

**BACKYARD GRILL summary judgment gets burnt by Fourth Circuit
United States - McDermott Will & Emery**

**Confusion
Infringement
Enforcement**

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- **Variety, owner of THE BACKYARD, sued Wal-Mart for using BACKYARD GRILL**
- **District court granted Variety's motion for partial summary judgment, finding Wal-Mart liable for infringement**
- **Fourth Circuit found that court erred in finding that four 'likelihood of confusion' factors weighed in Variety's favour**

In *Variety Stores Inc v Wal-Mart Stores Inc* (Case Nos 17-1503; -1644; -1906 (Fourth Circuit, 24 April 2018)) (Floyd J), the US Court of Appeals for the Fourth Circuit has reversed summary judgment in a trademark infringement dispute over the use of the term 'Backyard' on grills, finding that the district court had erred because there were genuine issues of disputed fact concerning key factors in the 'likelihood of confusion' analysis.

Background

Variety Stores sells lawn and garden products, such as grills, at its stores located in 16 states and the District of Columbia. In 1997 Variety acquired the trademark THE BACKYARD for retail services in the field of lawn and garden supplies. At the time the original owner of the mark applied to register the mark with the US Patent and Trademark Office (USPTO), the examiner did not require proof of secondary meaning. At some point after acquiring the mark, Variety began using the marks BACKYARD and BACKYARD BBQ for selling grills.

In late 2010 Wal-Mart decided to adopt a private label for its grills and related goods. In the process of researching available marks, Wal-Mart's legal counsel advised the marketing team not to use "Backyard Barbeque" and "Backyard BBQ". Wal-Mart also knew of Variety's registration for THE BACKYARD. Despite these risks, Wal-Mart decided to adopt BACKYARD GRILL, began selling grills under that mark in late 2011 and applied to register the mark shortly thereafter.

Variety learned of Wal-Mart's BACKYARD GRILL application and opposed it at the Trademark Trial and Appeal Board. After limited discovery, Variety sued Wal-Mart in district court, asserting claims of trademark infringement and unfair competition under federal law and related state law claims. Variety moved for partial summary judgment on liability, and the district court granted Variety's motion. The district court found that Variety owned protectable registered and common-law trademarks, and that Wal-Mart's use of BACKYARD GRILL caused a likelihood of confusion. Ultimately, the district court ordered Wal-Mart to disgorge \$32.5 million in profits. Wal-Mart appealed.

Fourth Circuit decision

On appeal, the Fourth Circuit found that the district court erred in finding that four 'likelihood of confusion' factors weighed in favour of Variety: (1) the strength of Variety's mark, (2) the similarity of the marks to consumers, (3) Wal-Mart's intent to confuse and (4) actual confusion.

Strength of Variety's mark

The Fourth Circuit found that Variety's mark was conceptually weak. While the USPTO did not require proof of secondary meaning at the time Variety's THE BACKYARD mark was registered, that does not end the inquiry (see *Grayson O v Agadir International* (Case No 15-2552 (Fourth Circuit, 5 May 2017))). A suggestive mark, even if it is inherently distinctive, can still be conceptually weak when others in the field widely use the mark. Wal-Mart presented evidence of such use, and the Fourth Circuit found that the district court failed to credit this evidence. The Fourth Circuit noted that conceptually weak marks may be considered strong if they have sufficient commercial strength. Here, both parties submitted evidence concerning the commercial strength of Variety's mark, and the Fourth Circuit found this to be in genuine dispute. Because the commercial strength was disputed, the overall strength of Variety's mark was also genuinely disputed. The court therefore found that the district court erred in weighing this factor in Variety's favor.

Similarity of the marks to consumers

The Fourth Circuit also found a genuine dispute of material fact with respect to mark similarity. While both marks include 'backyard', Wal-Mart's mark displays the word 'grill' in larger font than 'backyard', and thus that term could be viewed as the dominant feature of the mark.

Wal-Mart's intent to confuse

The Fourth Circuit found that Wal-Mart's awareness of Variety's THE BACKYARD registration and legal advice related to Wal-Mart's adoption of BACKYARD GRILL created a genuine dispute of material fact. While a jury could infer bad faith based on Wal-Mart's knowledge of Variety's registration, a jury could also find that Wal-Mart did not act in bad faith because it largely followed its counsel's advice and did not know of Variety's use of BACKYARD BBQ on grills.

Actual confusion

The Fourth Circuit found that the district court erred in giving Wal-Mart's survey - which showed a lack of actual confusion - little weight in deciding Variety's summary judgment motion. At the summary judgment stage, the court admonished the district court for weighing the evidence.

While the majority of the likelihood of confusion factors ultimately weighed in favour of Variety, because the strength of Variety's mark, Wal-Mart's intent to confuse and evidence of actual confusion were genuinely disputed, the Fourth Circuit found that the ultimate question of likelihood of confusion was genuinely disputed and the district court had erred in granting summary judgment.

Practice note

Legal advice concerning trademark clearance and selection is ordinarily privileged, but the privilege will be waived in the event the allegedly infringing party relies on advice of counsel to show that there was no intent to confuse. Understanding the circumstances of clearance and selection is a critical step in early case assessment.

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