

DIAMONDS AREN'T ALWAYS A CONSUMER'S BEST FRIEND:
CONSIDERING THE NEED FOR REGULATION IN THE DIAMOND
GRADING INDUSTRY

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I. INTRODUCTION

Distributors, retailers, and consumers rely on diamond grading to determine the quality and price of a diamond. European Gemological Laboratories International (EGL-I) has consistently overgraded diamonds for a number of years, which has resulted in both consumer confusion and misrepresentation of the true value of a given stone.¹

Some retailers have taken advantage of this confusion by selling EGL-I-graded diamonds for more than the actual value of the diamonds, as established by more reputable diamond graders such as the Gemological Institute of America (GIA).² As a result, American consumers may pay more for the stones than they are arguably worth. This, in turn, has led some consumers to seek redress through civil suits against individual retailers. The United States accounted for forty-five percent of 2015 global diamond sales; global sales for that year totaled to thirty-nine billion dollars.³

Because Americans spend billions of dollars on diamonds annually, consistent overgrading can lead to consistent and significant overspending. The disparity in the grading standards of one grader and the majority of other graders exposes consumers to considerable risk. Moreover, while EGL-I's issue with overgrading is well known within the jewelry and diamond industries, it is not widely known by consumers, leaving buyers unable to protect themselves.⁴

Further, there is the potential for harm to reputable retailers that forgo EGL-I-graded diamonds as a whole. While these retailers sell diamonds based on the value attributed by reputable graders, bad actors in the market make considerable profits at the expense of the consumer, and less directly at the expense of these reputable retailers.

¹ Megan Coward, *Exposing Overgrading at European Gemological Laboratories (EGL)*, INTERNATIONAL GEM SOCIETY, <https://www.gemsociety.org/article/exposing-overgrading-at-egl/>.

² *Id.*

³ *Diamond Insight: 2015 Diamond Jewellery Demand and Outlook for 2016*, DE BEERS GROUP (Apr. 2016), http://www.debeersgroup.com/content/dam/de-beers/corporate/documents/Reports/Insight/FlashData/Diamond%20Insight%20Flash%20Data%20April%202016.pdf/_jcr_content/renditions/original.

⁴ Coward, *supra* note 1.

II. BACKGROUND

A. *Diamond Grading in General*

Diamonds are graded based on four components: cut, color, clarity, and carat.⁵ Carat, the most objective of the components, reflects the weight of the stone such that “one carat is equal to 0.2 grams.”⁶ The clarity of a diamond accounts for the absence of inclusions and blemishes.⁷ Inclusions and blemishes can range from those visible to the naked eye to those that can only be seen with the aid of powerful magnification.⁸ As one might suspect, color measures the actual color of the diamond, with colorless diamonds being the most valuable.⁹ Here, color does not refer to “colored” diamonds such as pink or canary diamonds.¹⁰ Instead, color measures how clear or visually “white” (as opposed to yellow) a diamond is.¹¹ A diamond’s cut considers the quality of the physical dimensions of the stone. While it may seem synonymous with a stone’s shape, cut considers the proportions of the diamond. A diamond’s cut can affect the overall sparkle of the stone.¹²

Carat, as it is an objective metric of the stone’s weight, should be uniform across all diamond graders. Color, cut, and clarity require some subjective, human evaluation. Diamond graders have established scales on which to rank a diamond by accounting for its attributes in each of the three remaining components. The next section offers an explanation of the ranking systems of American Gem Society Laboratories and Gemological Institute of America. Both graders are well respected in the United States and recognized within the industry as providers of fair and consistent evaluations of diamonds.

⁵ AMERICAN GEM SOCIETY, *AGS Diamond Grading System*, <https://www.americangemsociety.org/en/ags-diamond-grading-system> (last visited Oct. 25, 2017).

⁶ GEMOLOGICAL INSTITUTE OF AMERICA, *GIA 4Cs Carat Weight*, <http://www.gia.edu/gia-about/4Cs-Carat> (last visited Oct. 25, 2017).

⁷ GEMOLOGICAL INSTITUTE OF AMERICA, *GIA 4Cs Clarity*, <http://www.gia.edu/gia-about/4Cs-Clarity> (last visited Oct. 25, 2017).

⁸ *Id.*

⁹ GEMOLOGICAL INSTITUTE OF AMERICA, *GIA 4Cs Color*, <http://www.gia.edu/gia-about/4Cs-Color> (last visited Oct. 25, 2017).

¹⁰ *Id.*

¹¹ *Id.*

¹² GEMOLOGICAL INSTITUTE OF AMERICA, *GIA 4Cs Cut*, <http://www.gia.edu/gia-about/4Cs-Cut> (last visited Oct. 25, 2017).

B. Two Reputable Examples

GIA created the modern scaling system in the 1950s.¹³ Color is rated on a scale from D to Z, where D is the highest ranking and assigned to a colorless stone.¹⁴ Clarity is rated on a scale from flawless to I₃, with VVS₁ being the first non-flawless value.¹⁵ Cut is graded on a scale ranging from excellent to poor.¹⁶

American Gem Society Laboratories' (AGSL) grading system is very similar to that of the GIA. The largest difference between the two is that AGSL assigns a numerical rank to each component of the diamond on a scale from 0 to 10, where 0 is ideal. Color is rated from D, equivalent to 0, to Z, equivalent to a value greater than 10.¹⁷ Clarity ranges from flawless, equivalent to 0, to I₃, equivalent to 10, where the first non-flawless value is a VVSI, equivalent to 1.¹⁸ Cut is ranked from a rating of AGS Ideal, equivalent to 0, to AGS Poor, equivalent to 10.¹⁹

C. European Gemological Laboratories International

European Gemological Laboratories International, the group of graders at the center of the overgrading controversy, employs values for clarity and color identical to those of GIA, with the slight variation that the subscript numbers are featured in normal script.²⁰ Apart from this minute difference, the two scaling systems are identical.²¹

D. Overgrading

Diamond overgrading refers to a consistent practice of grading a diamond significantly above the grade that reputable graders would assign, thus misrepresenting the quality of the concerned stone. European Gemological Laboratories International has been known within the diamond industry as a

¹³ GEMOLOGICAL INSTITUTE OF AMERICA, *Diamond Quality Factors*, <https://www.gia.edu/diamond-quality-factor> (last visited Sept. 13, 2017).

¹⁴ *GIA 4Cs Color*, *supra* note 9.

¹⁵ *GIA 4Cs Clarity*, *supra* note 7.

¹⁶ *GIA 4Cs Cut*, *supra* note 12.

¹⁷ *GIA 4Cs Color*, *supra* note 9.

¹⁸ *GIA 4Cs Clarity*, *supra* note 7.

¹⁹ *AGS Diamond Grading System*, *supra* note 5.

²⁰ INFO DIAMOND, *Diamond Certificate*, <http://www.info-diamond.com/polished/certificate.html#prettyPhoto/17/> (last visited Oct. 17, 2017).

²¹ *Id.*

consistent overgrader for over a decade.²² The difference in the value of a diamond can be quite large. For example, for the same 1-carat SI1 diamond graded by European Gemological Laboratories International and Gemological Institute of America there can be a “74 percent difference in cost from \$4,200 to \$7,300.”²³

As of October 1, 2014, Rapaport, a publisher of diamond reports used as a pricing standard in the industry, determined that European Gemological Laboratories would “no longer be listed as a diamond grading report on RapNet.”²⁴ In a press release anticipating action by Rapaport, EGL-I stated, “there is no single, international standard for diamond grading that has national or international status or acceptance.”²⁵

EGL-I rests its defense against charges of overgrading on the argument that aspects of diamond grading are subjective and a supposed lack of uniformity in the international market. Rapaport opines that the Gemological Institute of America, by creating the standards and terminology for grading diamonds in 1953, has a standard that has been “accepted by the international trade and the legal systems of the United States and other countries.”²⁶

Moreover, the use of the same lettering system to indicate a diamond’s clarity and color creates a serious weakness in EGL-I’s argument that there is no internationally recognized standard.²⁷ Adopting the lettering system created by GIA and used uniformly by many other graders, while not adhering to the quality standards observed by Gemological Institute of America and other reputable graders does not single-handedly remove any possibility of misfeasance. Their bad behavior does not create a world where such bad behavior is indistinguishable from the behavior of reputable actors in the market.

E. European Gemological Laboratories United States of America

European Gemological Laboratories United States of America (EGL-USA) was previously associated with EGL-I. However, EGL-USA formally severed all ties with the international conglomerate.²⁸ EGL-USA ended its connection with the international organization in an attempt to better

²² Sharon Sussman, *EGL USA vs. EGL International*, BRILLIANCE (Nov. 26, 2009), <https://blog.brilliance.com/diamonds/egl-usa-vs-egl-international>.

²³ Martin Rapaport, *Honest Grading*, RAPAPORT MAG., Nov. 2014, <http://www.diamonds.net/Magazine/Article.aspx?ArticleID=48446&RDRIssueID=130>.

²⁴ Coward, *supra* note 1.

²⁵ Rapaport, *supra* note 23.

²⁶ *Id.*

²⁷ *Id.*

²⁸ Sussman, *supra* note 22.

compete with GIA and attempt to distance itself from the turmoil surrounding EGL-I's overgrading.²⁹

It is incredibly difficult for consumers to discern between European Gemological Laboratories United States of America and European Gemological Laboratories International, both because of the similarities in the appearance of their grading certificates and the fact that the two were previously part of the same entity.

III. POTENTIAL SOLUTIONS

There are three potential solutions to the damaging effects of overgrading on consumers and the diamond industry itself. First, the overgrading could be corrected by individual consumer suits. Second, the diamond industry could create regulation within itself. Third, the government, at either the state or federal level, could regulate the grading of diamonds sold in the United States.

A. *Individual Consumer Suits*

Beginning in 2014, a small number of individuals have brought suits against retailers. These first suits were brought against Genesis Diamonds, a retailer based in Nashville, Tennessee. In each of these cases the plaintiff filed to have the case voluntarily dismissed with prejudice within six months of filing. The terms of the settlement of these cases, all reached within six months of the plaintiff's complaint being filed, are confidential and cannot be used by any future plaintiffs in making a case against individual retailers or EGL-I.³⁰

In one such case, the plaintiff alleged that Genesis sold diamonds graded by European Gemological Laboratories International as equivalent to those graded by Gemological Institute of America.³¹ Here, the plaintiff allegedly

²⁹ *Id.*

³⁰ *Zyla v. Genesis Diamonds LLC*, No. 14C3937 (Tenn. Cir. Ct. Dec. 3, 2014) (order granting plaintiff's motion for voluntary dismissal with prejudice) (complaint initially filed on September 18, 2014). *See also Wells v. Genesis Diamonds LLC*, No. 14C2962 (Tenn. Cir. Ct. Oct. 21, 2014) (order granting plaintiff's motion for voluntary dismissal with prejudice); *Averitt v. Genesis Diamonds*, No. 14C3440 (Tenn. Cir. Ct. Dec. 3, 2014) (order granting plaintiff's motion for voluntary dismissal with prejudice); *Vein v. Genesis Diamonds LLC*, No. 14C3440 Tenn. Ct. Ct. Dec. 3, 2014) (order granting plaintiff's motion for voluntary dismissal with prejudice).

³¹ *Wells*, No. 14C2962.

purchased a diamond valued at \$27,500, which was in reality worth only \$16,000.³²

As of January 2016, the second round of individual lawsuits were filed. These suits were filed by three separate plaintiffs in Maryland against Mervis Diamond Importers.³³ Much like the first set of cases filed in 2014, the plaintiffs allege that they were each sold diamonds with EGL-I grading certificates and that those same stones later received a substantially lower grade from GIA. One diamond was valued at \$30,000 based on the EGL-I report while it was only valued at \$12,000 based on the GIA report.³⁴ These cases have not yet settled, but it is likely that they will. Moreover, the law firm that has been seeking out plaintiffs for diamond overgrading suits has found itself at the center of litigation related to that pursuit of plaintiffs.³⁵ The suit alleges that Manookian has engaged in racketeering, false designation of fact, trademark infringement, unfair competition, injury to business reputation and trademark, and business disparagement.³⁶ Manookian's motion to dismiss for failure to state a claim was dismissed and preparation for trial is ongoing.³⁷

Overall, it seems unlikely that individual consumer suits will affect any meaningful change in the overall market.

B. Industry Suits

EGL-USA took its first steps toward separation from the larger international organization in 1986 when Nachum Krasnianski purchased the assets and trademark rights of EGL-USA from EGL founder Guy Margel.³⁸ Margel retained the right to use the trademarks in the greater Los Angeles, California area.³⁹ Margel maintained ownership of the international arms including EGL's trademarks in Belgium, Israel, and South Africa.⁴⁰ The relationship remained unchanged after the initial sale until 1997. At that

³² *Id.*

³³ Rebecca Cooper, *Mervis Diamond Sued over Diamond Grading*, WASH. BUS. J. (Jan. 21, 2016), <http://www.bizjournals.com/washington/blog/top-shelf/2016/01/mervis-diamond-sued-over-diamond-grading.html>.

³⁴ *Id.*

³⁵ *Diamond Consortium, Inc. v. Manookian*, No. 4:16-cv-00094 (E.D. Tex. filed Feb. 3, 2016).

³⁶ Complaint at 13, *Diamond Consortium, Inc. v. Manookian*, No. 4:16-cv-00094 (E.D. Tex. Feb. 3, 2016).

³⁷ *Diamond Consortium, Inc. v. Manookian*, No. 4:16-cv-00094, 2016 U.S. Dist. LEXIS 122375 (E.D. Tex. Sept. 9, 2016).

³⁸ *Margel v. E.G.L. Gem Lab Ltd.*, No. 1:04-cv-01514, slip op. at 4 (S.D.N.Y. Sept. 10, 2015).

³⁹ *Id.* at 4.

⁴⁰ *Id.* at 3–4.

time EGL-USA filed suit against Margel, Gem Quality Institute, Inc., Independent Gemological Laboratory, Inc., Thomas E. Tashey, Jr., and Myriam Tashey alleging infringement upon and dilution of EGL-USA's trademarks, among other causes of action, relating to the use of the EGL trademark in the Los Angeles area.⁴¹ As part of the settlement of that suit, Margel granted EGL-USA the only remaining right he possessed in the United States, leaving EGL-USA with an "exclusive right to use the trademarks throughout the United States."⁴²

In a press release, EGL-USA responded to Rapnet's removal of EGL from its listings, noting that it has "brought trademark infringement and false advertising claims against the E.G.L. labs outside of North America . . . [and that] [t]hese legal actions reinforce an existing customs border ban on their reports, established over a decade ago."⁴³ EGL-USA, under its name of incorporation E.G.L. Gem Lab. Ltd., recorded its trademarks "E.G.L.," "EGL USA," and "European Gemmological [sic] Laboratory" with Customs and Border Protection in 2003.⁴⁴ While EGL-USA did pursue legal recourse against EGL-I and Margel, there is no record of a "border ban." U.S. Customs and Border Protection is charged with denying entry to "articles bearing copying or simulating trademarks."⁴⁵ However, after almost a decade, a New York district court determined the EGL-I's actions did not infringe on EGL-USA's trademarks.⁴⁶

EGL-USA put forward counterclaims that EGL-I and Margel had violated the Lanham Act either by directly or contributorily infringing on EGL-USA's trademark and violated state law by diluting EGL-USA's trademark.⁴⁷ The trial judge found no support for either claim. The claims first failed on the issue of extraterritoriality because EGL-I and Margel are not U.S. citizens, EGL-USA did not show that their conduct had a substantial effect on United States commerce, and Margel has legally registered EGL trademarks in Israel, Belgium, and South Africa, creating "a conflict with trademark rights established under foreign law."⁴⁸

⁴¹ Complaint, E.G.L. Gem Lab Ltd. v. Gem Quality Inst., No. 97-cv-07102 (S.D.N.Y. Sept. 23, 1997).

⁴² *Margel*, slip op. at 5.

⁴³ Press Release, EGL USA, EGL USA Responds to Pending Removal from Rapnet List – Lab's Commitment to Exceptional Science, Service, and Customers Remains Unchanged (Sept. 16, 2014), <http://www.eglusa.com/news-and-events/>.

⁴⁴ General Notice, 37 CUST. B. & DEC. 8 (Aug. 12, 2003).

⁴⁵ 19 C.F.R. § 133.22 (2012).

⁴⁶ *Margel*, slip op. at 13–23.

⁴⁷ *Id.* at 2.

⁴⁸ *Id.* at 13–14.

However, had the claims survived the issue of extraterritoriality, the court noted that EGL-USA would fail because

in either a claim of trademark infringement under § 32 or a claim of unfair competition under § 43, a prima facie case is made out by showing the use of one's trademark by another in a way that is likely to confuse consumers as to the source of the product.⁴⁹

In considering the *Polaroid* factors, the court determined that consumer confusion is unlikely because EGL-USA's certificates explicitly state "EGL-USA," and are therefore distinct from grading certificates issued by EGL-I which state "EGL," "European Gemological Laboratory," or "EGL International," especially when considered in "commercial context in which they appear."⁵⁰ Significant when considering the good faith of the alleged infringer in adopting its mark, EGL-I has the right to use its "trademarks on grading certificates produced outside the United States."⁵¹ Additionally, not only was EGL-USA always aware the EGL-I had registered trademarks elsewhere in the world, but EGL-USA also "benefitted from an association with the EGL International network."⁵² Given the district court's in-depth consideration of EGL-USA's claims against EGL-I, it is difficult to see a means by which a EGL-USA suit could serve as the foundation for holding EGL-I to a higher standard of grading.

C. Industry Self-Regulation

The diamond industry has been aware of and has discussed the issue of overgrading, specifically on the part of EGL-I, for over a decade as evidenced by the plentiful chatter on the internet. Unfortunately, little change has occurred in the past decade. As previously mentioned, Rapaport removed EGL from its list of diamond graders.⁵³ This occurred almost a decade after EGL itself attempted, and clearly failed, to standardize grading procedures of its affiliates following widespread criticism of the organization.⁵⁴

⁴⁹ *Id.* at 5 (quoting *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 871 (2d Cir. 1986)).

⁵⁰ *Id.* at 17.

⁵¹ *Id.* at 19.

⁵² *Id.*

⁵³ Coward, *supra* note 1.

⁵⁴ Rob Bates, *EGLs (Well, Most of Them) Agree to Standardize*, JCK MAG. (Oct. 1, 2004), <https://www.jckonline.com/magazine-article/egls-well-most-of-them-agree-to-standardize/>.

After the death of EGL founder Guy Margel, his estate attempted to clean house. Following a statement by the newly appointed global manager of EGL Menahem Sevdermish indicating the EGL's lack of consistency would be addressed by dismantling the rather disconnected network of EGL labs around the world to instead have "one type of certificate" with "[a]ll the labs . . . under one umbrella,"⁵⁵ EGL-I CEO Guy Benhamou pushed back against EGL's authority to revoke its franchise license and EGL indicated that any report issued after their cancellation of EGL-I's licensing agreement "is issued illegally."⁵⁶ As of March 2015, EGL-I had acquiesced to the will of EGL, allowing Margel's heirs to move forward with their attempt to establish a unified standard.⁵⁷ Despite both significant opportunity for change and indication of the need for change, including the death of the head of the company, Rapaport's decision to delist EGL, television attention, and consumer suits, this progress took over a decade.⁵⁸ Margel's heirs hope to create a more unified standard, akin to that of GIA, but it is not clear that they will succeed. Moreover, given the apparent inability of the industry to remove overgrading over a substantial period of time, it is clear that this is not the ideal solution for protecting consumers and honest business persons. Nevertheless, the industry can provide information and even examples of potential standards that can aid in the creation of tailored legislation or regulation.

D. Governmental Regulation

1. Federal Regulation

To protect American consumers from overgraded stones and from deceptive practices and to protect American businesses from inequity created by competing with competitors employing deceptive practices and from illegitimate lawsuits, the federal government could enact legislation or regulations to curtail overgrading in the diamond industry. The jewelry industry is already highly regulated by the federal government. Two of the

⁵⁵ Rob Bates, *EGL Int'l Shutting Down as Network Reorganizes*, JCK MAG. (Dec. 3, 2014), <http://www.jckonline.com/2016/01/20/egl-intl-shutting-down-network-reorganizes>.

⁵⁶ Rob Bates, *EGL Int'l Is Not Going Away Quietly*, JCK MAG. (Dec. 19, 2014), <https://www.jckonline.com/editorial-article/egl-intl-is-not-going-away-quietly/>.

⁵⁷ Rob Bates, *EGL Network Reaches Agreement with Former EGL International*, JCK MAG. (Mar. 30, 2015), <https://www.jckonline.com/editorial-article/egl-network-reaches-agreement-with-former-egl-international/>.

⁵⁸ Rob Bates, *RapNet's New Plan to Police Grading on Its Site*, JCK MAG. (Dec. 30, 2014), <https://www.jckonline.com/editorial-article/rapnets-new-plan-to-police-grading-on-its-site/>.

most important constraints imposed by the federal government on the jewelry industry are the Clean Diamond Trade Act and the PATRIOT Act.

The Clean Diamond Trade Act⁵⁹ is the means by which the United States complies with the Kimberley Process, the international initiative to end the trade of conflict diamonds by requiring certification of imported rough diamonds as conflict free.⁶⁰ Violation of the Clean Diamond Trade Act can result in a civil penalty of up to \$10,000, while criminal violations can result in a fine of up to \$50,000 and up to ten years in prison.⁶¹

The PATRIOT Act contains a number of provisions meant to increase national security following the 2001 terror attacks.⁶² The jewelry industry is well known as a means of laundering money. Title III of the PATRIOT Act aims to eliminate international money laundering, a source of funding for terrorism, and requires certain dealers in precious metals, stones, or jewels to implement an anti-money laundering program.⁶³

Congress could end the practice of overgrading through legislation. Given that the diamonds at issue are imported from international sources, Congress can regulate such importation under its Commerce Clause power.⁶⁴ While Congress indisputably possesses the power to enact a law concerning diamond importation and has done so in the past, the question remains whether this is the most likely path.

The 113th Congress enacted seventy-two bills whose statutes totaled 1,208 pages.⁶⁵ Whereas in 2014, the *Federal Register* included 3,554 final rules totaling 24,861 pages.⁶⁶ Given the disparity between legislative action and regulatory action, it is far more likely that a restriction on diamond grading standards would occur in the form of regulation rather than in the form of legislation. Moreover, agencies are often better equipped to tailor regulation to meet more specific problems because of their particular expertise and in-depth understanding of a given area or sector.

⁵⁹ Clean Diamond Trade Act, Pub. L. No. 108-19, 117 Stat. 631 (2003) (codified at 19 U.S.C.A. §§ 3901–3913 (2016)).

⁶⁰ *About KimberleyProcess*, KIMBERLEY PROCESS, <https://www.kimberleyprocess.com/en/about> (last visited Oct. 25, 2017).

⁶¹ 15 C.F.R. § 30.70 (2016).

⁶² USA PATRIOT Act of 2001, Pub. L. No. 107-56, 115 Stat. 272 (2001).

⁶³ *Id.*; 31 C.F.R. § 1027.210 (2011).

⁶⁴ U.S. CONST. art. I, § 8, cl. 3.

⁶⁵ NORM ORNSTEIN ET AL., VITAL STATISTICS ON CONGRESS, Table 6-4 (Apr. 18, 2014), https://www.brookings.edu/wp-content/uploads/2016/06/Vital-Statistics-Chapter-6-Legislative-Productivity-in-Congress-and-Workload_UPDATE.pdf.

⁶⁶ OFFICE OF THE FED. REGISTER, FEDERAL REGISTER & CFR PUBLICATION STATISTICS 2, 4 (2016), <https://www.federalregister.gov/uploads/2016/05/stats2015Fedreg.pdf>.

2. *State Regulation*

As often becomes apparent, certain key state actors can profoundly impact a market by imposing intrastate regulation. If a state has a large enough portion of a particular market, a regulation in that state can cause the industry to bend to the state's regulation because it is not feasible to transact business in the country without operating in that particular state.

IV. CONCLUSION

Given that diamonds are often bought by consumers with little knowledge of the product and these consumers are often one-time purchasers, the potential for harm to the individual is greater than in other areas. The great potential for harm to individual consumers and the evidence that such harm has occurred necessitates action. As the industry has failed to effectuate real change, the burden of protecting consumers falls on the government. The government should enact legislation or regulation aimed at the egregious and flagrant overgrading of certain diamond graders.

V. APPENDIX

Appendix A: American Gem Society: Cut, Color, and Clarity Scales⁶⁷

Cut Scale

	0	1	2	3	4	5	6	7	8	9	10
AGS	AGS Ideal	AGS Excellent	AGS Very Good	AGS Good		AGS Fair			AGS Poor		

Color Scale

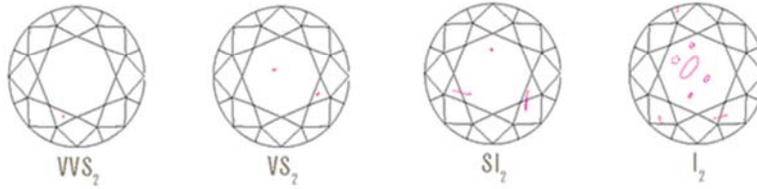
AGS	0.0	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	To	Fancy Yellow	
	Colorless		Near Colorless			Faint			Very Light			Light						Fancy Yellow						
GIA	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	Fancy Yellow

Clarity Scale

AGS	0	1	2	3	4	5	6	7	8	9	10
	Flawless/IF	Very Very Slightly Included		Very Slightly Included		Slightly Included			Included		
GIA	Flawless/IF	VVS1	VVS2	VS1	VS2	S11	S12	I1		I2	I3

⁶⁷ AGS Diamond Quality Grading System, *supra* note 19.

Appendix B: Gemological Institute of America: Clarity Scale and Example⁶⁸



GIA CLARITY SCALE

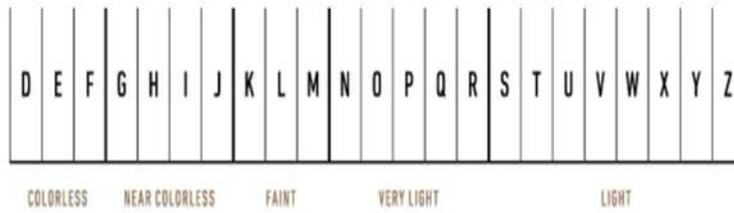
FLAWLESS	INTERNALLY FLAWLESS	VVS ₁	VVS ₂	VS ₁	VS ₂	SI ₁	SI ₂	I ₁	I ₂	I ₃
		VERY VERY SLIGHTLY INCLUDED		VERY SLIGHTLY INCLUDED		SLIGHTLY INCLUDED		INCLUDED		

⁶⁸ GIA 4Cs Clarity, *supra* note 7.

*Appendix C: Gemological Institute of America: Color Scale and Example*⁶⁹



GIA COLOR SCALE



⁶⁹ *GIA 4Cs Color, supra* note 9.

*Appendix D: Gemological Institute of America: Cut Scale and Example*⁷⁰



GIA CUT SCALE

EXCELLENT	VERY GOOD	GOOD	FAIR	POOR
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⁷⁰ GIA 4Cs Cut, *supra* note 12.

Appendix E: European Gemological Laboratories International: Example of Grading Report⁷¹

DIAMOND CERTIFICATE REPORT ISSUED BY: E.G.L. EUROPEAN GEMOLOGICAL LABORATORY.™	
<p><small>NOTE: This document contains security features to prevent unauthorized duplication.</small> <small>Independent Educational organization Institute for certification of diamonds and precious stones.</small></p>	
Laboratory Report Certificate No :	2757229642
Date:	July 17, 2007
WEIGHT:	1.00 Cts.
Shape and Cut:	Princess
Measurements:	5.47 - 5.94 x 3.92 mm.
PROPORTIONS	
Total Depth:	72.1 %
Table Width:	67 %
Crown Height:	10 %
Pavilion Depth:	57 %
Girdle Thickness:	Medium to Slightly Thick, Polished
FINISH	
Polish:	V.Good
Symmetry:	Good to V.Good
Culet:	None
CLARITY GRADE: *	SI
Graining:	Nil
COLOR GRADE: **	G
Fluorescence:	None
Comments:	
<p><i>E.G.L. European Gemological Laboratory.</i></p>  	
<p><small>* Clarity grade based on 10 X magnification with corrected loupe. ** Color based on master color diamonds comparison. The laboratory does not and may not appraise stones which are submitted for inspection.</small></p>	
<p>ORIGINAL This report is supplied upon request of the customer and is issued for his exclusive use. The report expresses an opinion at the time of examination of the stone. It is not a guarantee, a valuation or an appraisal of any kind. E.G.L. has made no representation or warranty regarding this report on the diamond described. Since diamond grading is not an exact science this report represents only the best professional opinion of this company. E.G.L. is in no case responsible for differences which could occur by repeated inspection under use of other standards, norms, methods or criteria other than those chosen by E.G.L.</p>	

⁷¹ Certifications, <https://www.diamondonnet.com/knowledge/> (follow "Certifications" hyperlink) (last visited Sept. 9, 2017).

Appendix F: European Gemological Laboratories USA: Grading Report Example⁷²



DIAMOND CERTIFICATE

issued by the

EGL • USA

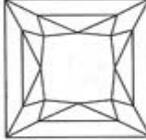
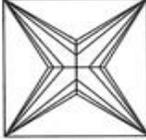
EUROPEAN GEMOLOGICAL LABORATORY™

Independent educational organization.
Institute for certification of diamonds and precious stones.

This examination has been carried out using the current gemological procedures of E.G.L.

Natural Diamond Report

Certificate:	US 78904311D
WEIGHT	1.01 CT
Shape and cut:	PRINCESS
Measurements:	5.42 x 5.34 x 3.88 mm
PROPORTIONS	
Depth:	72.5%
Table:	75%
Crown:	9.4%
Pavilion:	54.7%
Girdle:	VERY THIN TO VERY THICK
	POLISHED
Culet:	NONE
FINISH	
Polish:	GOOD
Symmetry:	GOOD
CLARITY GRADE	S12
COLOR GRADE	D
Fluorescence:	FAINT
Comments:	

EUROPEAN GEMOLOGICAL LABORATORY™
EGL USA

DECEMBER 23, 2004 Los Angeles

THIS DOCUMENT WAS PRODUCED WITH THE FOLLOWING SECURITY MEASURES:
Special document paper, ink screens, holographic security seal, tamperproof background designs, EGL embossing and other safety features, custom designed for EGL USA.

The characteristics of the diamond in this report were based on the information gained from utilizing a variety of gem testing instruments. The following instruments were used as required to complete our examination: 10x magnification with a fully corrected loupe and binocular microscope, millimeter gauge, computer aided non-contact measuring device, spectroscope system, Pycnometer, electronic balance, master color comparison diamonds, long-wave and short-wave ultraviolet light sources, fiber optic illumination, daylight balanced lighting and other instruments. The diagram is an approximate representation of the type and relative position of internal and external characteristics. Real symbols indicate internal characteristics and gross symbols indicate external characteristics.





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ADDITIONAL TERMS AND CONDITIONS ON REVERSE

⁷² *Id.*