ruggiero v. Warner-Lambert Co.*, 424 F.3d 249, 253 (2d Cir. 2005).

²⁷ *See Daniels v. Farmers Elevator and Exchange Co. of Monroe City*, No. 2:05 CV 55 DDN, 2006 WL 2632207 (E.D.Mo. 2006).

²⁸ FED R. EVID. 702 ("A witness who is qualified as an expert by knowledge, skill, experience, training, or education may testify in the form of an opinion or otherwise if: (a) the expert's scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue; (b) the testimony is based on sufficient facts or data; (c) the testimony is the product of reliable principles and methods; and (d) the expert has reliably applied the principles and methods to the facts of the case."); FED R. EVID. 403.

²⁹ *Amorgianos v. National R.R. Passenger Corp.*, 303 F.3d 256, 267 (2d Cir. 2002); *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 593-94 (1993).

³⁰ *Tiffany and Co.*, 127 F. Supp. 3d at 258 ("Costco does not undermine Dr. Jacoby's ultimate methodology (i.e., the use of a consumer survey), and certainly does nothing to

survey evidence is a generally reliable and admissible *method* for proving the likelihood of confusion in trademark infringement actions, it refused to exclude the survey, despite Costco's *Daubert* challenges to the *methodology* and structure of the survey that formed the basis of Tiffany & Co.'s expert opinion.³¹

This author argues that the *Daubert* factors are applicable to determining the admissibility of *all* expert opinions, whether they are based upon either physical science *or* social science data, which include consumer survey evidence. Furthermore, even though consumer confusion surveys are a generally accepted *method* to prove the likelihood of confusion in trademark infringement actions, the *methodology* utilized in these surveys must be sound in order for the survey to be admitted into evidence. Thus, before the courts are permitted to admit consumer confusion surveys into evidence, these surveys, as well as the expert opinions that are based on this survey evidence, must *always* be subjected to the same *Daubert* factors invoked in virtually all other contexts in federal litigation.³²

Part I of this note will provide readers with a brief overview of trademark infringement actions and explain the critical role that consumer confusion surveys play in litigation. It will then discuss how consumer confusion surveys are frequently admitted into evidence, despite the courts conceding that these surveys are subject to a host of defects including the suggestiveness, bias, and lack of scientific methodology, which underlie the conclusions based upon these tests. This section will also discuss instances where the courts have allowed the admission of relatively weak anecdotal evidence of actual confusion to prove trademark infringement. Part II of this note will discuss the rigorous standards set forth by *Daubert v. Merrell Dow*

demonstrate that Dr. Jacoby has reached his conclusions by engaging in unreliable 'junk science.'").

³¹ *Id.* at 258-59.

³² See *LVL XIII Brands, Inc. v. Louis Vuitton Malletier S.A.*, 209 F. Supp. 3d 612, 643 (S.D.N.Y. 2016) (readily applying the *Daubert* factors in a trademark infringement action to exclude expert testimony based on faulty, unreliable survey methodology); *but see* *Scotts Co. v. United Industries Corp.*, 315 F.3d 264, 278 (4th Cir. 2002) (refusing to evaluate defendant's argument that plaintiff's consumer confusion survey was inadmissible pursuant to *Daubert* because it agreed with the defendant's alternative argument that the survey simply did not prove likelihood of consumer confusion); *see also* Jack P. Lipton, *The Use and Acceptance of Social Science Evidence in Business Litigation after Daubert*, 5 PSYCHOL. PUB. POL'Y & L. 59 (arguing that in business and commercial litigation especially, the *Daubert* factors are frequently ignored, resulting in judicial determinations as to the *weight* of the survey evidence rather than its overall admissibility); *see also* MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:2.75 (5th ed. 2017).

Pharmaceuticals, Inc.,³³ the landmark Supreme Court case used to evaluate the sufficiency and admissibility of an expert witness's opinion testimony in *all* federal litigation. It will then evaluate the admissibility of consumer confusion surveys and highlight some of the issues that consumer confusion surveys present to the trier of fact when they are subjected to the *Daubert* factors. Finally, this section will outline the parameters and structure of a permissible consumer confusion survey. Part III will discuss the *Tiffany & Co. v. Costco* litigation, and specifically focus on the questionable anecdotal evidence of actual confusion used to prove infringement as well as the flawed and unreliable survey used by Tiffany & Co.'s expert witness to prove the likelihood of consumer confusion.

I. TRADEMARK INFRINGEMENT AND THE ROLE OF SURVEY EVIDENCE IN LITIGATION

A. A Brief Overview of Trademark Law and Infringement Actions

i. The Function of Trademark Law

The essential purpose of trademark law is very straightforward and to the point: protect consumers from being deceived or confused while making purchasing decisions in the marketplace.³⁴ The law recognizes the enormously influential and “psychological value” of trademarks which serve as powerful “merchandising shortcut[s]” that are capable of “induc[ing] a purchaser to select what he wants, or what he has been led to believe he wants” in the marketplace.³⁵ Manufacturers and distributors regularly exploit the value of their distinctive marks by utilizing them to distinguish their brand in virtually every possible marketplace—from pink insulation³⁶ to medicinal products³⁷—because these marks readily “help consumers identify goods and services that they wish to purchase, as well as those they want to avoid.”³⁸ In addition to protecting consumers in the

³³ 509 U.S. 579 (1993).

³⁴ *Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 636 (1st Cir. 1992).

³⁵ *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942).

³⁶ *See In re Owens-Corning Fiberglas Corp.*, 774 F.2d 1116 (Fed. Cir. 1985).

³⁷ *See United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918).

³⁸ *Matal v. Tam*, 137 S. Ct. 1744, 1751 (2017).

marketplace, a secondary—and perhaps just as important—purpose of trademark law is protecting the good will that manufacturers and distributors have established through investing large sums of money into advertising and marketing campaigns, quality control, and the development of their products.³⁹

Although the courts regularly enforce the legal rights that mark holders have acquired through their continuous use of the mark in commerce, the initial burden placed on the plaintiff in an infringement action is to prove that the mark is deserving of trademark protection.⁴⁰ This initial judicial inquiry is fundamental in establishing a mark holder's rights and is a very familiar concept that runs throughout intellectual property law. Where copyright law focuses on the "originality" of creative and artistic expression,⁴¹ and patent law focuses on "novelty" of utilitarian inventions,⁴² the threshold inquiry in determining the validity of a trademark is the "distinctiveness" of the mark, symbol, logo, phrase, color, or device that is being used to convey a "merchandising shortcut" to the consumer public.⁴³

ii. Registration of Trademarks

In *Abercrombie & Fitch Co. v. Hunting World, Inc.*,⁴⁴ the United States Court of Appeals for the Second Circuit articulated a

³⁹ Gideon Parchomovsky & Peter Siegelman, *Towards an Integrated Theory of Intellectual Property*, 88 VA. L. REV. 1455, 1460 (2002) ("Despite the different economic and legal theories underlying them, however, we contend that both patents and trademarks allow firms to appropriate the benefits of investment in Research and Development ("R&D") and product quality.").

⁴⁰ *Major League Baseball Properties, Inc. v. Opening Day Productions, Inc.*, 385 F. Supp. 2d 256, 265 (S.D.N.Y. 2005).

⁴¹ *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340, 351, 362 (1991) (explaining that "originality is a constitutionally mandated prerequisite for copyright protection" and denying copyright protection to a list of names and home addresses in a phonebook because it "lack[ed] the modicum of creativity necessary to transform mere selection into copyrightable expression").

⁴² *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150 (1989) ("Taken together, the novelty and nonobviousness requirements express a congressional determination that the purposes behind the Patent Clause are best served by free competition and exploitation of either that which is already available to the public or that which may be readily discerned from publicly available material.").

⁴³ *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976) (explaining that distinctiveness is a function of whether the mark is generic, descriptive, suggestive, or arbitrary and the amount of the protection offered to the mark holder varies depending on which of these categories the mark falls into); *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942).

⁴⁴ *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976).

systematic approach to evaluating the protectability of trademarks that has become known as the “*Abercrombie* spectrum of distinctiveness.”⁴⁵ In this landmark case that has guided courts throughout all of the federal circuits, the Second Circuit explained that there are ultimately four categories of marks that trademarks can be categorized as: generic marks, descriptive marks, suggestive marks, and marks that are arbitrary or fanciful.⁴⁶ Depending on the category that a mark is placed into, the law provides varying levels of protection, evidentiary presumptions, and shifting burdens placed on the parties.⁴⁷

On the far end of the spectrum lie marks that are categorized as arbitrary or fanciful. These marks are entitled to receive a legal presumption of distinctiveness, the highest level of protection that a mark can attain, which gives the mark holder prima facie evidence of validity.⁴⁸ The Kodak mark, for example, when used in the photography industry to identify the source of camera film and other camera accessories, is a mark that is considered fanciful, and thus, inherently distinctive, because the content of the mark itself has absolutely no association or logical connection with the product on which it is placed.⁴⁹ If a mark is arbitrary or fanciful in a particular marketplace, no other evidence is required to satisfy the plaintiff’s initial burden of proof as to the mark’s validity.

In contrast, generic marks, which are marks that simply refer to a “genus of which the particular product is a species,” can never obtain trademark protection, no matter how much money and effort the mark holder puts in advertising, promoting, and building up the good will of the mark.⁵⁰ In essence, the law simply does not allow one business to “deprive competing manufacturers of the product of the right to call an article by its name.”⁵¹ Thus, marks such as “*Shredded Wheat*,” when used to describe a breakfast biscuit product in pillow-

⁴⁵ *Fun-Damental Too, Ltd. v. Gemmy Industries Corp.*, 111 F.3d 993, 1001 (2d Cir. 1997); see also William McGeeveran, *The Trademark Fairuse Reform Act*, 90 B.U. L. REV. 2267, 2202-03 (2010).

⁴⁶ *Abercrombie & Fitch Co.*, 537 F.2d at 9.

⁴⁷ See generally MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11:2 (5th ed. 2017).

⁴⁸ See *Abercrombie & Fitch Co.*, 537 F.2d at 9-11.

⁴⁹ *Pan American World Airways, Inc. v. Panamerican School of Travel, Inc.*, 648 F. Supp. 1026, 1033 (S.D.N.Y. 1986) (citing *Abercrombie & Fitch Co.*, 537 F.2d at 11).

⁵⁰ *Abercrombie & Fitch Co.*, 537 F.2d at 9.

⁵¹ *Id.*

shaped form,⁵² and “*Lawyers.Com*,” when used to describe services that will help individuals obtain the legal services of an attorney or law firm,⁵³ can never receive trademark protection as it would lead to unfair competition in the marketplace.

Situated in very close proximity to generic marks on the *Abercrombie* spectrum are merely descriptive marks, which are marks that “convey[] an immediate idea of the ingredients, qualities or characteristics of the goods.”⁵⁴ These types of marks cannot be registered under the Lanham Act unless they have acquired “secondary meaning” or acquired distinctiveness in their relevant marketplaces.⁵⁵ In other words, the party seeking registration would have to prove that the consuming public “primarily associates the term with a particular source.”⁵⁶ For example, the “*Park ‘N Fly*” mark, when used in connection with a parking lot service located adjacent to an airport, was held to be a merely descriptive mark “at best,” because the mark is a “clear and concise description of a characteristic or ingredient of the service offered—the customer parks his car and flies from the airport.”⁵⁷ Thus, in order for an applicant to register a merely descriptive mark such as “*Park ‘N Fly*” for airport parking services,⁵⁸ “*Dog Food Products Co.*” for a company that manufactures and distributes dog food,⁵⁹ or “*Queso Quesadilla Supreme*” for a business that sells Mexican cheeses,⁶⁰ the party seeking registration would have the burden to provide evidence that its mark had acquired distinctiveness in the product’s relevant market.⁶¹ This can be proved by direct evidence through the use of consumer survey evidence, or circumstantial evidence offered by the manufacturer of the mark that shows the length of time it has utilized the mark in the marketplace,

⁵² *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 112-13 (1938) (“The plaintiff has no exclusive right to the use of the term ‘Shredded Wheat’ as a trade name. For that is the generic term of the article, which describes it with a fair degree of accuracy; and is the term by which the biscuit in pillow-shaped form is generally known by the public.”).

⁵³ *In re Reed Elsevier Properties Inc.*, 482 F.3d 1376, 1378 (Fed. Cir. 2007).

⁵⁴ *Abercrombie & Fitch Co.*, 537 F.2d at 11.

⁵⁵ *Id.*

⁵⁶ *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1040 (2d Cir. 1992).

⁵⁷ *Park ‘N Fly, Inc. v. Dollar Park and Fly, Inc.*, 468 U.S. 189, 206 n.3 (1985) (quoting *Park ‘N Fly, Inc. v. Dollar Park and Fly, Inc.*, 718 F.2d 327, 331 (9th Cir. 1983)).

⁵⁸ *Id.*

⁵⁹ *Baff v. Dog & Cat Food Products*, 20 N.Y.S.2d 319, 320 (App. Div. 1940).

⁶⁰ *In re Dos Padres Inc.*, 49 U.S.P.Q.2d 1860, 1998 WL 1120831 (T.T.A.B. 1998).

⁶¹ *Id.*

the quality and quantity of promotional advertising for the mark, and overall sales that have been attached to the mark.⁶²

Suggestive marks are the final category of trademark that fall within the *Abercrombie* spectrum, and they are notorious for giving the courts the most difficulty in determining the validity of these marks because of their close associations with marks that are merely descriptive.⁶³ Although the courts have noted that understanding and analyzing suggestive marks requires the trier of fact to use his or her “imagination, thought and perception to reach a conclusion as to the nature of goods,”⁶⁴ a bright line standard has not yet been articulated. It is well-established, however, that most suggestive marks are inherently distinctive, and the mark holder does not need to prove that the mark acquired secondary meaning in order to obtain registration. One of the most widely cited examples of an inherently distinctive suggestive mark is the famous “*Tide*” mark when used in connection with the sale of laundry detergent soap and cleaning products.⁶⁵

iii. Protection against Trademark Infringement

After a mark holder overcomes the initial burden to prove the mark is valid, trademark law enforces these rights and helps to protect the good will established by the mark holder. One of these rights, and perhaps the most critical, is protection against individuals and companies that infringe upon the good will of the valid mark and seek to freeride on the success of the senior mark holder’s property rights. Once it is established that the plaintiff holds a valid mark, the second inquiry that the courts make is whether the defendant’s use of the mark has created a likelihood of consumer confusion in the marketplace. This inquiry has been described as the “keystone” element in a

⁶² MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 15:1 (5th ed. 2017).

⁶³ MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11:62 (5th ed. 2017) (“The distinction between words that ‘suggest’ but do not ‘describe’ can often be a subtle one, but the distinction can be determinative of the result in many cases in both infringement litigation and in obtaining federal registration.”); *see also* Stephen L. Carter, *The Trouble with Trademark*, 99 YALE L.J. 759, 771 (1990) (“The line between descriptive and suggestive marks is quite a difficult one to draw, and new entrants to product markets often stray quite close to it.”).

⁶⁴ *Abercrombie & Fitch Co.*, 537 F.2d at 11 (quoting *Stix Prods., Inc. v. United Merchants & Mfrs., Inc.*, 295 F. Supp. 479, 488 (S.D.N.Y. 1968)).

⁶⁵ *See Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 210-12 (2000).

trademark infringement action and essential for a plaintiff to prove in a trademark infringement action.⁶⁶

Although the likelihood of consumer confusion might seem like a difficult element to ascertain, the courts have articulated a number of tests to help guide them through this critical analysis. The Sixth Circuit, for example, utilizes an eight-factor test known as the “*Frisch* factors”⁶⁷ that evaluate the strength of the senior mark; relatedness of the goods or services; similarity of the marks; evidence of actual confusion; marketing channels used; likely degree of purchaser care; the intent of defendant in selecting the mark; and likelihood of expansion of the product lines,” in order to determine whether consumers are likely to be confused by the concurrent use of the marks in similar relevant markets.⁶⁸ In similar fashion, the Second Circuit also utilizes an eight-factor test that has become widely recognized as the “*Polaroid Factors*” and evaluates:

- (1) the strength of the plaintiff’s mark; (2) the degree of similarity between the plaintiff’s and defendant’s marks; (3) the competitive proximity of the products sold under the marks; (4) the likelihood that the plaintiff will bridge the gap; (5) actual confusion; (6) the defendant’s good faith, or lack thereof, in adopting its mark; (7) the quality of the defendant’s product; and (8) the sophistication of the plaintiff’s customers.⁶⁹

⁶⁶ J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:1 (5th ed. 2017).

⁶⁷ See *Frisch’s Restaurants v. Elby’s Big Boy, Inc.*, 670 F.2d 642 (6th Cir. 1982); see also *Maker’s Mark Distillery, Inc. v. Diageo North America, Inc.*, 679 F.3d 410, 419 (6th Cir. 2012).

⁶⁸ *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562, 568 (6th Cir. 2000) (applying *Frisch* factors).

⁶⁹ *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961). In addition to *Polaroid* and *Frisch’s* factors discussed above, other circuits, including the Federal Circuit, have articulated their own versions of these likelihood of consumer confusion tests. See *Autozone, Inc. v. Strick*, 543 F.3d 923, 929 (7th Cir. 2008) (articulating a seven-factor test which looks at “(1) the similarity between the marks in appearance and suggestion; (2) the similarity of the products; (3) the area and manner of concurrent use; (4) the degree and care likely to be exercised by consumers; (5) the strength of the plaintiff’s mark; (6) any actual confusion; and (7) the intent of the defendant to “pass off” his product as that of another.”); see also *Application of E. I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973) (applying a thirteen factor test for likelihood of confusion which includes an evaluation of “[t]he fame of the prior mark” and “[a]ny other established fact probative of the effect of use”); see also *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979) (articulating an eight-factor test known as the “*Sleekcraft* factors” which looks at “1. strength of the mark; 2. proximity of the goods; 3. similarity of the marks; 4. evidence of actual confusion; 5.

Although there are subtle differences in the application of these factors among the circuit courts, the main purpose for implementing these tests remains the same: triers of fact want to protect consumers in the marketplace and also protect the good will that manufacturers and distributors have established in their trademarks through their investments, research, product design, and promotion of their brand.⁷⁰ It is up to the parties, however, to provide the trier of fact with sufficient evidence to either demonstrate that there is a likelihood of consumer confusion or not. One of the most common methods utilized in a trademark infringement action to either prove or rebut the existence of consumer confusion is survey evidence procured by expert witnesses.⁷¹

B. Consumer Confusion Survey Evidence: Its Purpose and Criticisms

In *Indianapolis Colts, Inc. v. Metropolitan Baltimore Football Club Ltd. Partnership*,⁷² Chief Judge Richard Posner explained the important role that trademarks play in our society and the essential need for expert testimony in trademark infringement litigation.⁷³ Posner explained that the opinions of these experts are critical in helping judges to not only understand, but also “strike a balance” among a number of competing interests in the marketplace held by manufacturers and consumers.⁷⁴ For example, manufacturers of new products have a legitimate interest in investing a substantial amount of financial resources into the development of attractive, recognizable branding to help them stand out in an overcrowded marketplace.⁷⁵ On the other hand, manufacturers of existing products have an interest in enforcing certain legal protections that they have earned in their marks to ensure that competitors will not infringe on their good will which could result in lost sales.⁷⁶ Most importantly, the consuming public

marketing channels used; 6. type of goods and the degree of care likely to be exercised by the purchaser; 7. defendant’s intent in selecting the mark; and 8. likelihood of expansion of the product lines.”).

⁷⁰ See *supra* notes 34-39 and accompanying text.

⁷¹ 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:158 (5th ed.).

⁷² 34 F.3d 410 (7th Cir. 1994).

⁷³ *Id.* at 414-15.

⁷⁴ *Id.* at 414.

⁷⁵ *Id.*

⁷⁶ *Id.*

wants to know exactly what they are purchasing on the store shelves without the need for time-consuming and costly investigations into the source of the products.⁷⁷

Given the underlying purpose of trademark law, which is to protect the consumer while making purchasing decisions, expert witnesses play a critical role in infringement litigation in determining the mark's impact on consumers in any given marketplace—namely, whether the use of a mark will cause a likelihood of confusion among these consumers. Although this testimony is critical, Judge Posner also made it abundantly clear that when it comes to utilizing expert witnesses to help triers of fact determine whether the defendant's use of an allegedly infringing mark would confuse consumers, due to the adversarial nature of litigation, the reliability of their testimony must be heavily scrutinized.

Posner criticized one of the major defects in the use of consumer surveys, explaining that “[m]any experts are willing for a generous (and sometimes for a modest) fee to bend their science in the direction from which their fee is coming.”⁷⁸ This is alarming because “[t]he touchstone of liability under [the trademark infringement statute] is whether the defendant's use of the disputed mark is likely to cause confusion among consumers regarding the origin of the goods offered by the parties.”⁷⁹ Interestingly enough, despite his stark criticism of the survey evidence in general, Posner declared that the lower court did not commit clear error by crediting the findings of these studies and admitting them into evidence.⁸⁰ According to Posner, the surveys were not perfect, but “this [was] not news,” as “[t]rials would be very short if only perfect evidence were admissible.”⁸¹ Instead of excluding this flawed evidence from the record and requiring the parties to procure survey results that were methodologically sound, Posner merely expressed hope that the parties would “take these criticisms to heart in [their] next courtroom appearance.”⁸²

⁷⁷ See *infra* note 34 and accompanying text.

⁷⁸ *Indianapolis Colts, Inc.*, 34 F.3d at 415.

⁷⁹ *Daddy's Junky Music Stores, Inc. v. Big Daddy's Family Music Ctr.*, 109 F.3d 275, 280 (6th Cir. 1997).

⁸⁰ *Indianapolis Colts, Inc.*, 34 F.3d at 416.

⁸¹ *Id.*

⁸² *Id.* at 415.

However, if the courts rely on the survey data collected by expert witnesses to show consumer confusion—data conceded to be deliberately skewed in favor of the party offering the evidence—this evidence could become very prejudicial and misleading to a trier of fact.⁸³ Under circumstances where the evidence is admittedly unreliable, in accordance with the Federal Rules of Evidence and Supreme Court precedent, the consumer survey evidence should not be admitted into evidence at all.⁸⁴ The courts, however, regularly allow this defective evidence to be admitted at trial and evaluated by the trier of fact.

In *Leelanau Wine Cellars, Ltd. v. Black & Red, Inc.*,⁸⁵ for example, the district court had to determine whether the mark “CHATEAU DE LEELANAU VINEYARD AND WINERY” infringed upon the senior mark holder’s “LEELANAU CELLARS” mark, in Michigan’s consumer wine marketplace.⁸⁶ To prove the existence of consumer confusion at trial, the plaintiff and senior mark holder offered an expert witness who opined that defendant’s use of the mark “LEELANAU CELLARS” on its wine bottles was likely to confuse consumers while making purchasing decisions.⁸⁷ The district court admitted the consumer confusion survey procured by the plaintiff, despite the court’s conceding that the survey was severely flawed. The court explained that in regard to the survey, “(1) the universe of respondents was overbroad and failed to include individuals who were potential purchasers of [defendant’s product]; (2) the survey did not replicate conditions that consumers would encounter in the marketplace; and (3) the survey questions were suggestive and misleading.”⁸⁸ Instead of precluding this evidence on the ground that the survey results impermissibly prejudiced the trier of fact, the court simply stated that it would “give little weight” to the survey evidence because the survey did not replicate actual market conditions.⁸⁹

⁸³ See FED. RULES EVID. Rule 403.

⁸⁴ See *infra* Section II.

⁸⁵ *Leelanau Wine Cellars, Ltd. v. Black & Red, Inc.*, 2003 WL 396340 (W.D. Mich. 2003), *rev’d and remanded*, 118 Fed. Appx. 942 (6th Cir. 2004).

⁸⁶ *Leelanau Wine Cellars, Ltd. v. Black & Red, Inc.*, 502 F.3d 504, 510 (6th Cir. 2007).

⁸⁷ *Id.*

⁸⁸ *Id.* at 518.

⁸⁹ *Leelanau Wine Cellars, Ltd. v. Black & Red, Inc.*, 452 F. Supp. 2d 772, 783-84 (W.D.M.S.D. 2006) (“The survey in this case was conducted in a manner that was substantially at odds with the circumstances under which most consumers encounter Defendants’ wine.”).

Likewise, In *Borinquen Biscuit Corp. v. M.V. Trading Corp.*,⁹⁰ a trademark infringement case involving two international manufacturers of biscuit style cookies known as “galletas” in Puerto Rico, both parties utilized survey evidence regarding the issue of likelihood of confusion as it related to their respective product packaging designs and labeling.⁹¹ Although the district court gave “scant evidentiary value” to the defendant’s survey evidence because of its “small sample size and large margin of error,” which “cast considerable doubt on its statistical integrity,” the district court still admitted the results of these findings into evidence.⁹²

II. DAUBERT V. MERRELL DOW PHARMACEUTICALS, INC.

A. The *Daubert* Factors and the Admissibility of Expert Testimony

*Daubert v. Merrell Dow Pharmaceuticals, Inc.*⁹³ is the leading Supreme Court case used to evaluate the sufficiency and admissibility of an expert witness’s opinion testimony. In this case, the Court listed a number of factors to use when evaluating the sufficiency and admissibility of an expert’s opinion which include the theory’s testability, the extent to which it “has been subjected to peer review and publication,” the extent to which a technique is subject to “standards controlling the technique’s operation,” the “known or potential rate of error,” and the “degree of acceptance” within the “relevant scientific community.”⁹⁴

Thus, if an expert’s report is not supported by reliable methodology pursuant to the *Daubert* factors, a court may exclude this opinion where “there is simply too great an analytical gap between the data and the opinion proffered.”⁹⁵ The Court of Appeals for the Second Circuit has held that in instances when an expert’s opinion was based

⁹⁰ 443 F.3d 112 (1st Cir. 2006).

⁹¹ *Id.* at 114 (explaining that “[Defendant’s] . . . product logo consists of a white oval with the name “Ricas” centered in red letters and with a red square in the upper right-hand corner of the oval bearing the white-lettered brand name “Nestlé,” where the plaintiff’s product consisted of “predominately red-and-white packaging, with the circular logo centered against a background consisting of rows of the galletas.”).

⁹² *Id.* at 121 n.6.

⁹³ 509 U.S. 579 (1993).

⁹⁴ *Id.* at 593–94.

⁹⁵ *General Electric Co. v. Joiner*, 522 U.S. 136, 146 (1997).

“on a faulty assumption due to [the expert’s] failure to apply his stated methodology reliably to the facts of the case,” these opinions are “not based on good grounds,” and must be excluded.⁹⁶ The lower courts have also excluded expert opinions and testimony pursuant to *Daubert* when they were “based on incorrect factual assumptions that render[ed] all of [the expert’s] subsequent conclusions purely speculative.”⁹⁷

The mere presence of flaws in the execution of the expert’s methodology, or mistakes contained within the expert’s report, however, does not necessarily render the entire opinion invalid and inadmissible. As the Third Circuit has explained:

[W]e think that the primary limitation on the judge’s admissibility determinations is that the judge should not exclude evidence simply because he or she thinks that there is a flaw in the expert’s investigative process which renders the expert’s conclusions incorrect. The judge should only exclude the evidence if the flaw is large enough that the expert lacks “good grounds” for his or her conclusions.⁹⁸

To determine whether an expert witness has established “good grounds” for the conclusions he or she is offering to the court, the trier of fact must determine whether these conclusions “could reliably flow from the facts known to the expert and methodology used.”⁹⁹ This coincides with the underlying principles set forth in *Daubert*, which stands for the proposition that the “ultimate touchstone” for determining the admissibility of an expert’s opinion is evaluating whether the implementation of a “technique or principle [is] sufficiently reliable so that it will aid the jury in reaching accurate results.”¹⁰⁰

It is therefore alarming that in the context of trademark infringement litigation, the courts readily allow expert testimony to be

⁹⁶ *Amorgianos v. National R.R. Passenger Corp.*, 303 F.3d 256, 269 (2d Cir. 2002) (citing *In re Paoli R.R. Yard PCB Litig.*, 35 F.3d 717, 746 (3d Cir.1994) (internal quotation marks omitted)).

⁹⁷ *Macaluso v. Herman Miller, Inc.*, No. 01 Civ. 11496, 2005 WL 563169, at *8 (S.D.N.Y. Mar. 10, 2005).

⁹⁸ *In re Paoli R.R. Yard PCB Litig.*, 35 F.3d at 746.

⁹⁹ *Heller v. Shaw Indus., Inc.*, 167 F.3d 146, 153 (3d Cir.1999).

¹⁰⁰ *In re Paoli R.R. Yard PCB Litig.*, 35 F.3d at 744 (quoting *DeLuca by DeLuca v. Merrell Dow Pharmaceuticals, Inc.*, 911 F.2d 941, 945 (3d Cir. 1990)).

admitted into evidence, despite the fact that this testimony is often based on consumer confusion surveys that are concededly flawed, poorly designed, unreliable, biased, skewed, and statistically inaccurate.¹⁰¹

B. The Daubert Factors Applied to Trademark Infringement Litigation: What Constitutes a Permissible Consumer Confusion Survey?

Although it is well-recognized that consumer confusion survey evidence that is produced by a qualified expert “should be found sufficiently reliable and admissible,”¹⁰² “[t]here is no doubt that a trial court, in the exercise of its ‘gatekeeping function’ may, in an appropriate case, exclude seriously flawed survey data from being received into evidence.”¹⁰³ However, when the courts readily allow surveys that utilize flawed methodology to enter into evidence, it becomes difficult to ascertain the circumstances in which a defective survey will actually be excluded. To establish what constitutes a permissible survey pursuant to *Daubert*, Professor McCarthy provides substantial guidance as he stresses the importance of maintaining sound survey methodology,¹⁰⁴ defining a clear and relevant universe of individuals to survey,¹⁰⁵ and realistically approximating market conditions.¹⁰⁶

i. Designing a Survey with Sound Methodology

With modern technology expanding exponentially, the methods by which consumers access the marketplace has been continuously evolving. As more and more brick and mortar stores close their doors and begin to expand their e-commerce presence on the internet, the potential for consumers to experience marketplace confusion as they browse through thousands of products with a simple click of a mouse—or a swipe of a finger on most modern mobile

¹⁰¹ See *supra* notes 21-23 and accompanying text.

¹⁰² 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:170 (5th ed. 2017).

¹⁰³ 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:170 (5th ed. 2017).

¹⁰⁴ 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:163 (5th ed. 2017).

¹⁰⁵ 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:159 (5th ed. 2017).

¹⁰⁶ 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:163 (5th ed. 2017).

devices—has drastically increased.¹⁰⁷ With these new types of shopping experiences that individuals are engaging in every single day, the courts have adapted to these constantly changing marketplace conditions, sometimes expanding well-settled law that has been in place for decades in order to ensure that the underlying purposes of trademark law remain undisturbed.¹⁰⁸

In turn, expert witnesses in trademark infringement litigations have been required to expand and develop their approach to acquiring accurate survey data in an era when shopping in a brick and mortar store has almost become obsolete. Since the courts have explained that “[a] consumer using the link on the web page to purchase . . . goods is . . . equivalent [to] a consumer seeing a shelf-talker and taking the item to the cashier in a store to purchase it,”¹⁰⁹ experts have been forced to craft surveys that provide accurate data in marketplaces that continue to evolve. So long as these surveys can approximate actual marketplace conditions that consumers will experience—either online or in an actual retail store—experts have a plethora of reliable methods to utilize to extract this data including in-person interviews, telephone surveys, and internet surveys.¹¹⁰

In order for the survey evidence to be reliable, and thus, admissible in court pursuant to the rigorous *Daubert* factors:

- (1) the [survey’s] “universe” [must be] properly defined
- (2) a representative sample of that universe [must be] selected
- (3) the questions to be asked of interviewees [must be] framed in a clear, precise and non-leading manner,
- (4) sound interview procedures [must be] followed by competent interviewers who had no knowledge of the litigation or the purpose for which the survey was conducted,
- (5) the data gathered [must be] accurately reported,
- (6) the data [must be] analyzed in

¹⁰⁷ See *Multi Time Machine, Inc. v. Amazon.com*, 804 F.3d 930 (9th Cir. 2015). In this case, the court determined if Amazon.com infringed plaintiff’s registered trademark when its search engine provided users with a list of related products sold by plaintiff’s competitors, instead of indicating that the product was not available on Amazon.com.

¹⁰⁸ See *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137, 1154 (9th Cir. 2011) (adding a ninth factor to the eight-factor likelihood of consumer confusion test articulated in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979) in the context of internet infringement cases: “the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page”).

¹⁰⁹ *In re Sones*, 590 F.3d 1282, 1288 (Fed. Cir. 2009).

¹¹⁰ 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:163 (5th ed. 2017).

accordance with accepted statistical principles and (7) objectivity of the entire process [must be] assured. Failure to satisfy one or more of these criteria may lead to exclusion of the survey¹¹¹

ii. Establishing an Appropriate Survey Universe

To create a survey that approximates actual market conditions, the designer of the survey must first establish an appropriate universe of individuals who will be participating in the survey.¹¹² What constitutes an appropriate universe is entirely dependent on the relevant product market, the types of goods being sold, and the likely purchasers of these goods. For example, in the context of a trademark infringement action involving specialized luxury watches valued between \$15,000 and \$1,000,000, an appropriate universe for a consumer confusion survey would be individuals who either owned, or would be likely to consider purchasing, a luxury watch in this price range.¹¹³ In contrast, an appropriate universe for surveys which seek to evaluate the likelihood of confusion in the context of everyday products such as lightbulbs and flashlights could consist of the general population as a whole because virtually everybody purchases these products.¹¹⁴

In the alternative, a survey universe can be deemed *inappropriate* by the trier of fact. For example, in *Weight Watchers Int'l, Inc., v. Stouffer Corp.*,¹¹⁵ the court held that the consumer confusion survey universe for an infringement action regarding frozen weight-loss food products was *over-inclusive*, and thus, inappropriate, because the survey consisted of participants who “may not have been in the market for diet food of any kind.”¹¹⁶ In *Brooks Shoe Mfg. Co., Inc. v. Suave Shoe Corp.*,¹¹⁷ the court held that the consumer confusion survey universe for an infringement action regarding athletic running shoes was *under-inclusive*, and thus, inappropriate, because the

¹¹¹ 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:53 (5th ed. 2017).

¹¹² 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:159 (5th ed. 2017).

¹¹³ Audemars Piguet Holding S.A. v. Swiss Watch Intern., Inc., 2014 WL 47465 (S.D.N.Y. Jan. 6, 2014).

¹¹⁴ See 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:160 (5th ed. 2017) (citing Union Carbide Corp. v. Ever-Ready, Inc., 531 F.2d 366 (7th Cir. 1976)).

¹¹⁵ 744 F. Supp. 1259 (S.D.N.Y. 1990).

¹¹⁶ *Id.* at 1272.

¹¹⁷ 533 F. Supp. 75 (S.D. Fla 1981).

universe of survey participants only included “spectators and participants at running events in the Washington-Baltimore area,” which was “far too narrow to give a fair indication of whether the consuming public associates the [design with plaintiff’s] shoes.”¹¹⁸ Finally, the courts have held that if the geographic area in which the survey is being conducted does not accurately represent the relevant market to be tested, the survey universe may be deemed inappropriate, which results in the survey evidence being given little weight.¹¹⁹

It is extremely important for a consumer confusion survey to be administered to the appropriate universe of participants because in order to “be probative and meaningful,” the survey questions “must rely upon responses by potential consumers of the products in question.”¹²⁰ This is true because survey participants are not likely to purchase the relevant product—or even consider purchasing the product within a reasonable amount of time—the participant will be less observant in the marketplace, will be less observant when exposed to the product’s advertisements, and will not be able to distinguish the product in question from others in the same relevant marketplace.¹²¹ Furthermore, it is critical that the surveyor takes steps to ensure that the survey is properly executed, all of the questions are answered, and it is confirmed that data are only being extracted from respondents who belong in the defined survey universe.¹²²

Interestingly enough, however, despite the factors that the United States Supreme Court articulated in *Daubert* to help determine reliability, and despite the guidance given by the courts in determining what constitutes a permissible consumer confusion survey, seriously flawed surveys administered with “sloppy execution”¹²³ and “methodological errors”¹²⁴ are still regularly admitted into evidence. As discussed below, this questionable practice has an undesirable, prejudicial, and drastic impact on high-stakes trademark infringement litigation that can easily be remedied with a consistent application of a *Daubert* analysis prior to a survey’s admission.

¹¹⁸ *Id.* at 80.

¹¹⁹ 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:161 (5th ed. 2017).

¹²⁰ 744 F. Supp. at 1273 (quoting *Dreyfus Fund Inc. v. Royal Bank of Canada*, 525 F. Supp. 1108, 1116 (S.D.N.Y.1981)).

¹²¹ *Id.* at 1273.

¹²² *Id.*

¹²³ *Id.* at 1272-73

¹²⁴ *Malletier v. Dooney & Bourke, Inc.*, 525 F. Supp. 2d 558, 569-70 (S.D.N.Y. 2007).

III. TIFFANY AND CO. V. COSTCO

In November of 2012, Tiffany & Co., one of the most famous and iconic diamond jewelers in the world, was informed by an individual shopping at a Costco Wholesale Club in Huntington Beach, California, that the bulk discount store was advertising and promoting Tiffany rings for sale in its stores.¹²⁵ Tiffany promptly conducted an investigation into whether Costco was illegally selling and advertising Tiffany's trademarked jewelry in its stores—conduct that would authorize Tiffany to pursue a trademark infringement and possible counterfeit sale of goods action.¹²⁶ The result of this investigation showed that Costco was utilizing large promotional display signs above its jewelry counter that prominently featured the name, “Tiffany,” to advertise diamond rings that featured “Tiffany” in the description.¹²⁷ Since Costco was not authorized or licensed to sell or promote any of Tiffany's registered marks, the jeweler contacted Costco and demanded that it remove these rings and signage from its wholesale stores.¹²⁸ Tiffany commenced this litigation by filing a complaint which alleged trademark infringement on Valentine's Day in 2013 and moved for summary judgment.¹²⁹

Upon the completion of discovery by both parties, and the subsequent filings of motions and briefs, the district court granted summary judgment in favor of Tiffany, holding that the company owned a valid mark that was entitled to trademark protection, and that Costco's use of that mark was likely to cause consumer confusion—the two elements that a plaintiff must satisfy to prevail on a Lanham Act trademark infringement claim.¹³⁰

First, because Tiffany has used its marks “Tiffany,” “Tiffany & Co.” and “T & Co.” in commerce and registered on the registrar since 1868, the law provides the mark with both *prima facie* evidence of validity and incontestable status, which provides conclusive evidence of validity.¹³¹ Thus, the burden was placed on Costco to

¹²⁵ *Tiffany and Co.*, 127 F. Supp. 3d at 245.

¹²⁶ *Id.* at 246, 254-55.

¹²⁷ *Id.* at 245.

¹²⁸ *Id.*

¹²⁹ *Id.* at 245-46.

¹³⁰ *Tiffany and Co.*, 127 F. Supp. 3d at 245-47.

¹³¹ *Id.* at 247. *See also* 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:141 (5th ed.) (“One of the significant advantages of federal registration on the Principal Register is that after five consecutive years of continuous use and the satisfaction of certain formalities,

challenge the validity of the mark's certificate of registration to prevail on its defense that it did not infringe upon Tiffany's mark.¹³² Instead of challenging the validity of the registration, however, Costco decided to argue that the word "Tiffany" had become a generic term for a pronged ring setting.¹³³

Because Costco was not able to provide the court with sufficient evidence that "Tiffany" had become generic and therefore subject to cancellation, the court rejected the argument in its entirety and held that the first prong of proving infringement had been satisfied.¹³⁴ It then began to analyze the more interesting and controversial prong of the infringement analysis in this case: likelihood of consumer confusion.

To determine the likelihood of consumer confusion, the Second Circuit utilizes the eight-factor Polaroid test to determine whether the defendant's use of the plaintiff's mark constitutes trademark infringement.¹³⁵ Although the district court held that Costco failed to offer *any* evidence which "raise[d] a disputed issue of material fact with respect to *any* of the Polaroid factors,"¹³⁶ this article will focus on only one of these factors: actual confusion.

A. Actual Confusion

As previously discussed, evidence of consumer confusion is the "keystone" element of a trademark infringement claim.¹³⁷ This type of evidence can either be anecdotal in nature—meaning that a consumer can offer sworn testimony that he or she was actually confused by the use of the defendant's mark in commerce—or it can be extracted through the use of consumer survey evidence. Over fierce objection by Costco which challenged the reliability and credibility of

§ 15 of the Lanham Act provides that the right of the registrant to use the registered mark shall be incontestable. . . . Section 33(b) provides that if the right to use has become incontestable under § 15, then the registration shall be conclusive evidence of the validity of the registered mark and its registration, of the registrant's ownership of the mark, and of the registrant's "exclusive right to use" the registered mark on the goods or services.") (citing Lanham Act § 33(b), 15 U.S.C.A. § 1115(b)) (internal quotations and citations omitted).

¹³² *Id.*

¹³³ *Id.*

¹³⁴ *Id.*

¹³⁵ See *supra* note 68 and accompanying text.

¹³⁶ *Tiffany and Co.*, 127 F. Supp. 3d at 247 (emphasis added).

¹³⁷ J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:1 (5th ed. 2017).

plaintiff's expert witness, Tiffany provided both anecdotal and survey evidence to the court, which the court gave significant weight to before ruling in favor of the famous diamond jeweler.¹³⁸

i. Anecdotal Evidence

With respect to the actual evidence of confusion that Tiffany offered to the court, the company compiled the barebones deposition statements of six Costco customers, who all claimed to be confused by the promotional signs and advertisements in the wholesale club.¹³⁹ The extent of this heavily weighted anecdotal evidence of actual confusion was as follows: (1) "Maria Bentley, for instance, testified that she was brought to tears when the diamond fell out of the ring she purchased at Costco because she believed that she had purchased a genuine Tiffany ring."¹⁴⁰ (2) Karina Roberts replied, "[a]bsolutley," after being asked if she believed that she purchased a genuine Tiffany ring from Costco.¹⁴¹ (3) Joseph Bentley replied, "[y]es, I did," after being asked if he believed had purchased a genuine Tiffany ring at a good price after leaving Costco.¹⁴²

According to the court, this deposition testimony "provide[d] concrete evidence of consumer confusion."¹⁴³ Thus, because Costco failed to offer any evidence that "affirmatively demonstrate[d] that consumers were *not* confused by its use of the Tiffany word mark in display case signs," the court gave great weight to Tiffany on the actual confusion factor of the *Polaroid* analysis.¹⁴⁴ Even if this result is labeled as poor lawyering on behalf of Costco's legal counsel, who easily could have procured the testimony of consumers who would have countered these claims and raised a genuine issue of fact disputed at the summary judgment stage, there is still an argument to be made that the court impermissibly credited too much weight to these statements and not enough weight to the arguments advanced by Costco in regard to the other evidence Tiffany offered to demonstrate consumer confusion.

¹³⁸ *Tiffany and Co.*, 127 F. Supp. 3d at 254.

¹³⁹ *Id.* at 249.

¹⁴⁰ *Id.*

¹⁴¹ *Id.*

¹⁴² *Id.*

¹⁴³ *Tiffany and Co.*, 127 F. Supp. 3d at 251.

¹⁴⁴ *Id.*

ii. Consumer Confusion Survey Evidence

In addition to the deposition testimony offered by Tiffany, the company also offered the expert opinion and testimony of Dr. Jacob Jacoby who conducted a consumer confusion survey that concluded that Costco's use of the word "Tiffany" in its in-store signage, promotions, and advertisements caused consumer confusion.¹⁴⁵ Costco objected to the admission of this survey into evidence, arguing that the survey failed to satisfy any of the *Daubert* prongs. Specifically, Costco attacked the survey because "(i) it utilized false, built-in assumptions; (ii) it utilized oversimplified, misleading and erroneous instructions; (iii) it utilized contrived and artificial stimuli that either omitted context necessary for disambiguation or provided false and misleading 'context'; (iv) it was administered to the wrong subject population; (v) and it did not properly address whether Tiffany was a generic term for the specific 'genus at issue in this case.'"¹⁴⁶

As previously discussed, for a survey to be admissible pursuant to the rigorous standards set forth in *Daubert*, the survey must use sound methodology, must be designed to test only an appropriate universe of participants, and most importantly, approximate actual marketplace conditions.¹⁴⁷ The first objection that Costco made to this survey design was that the universe of individuals surveyed was under-inclusive, and thus, not appropriate.¹⁴⁸ Costco argued that because this survey only included a population of consumers who would consider purchasing an expensive diamond ring from Costco, and *not* a population of individuals with a "present purchase interest in buying a diamond ring," the beliefs and views of these participants were severely skewed.¹⁴⁹ The crux of Costco's objection with the survey was that it did not approximate market conditions for past or future purchasers of expensive diamond engagement rings. This is true, according to Costco, because consumers in this particular market would exercise a heightened level of care before making a purchase of an expensive diamond ring, would be more familiar with the

¹⁴⁵ *Id.* at 249-51.

¹⁴⁶ *Id.* at 250.

¹⁴⁷ *See infra* Section II, B and accompanying notes.

¹⁴⁸ *Tiffany and Co.*, 127 F. Supp. 3d at 250; *see also* 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:161 (5th ed. 2017).

¹⁴⁹ *Tiffany and Co.*, 127 F. Supp. 3d at 250.

vocabulary and vernacular associated with an upscale jewelry purchase, and would be more sophisticated overall.¹⁵⁰

However, because the court gave such substantial weight to the deposition testimony of the Costco customers discussed above, it held that evidence “corroborated” the findings of the consumer confusion survey, despite any flaws that the survey might have had.¹⁵¹ The court went on to say that any “criticism of Dr. Jacoby’s survey is just that: criticism.”¹⁵² Since Costco failed to provide any affirmative evidence to counter the evidence offered by Tiffany, the court held in Tiffany’s favor on the issue of actual confusion.¹⁵³

B. What About *Daubert*?

Although Costco raised a number of objections on a *Daubert* motion seeking to exclude the testimony offered by Dr. Jacoby, the court quickly dismissed the objections and focused only on the fact that Tiffany used a survey, which has consistently been upheld as a reliable scientific *method* pursuant to *Daubert*.¹⁵⁴ However, the broad inquiry as to the method itself was the end of the court’s *Daubert* analysis and there was virtually no discussion as to the actual *methodology* of the survey, which was called into question for containing severe, if not fatal, flaws. If the survey contained false and misleading questions, did not extract data from an appropriate universe, and contained erroneous instructions, this is clearly the type of unreliable “junk science” that *Daubert* seeks to exclude from evidence.¹⁵⁵ This type of survey fails to stay within the bounds of the acceptable parameters explained by Professor McCarthy, which requires the surveyor to design the survey in a manner which approximates actual market conditions.¹⁵⁶

But if the survey did not satisfy any of the factors set forth in *Daubert*, and it was not designed in a methodologically sound way that would facilitate the extraction of accurate data, how did the court justify its admission into evidence? It simply stated that any of these

¹⁵⁰ *Id.* at 253-54.

¹⁵¹ *Id.* at 254.

¹⁵² *Id.*

¹⁵³ *Id.*

¹⁵⁴ *Tiffany and Co.*, 127 F. Supp. 3d at 258-59.

¹⁵⁵ *Id.* at 258.

¹⁵⁶ THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:163 (5th ed. 2017).

flaws or procedural errors in the survey went to the “weight, rather than the admissibility, of Tiffany’s consumer confusion evidence.”¹⁵⁷ However, this explanation is contrary to decisions of other courts *within the same circuit* that have excluded survey evidence that was designed and executed with flawed and unreliable methodology.¹⁵⁸

In sum, had the district court engaged in a comprehensive *Daubert* evaluation, which assesses the statistical margin of error, reliability of the methodology, and the overall scientific nature of the survey, it would have likely excluded the survey on the ground that it was not properly designed and thus extremely prejudicial to Costco’s defense. In turn, the shoddy examples of anecdotal evidence of actual confusion offered by Tiffany would not have had any impact on the overall admissibility of the flawed survey. Finally, following the ruling of summary judgment in favor of Tiffany, which led to a jury award of damages in the tens of millions of dollars, perhaps the jury would not have had such distain for Costco, which would have drastically reduced the punitive damages awarded to Tiffany.¹⁵⁹

IV. CONCLUSION

This note was not intended to challenge the merits of Tiffany’s infringement claim pursuant to the Lanham Act or even defend actions by Costco that might have very well been bad faith efforts to infringe upon the good will of a jewelry company that has dominated the marketplace for almost 150 years. Instead, this note’s main focus is to urge the courts to implement and evaluate the standards set forth in *Daubert* whenever they are faced with challenges regarding the methodology utilized in a survey that is being offered as evidence in a trademark infringement action. Although no evidence is perfect, this author argues that the courts have a heightened obligation to evaluate flaws in consumer survey evidence, as this type of evidence is very

¹⁵⁷ *Tiffany and Co.*, 127 F. Supp. 3d at 254.

¹⁵⁸ See *LVL XIII Brands, Inc. v. Louis Vuitton Malletier S.A.*, 209 F. Supp. 3d 612, 643 (S.D.N.Y. 2016) (readily applying the *Daubert* factors in trademark infringement action to exclude expert testimony based on faulty, unreliable survey methodology).

¹⁵⁹ On September 8, 2017, Costco filed a notice of appeal to the United States Court of Appeals for the Second Circuit seeking to reverse the jury verdict entered by the trial court on the ground that the total damages awarded to Tiffany was excessive and violated due process. *Tiffany and Company v. Costco Wholesale Corp.*, 274 F. Supp. 3d 216 (S.D.N.Y. 2017), *appeal docketed*, No. 17-2798 (2d Cir. 2017). The appeal is still pending at the time of this publication.

often the *only* evidence that parties are able to produce to establish a likelihood of confusion—the most critical element in a trademark infringement action.

When parties can essentially buy their experts and pay them to produce the type of evidence that will make them successful at trial, and when juries are readily awarding damages worth over twenty-million dollars based on a few short statements by customers, the least that courts can do is entertain credible and well-founded objections to the admissibility of the evidence.