



## Costco Wholesale Corporation Responds to Tiffany Ruling

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ISSAQUAH, Wash., Aug. 14, 2017 (GLOBE NEWSWIRE) -- Costco Wholesale Corporation ("Costco" or the "Company") (NASDAQ:COST) announced its response to the ruling in the case brought by Tiffany & Co. Costco respectfully submits that the ruling is a product of multiple errors in pretrial, trial, and post-trial rulings and intends to appeal.

As previously reported, the district court determined in 2015 that Costco had committed trademark counterfeiting when Costco displayed solitaire diamond rings in its membership warehouses next to signage that included the word "Tiffany" not combined with an immediately following modifier such as "setting," "set," or "style." Costco attempted to appeal this ruling prior to trial; Tiffany & Co. opposed the appeal, and the appellate court declined to exercise jurisdiction at that time. Thereafter, the district court held a jury trial and instructed the jury that the Court had already "found" that Costco's use of "Tiffany signage in the way I have described was willful and constituted counterfeiting of the Tiffany mark." Based on this instruction, as previously reported, in October 2016 the jury returned a verdict identifying amounts of profits earned on certain ring sales, statutory damages and punitive damages.

The diamond ring in question had a pronged setting style that is commonly known as a "Tiffany" setting. Costco intended that the word Tiffany in its signs convey only that the rings had this style of setting – not that the rings were Tiffany & Co. brand rings. That was consistent with decades of dictionary definitions and usage in the industry, and among many buyers of diamond rings. Just prior to trial, Tiffany & Co. acknowledged that Costco was not liable for signs used by Costco stating "Tiffany setting" or "Tiffany set." Most of the signs about which Tiffany & Co. initially complained (but later abandoned) contained these phrases. The primary focus of the trial was a small subset of Costco signs using "Tiffany" without using the noun "setting" or "set."

Signs that said "Tiffany setting" or "Tiffany set" or "Tiffany" were in use at Costco for many years. Tiffany first complained to Costco about them in late 2012. Costco promptly changed its signs to omit all references to Tiffany (even the phrases "Tiffany set" and "Tiffany setting" as to which Tiffany later conceded Costco has no liability). Costco also proceeded voluntarily to provide Tiffany with information concerning its sales and profits on the rings sold under the Tiffany signs; this process was underway when Tiffany filed a lawsuit on Valentine's Day, with enormous attendant publicity. Shortly thereafter, Costco wrote to customers who may have purchased rings whose display case signs included the word Tiffany and reminded them of Costco's member satisfaction policy and their right to return rings with which they were dissatisfied for any reason.

The rings in question were not stamped or otherwise marked with the Tiffany & Co. name (but rather were stamped with the name of the company that manufactured them); they were sold in plain beige and brown wooden boxes (rather than with blue boxes or bags that said Tiffany & Co.); they were accompanied by appraisal documents that did not mention Tiffany & Co., and with sales receipts that did not say Tiffany or Tiffany & Co. Notably, Tiffany & Co. did not claim in the lawsuit that it lost a single sale to Costco as a result of any sign. From a purchaser list of approximately 2,500, Tiffany identified fewer than 10 who said that they had misunderstood Costco's signage. This was not a case about counterfeiting in the common understanding of that word – Costco was not selling imitation Tiffany & Co. rings.

Costco's President and CEO Craig Jelinek stated: "Our mission statement mandates first that we obey the law and second that we take care of our members. Over 90% of our members in the U.S., who pay to shop with us, renew their memberships every year. We work very hard to maintain their trust, and we strive to be candid with them. These efforts will continue whatever the final outcome of this lawsuit may be."

Costco currently operates 737 warehouses, including 512 in the United States and Puerto Rico, 97 in Canada, 37 in Mexico, 28 in the United Kingdom, 25 in Japan, 13 in Korea, 13 in Taiwan, eight in Australia, two in Spain, one in Iceland, and one in France. Costco also operates electronic commerce web sites in the U.S., Canada, the United Kingdom, Mexico, Korea and Taiwan.

Certain statements contained in this document constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For these purposes, forward-looking statements are statements that address activities, events, conditions or developments that the Company expects or anticipates may occur in the future. Such forward-looking statements involve risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by such statements. These risks and uncertainties include, but are not limited to, domestic and international economic conditions, including exchange rates, the effects of competition and regulation, uncertainties in the financial markets, consumer and small business spending patterns and debt levels, breaches of security or privacy of member or business information, conditions affecting the acquisition, development, ownership or use of real estate, capital spending, actions of vendors, rising costs associated with employees (generally including health care costs), energy and certain commodities, geopolitical conditions, and other risks identified from time to time in the Company's public statements and reports filed with the Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made, and we do not undertake to update these statements, except as required by law.

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