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TOP STORY

[TRADEMARK NEWS—4th Cir.: Walmart avoids \\$32.5M trademark infringement judgment for sales of BACKYARD GRILL products](#)

By Cheryl Beise, J.D.

The federal district court in Raleigh, North Carolina, erred in finding that retail giant Walmart's use of the mark "Backyard Grill" as a matter of law infringed outdoor products retailer Variety Stores' marks "The Backyard," "Backyard" and "Backyard Grill," the U.S. Court of Appeals in Richmond, Virginia, has decided. There were genuine disputes of material fact as to four of the nine likelihood of confusion factors (the strength of Variety's mark, the similarity of marks, Walmart's intent, and actual confusion), and the district court usurped the role of the jury by weighing them in favor of Variety Stores. The district court's summary judgment ruling in favor of Variety Stores was reversed, its orders disgorging \$32.5 million in Walmart's profits and awarding attorney fees to Variety were vacated, and the case was remanded for trial ([Variety Stores, Inc. v. Wal-Mart Stores, Inc.](#), April 24, 2018, Floyd, H.).

Variety Stores, Inc. ("Variety") operates retail stores in 16 states and the District of Columbia and sells various outdoor products, including grills and grilling products. In 1997,

Variety purchased Rose's Stores, Inc. ("Rose's"), and acquired its registered trademark THE BACKYARD for "retail store services in the field of lawn and garden equipment and supplies." At some point, Variety began using variations of THE BACKYARD—BACKYARD and BACKYARD BBQ— for selling not just lawn and garden equipment but also grills and grilling supplies.

In late 2010, Wal-Mart Stores, Inc. ("Walmart") adopted the name BACKYARD GRILL as the private label mark for its grills and grilling supplies. In August 2011, it applied to register BACKYARD GRILL ("Grill" disclaimed). Variety filed an opposition to the application with the Trademark Trial and Appeal Board in July 2012, but the proceeding was stayed after Variety filed this suit against Walmart, asserting claims for trademark infringement and unfair competition under the Lanham Act and related claims under North Carolina law. In the district court action, both sides moved for summary judgment.

After a hearing, district court granted partial summary judgment in Variety's favor, finding Walmart liable for trademark infringement. Following a subsequent bench trial, the district court ordered Walmart to disgorge \$32.5 million in profits made from 16 states and the District of Columbia. The district court denied Variety's request for a separate jury trial to determine additional non-disgorgement damages and ordered Walmart to reimburse Variety for reasonable costs and attorney fees. Variety appealed from the district court's calculation of disgorged profits and denial of its request for a jury trial. Walmart cross-appealed from the district court's grant of partial summary judgment to Variety's favor and its award of profit disgorgement, costs, and attorney fees.

Likelihood of confusion. The district court determined that eight of the nine of the factors used by courts in the Fourth Circuit to analyze likelihood of confusion favored Variety. Variety's lack of proof of actual confusion was the only factor not weighing in its favor. On appeal, Walmart challenged the district court's analysis of five likelihood of confusion factors—the strength of Variety's mark, the similarity of the parties' marks, the similarity of the facilities used by the parties, Walmart's intent to confuse consumers, and actual confusion. The Fourth Circuit agreed that there were genuine disputes of material fact as to four of the five factors identified by Walmart.

Similarity of marks. The appeals court found that there was a genuine dispute of material fact as to whether the parties' marks were similar. On one hand, Walmart's mark "Backyard Grill," like Variety's "Backyard BBQ," featured the word "backyard," followed by another descriptive word. On the other hand, Walmart argued greater weight should be given to the word "grill" since it was larger and more noticeable than the word "backyard" on Walmart's logo. Viewing the evidence in the light most favorable to Walmart, the district court erred in finding this factor favored Variety as a matter of law.

Similarity of facilities. Concerning the similarity of facilities used by the parties, the Fourth Circuit agreed with the district court's determination that it favored Variety. Variety and Walmart operated retail store chains and directly competed in similar manners in 17 jurisdictions. The court was not persuaded by Walmart's argument that consumers would not be confused because they knew whether they were inside a Walmart store or a Variety store.

Strength of Variety's marks. Regarding the strength of Variety's marks, even assuming that they were suggestive, as Variety contended, the Fourth Circuit found that the marks were conceptually weak. Walmart's state and federal trademark search showed that there

were 527 active pending registrations for marks that include the term "backyard," 23 of which included "grill" in the description of covered goods, and 22 of which included "barbeque." Walmart's private investigator found at least 12 different businesses used the word "backyard" (including "Backyard Chef," "Backyard Bbq," "Backyard Grill," and "The Backyard BBQ Grill Company") for outdoor products. "If Variety's 'Backyard' marks were 'truly a distinctive term, it is unlikely that ... many other businesses ... would independently think of using the same mark or similar variants of it,'" the Fourth Circuit said, quoting [*Grayson O Co. v. Aqadir Int'l LLC*](#), 856 F.3d 307, 316 (4th Cir. 2017).

While the evidence showed that Variety's marks were conceptually weak, it did not clearly show that the marks were commercially weak or strong. Both sides produced sufficient evidence to put the commercial strength of Variety's marks in genuine dispute, according to the court. Variety's evidence showed that it had used at least one variations of its marks since 1993 and that it had sold over \$56 million worth of products under its marks, with over \$8 million from sales of grills and grilling supplies. Walmart, on the other hand, produced evidence of extensive third-party use, which undercut the commercial strength of Variety's marks. The Fourth Circuit concluded that the district court erred in weighing the strength of mark factor in Variety's favor.

Walmart's intent. The appeals court also concluded that a genuine dispute existed as to whether Walmart intended to infringe. Karen Dineen, Walmart's Senior Director for General Merchandise, testified that Walmart's legal department advised the branding team not to adopt "Grill Works," "Backyard Barbeque," and "Backyard BBQ." While Dineen's testimony could support an intent to infringe, the court pointed out that the admission was tempered by the fact that the registration was only for "The Backyard," which covered gardening supplies but not grilling products. Moreover, Walmart claimed that it did not know about Variety's use of "Backyard BBQ" on grills. Similarly, drawing inferences in Walmart's favor, Dineen's testimony revealed that Walmart acted in good faith by following the advice of counsel to not adopt several other similar marks, including "Backyard Barbeque" and "Backyard BBQ." While Walmart did not investigate how Variety's stores marketed their products, there was evidence suggesting that this omission was simply because Variety was not identified as a major competitor. In sum, the district court erred in weighing this factor in Variety's favor.

Actual confusion. Although Variety failed to offer evidence of actual confusion, the district court rejected Walmart's evidence affirmatively proving the absence of actual confusion. The Fourth Circuit found that the district court applied the incorrect legal standard in discounting Walmart's consumer survey evidence. At the summary judgment phase, the district court was required to refrain from weighing the evidence, the court explained. "In subsequent proceedings, if Walmart's surveys carry any flaws identified by Variety, the jury—not the judge—must decide how much weight to place on them," the court said.

Conclusion. The district court committed legal error by improperly weighing four of the nine likelihood of confusion factors in favor of Variety, especially considering that three factors (mark strength, intent, and actual confusion) are often considered significant. "Whether Walmart's mark created a likelihood of confusion is indeed a question that the jury, consisting of ordinary consumers and using the nine factors as a guide, is well-suited to evaluate," the court said. The Fourth Circuit affirmed the district court's order denying Walmart's motion for summary judgment, reversed the district court's order granting

Variety's motion for partial summary judgment, and vacated the district court's subsequent orders.

The case is [Nos. 17-1503, 17-1644, and 17-1906](#).

Attorneys: W. Thad Adams (Shumaker, Loop & Kendrick, LLP) for Variety Stores, Inc. Mark S. Puzella (Fish & Richardson PC) and Kirsten Elena Small (Nexsen Pruet, LLC) for Wal-Mart Stores, Inc.

Companies: Variety Stores, Inc.; Wal-Mart Stores, Inc.

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CASES

TRADEMARK NEWS—TTAB: AUBURN SCHOOL mark for special needs school not confusingly similar to Auburn University

By Brian Craig, J.D.

The Trademark Trial and Appeal Board has reversed a USPTO examining attorney's refusal to register the marks THE AUBURN SCHOOL and "Camp Aristotle at The Auburn School" for special needs educational services, concluding that the marks were not confusingly similar to Auburn University. Considering the differences between the services at issue and the inherent weakness of the term AUBURN, the Board concluded that consumers would likely not be confused ([In re Capital Schools](#), April 23, 2018, Masiello, A.).

Capital Schools filed an application to register the marks "THE AUBURN SCHOOL" in standard characters and the mark "Camp Aristotle at The Auburn School" in special form. The applicant sought registration of the marks in connection with educational services. The examining attorney refused registration of both marks under Section 2(d) of the Trademark Act, 15 U.S.C. §1052(d), on the ground that the marks closely resembled the registered marks for Auburn University, also used in educational services. In comparing the marks and reversing the decision of the examining attorney, the Board applied the *Du Pont* factors with respect to the strength of the mark, similarity of services, and similarity of the marks.

Strength of the mark. The Board first analyzed the strength or weakness of the Auburn and Auburn University marks. The Board rejected the conclusion by the examining attorney that Auburn University's marks were famous. AUBURN was a geographic indicator, which lessened the term's inherent strength. The weakness of the mark affected the way customers would perceive different marks that contain the term AUBURN, and reduced the degree to which it would be perceived as an indicator of a single source. Therefore, the Board concluded that the term AUBURN was inherently weak.

Similarity of the services. The Board then compared the similarity of the services. The Board concluded that although the services for both the applicant and Auburn University fell under the broad category of education, the Board could not conclude that special needs

education at the elementary and high school levels was sufficiently related to Auburn University's services to cause a likelihood of confusion among relevant consumers. The Board was not persuaded that customers would readily expect a university to provide special needs education at the elementary to high school levels.

Similarity of the marks. The Board then compared the similarity of the marks in their entireties as to appearance, sound, connotation, and commercial impression. The term AUBURN for the "Camp Aristotle at The Auburn School" mark was presented in the smallest lettering of the mark, embedded among other text and positioned at the bottom of the graphic display. The term AUBURN was therefore, in appearance, a subordinate component of the mark. In considering the mark in its entirety, the Board found that the many points of difference in appearance, sound, and meaning were sufficient to distinguish it from the registrant's mark. Therefore, the factor of the similarity or dissimilarity of the marks weighed against a finding of likelihood of confusion.

Conclusion. Considering the differences between the services at issue and the inherent weakness of the term AUBURN, the Board found the applicant's marks to be sufficiently different from the registered marks to avoid giving rise to confusion as to the source of the applicant's services. Therefore, refusal to register the marks under Section 2(d) was reversed.

This case is [Serial Nos. 86931396](#) and [87048675](#).

Attorneys: Alan E. Schiavelli (Fitch, Even, Tabin & Flannery LLP) for Capital Schools.
Rebecca A. Smith for the USPTO.

Companies: Capital Schools

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NEWS

TRADEMARK NEWS— EU court upholds registration of HP marks

By Jody Coultas, J.D.

The General Court of the European Court of Justice has dismissed challenges to EU trademarks held by HP Hewlett Packard Group LLC, finding that the European Union Intellectual Property Office (EUIPO). The marks were not merely descriptive, and there was no evidence that Hewlett Packard acted in bad faith in applying for the marks (*Senetic S.A. v. European Union Intellectual Property Office*, April 24, 2018).

In April 1996, Hewlett Packard filed an application to register an EU trademark for the word mark "HP" with the EUIPO. In September 2009, Hewlett Packard applied to register a figurative sign featuring the letters "hp" enclosed in a circle. Hewlett Packard sought to use the marks for toner cartridges, printing inks, computer hardware and software, paper products, financial services, photographic and digital image processing, and other uses.

Polish software company Senetic filed an application for a declaration of invalidity of the marks, which the Cancellation Division dismissed for failure to prove that the marks were descriptive or lacking in distinctiveness, or that Hewlett Packard had dishonest intentions in registering the marks. Senetic appealed to the EUIPO, which also dismissed the appeals. Senetic then brought an action before the General Court seeking the annulment of the EUIPO's decisions.

The General Court [dismissed](#) the actions brought by Senetic and confirmed that Hewlett Packard can register the word sign HP and the figurative sign as EU trade marks. Senetic argued that two letters in a common font inscribed in a circle was descriptive of the technological goods and services in question, and that it was common practice to use two-letter signs to describe such goods and services. The General Court disagreed with Senetic's assessment that the mark was descriptive simply because it consists of one or two letters. The two letters were not descriptive. The figurative elements composed of the font, white letters and grey circle in which the latter are inscribed, only added to the verbal non-descriptive elements and therefore could not influence the finding that the contested mark was not descriptive. Furthermore, the applicant failed to explain how those figurative elements are in themselves descriptive of the goods and services in the contested mark. The General Court also concluded that Senetic did not establish a sufficiently direct and specific relationship between the HP sign and the goods and services at issue.

A trade mark devoid of any distinctive character cannot be registered with the EU. To meet the minimum degree of distinctiveness requirement, a mark must be capable of enabling the relevant public to identify the origin of the goods or services and to distinguish them from those of other undertakings. However, the General Court concluded that the combination of the two letters was not commonly used or simply perceived as an indication lacking any distinctive character. Also, the HP sign could be understood by the relevant public as a reference to the names Hewlett and Packard, the surnames of the company founders.

Finally, the General Court found that Senetic failed to produce evidence that Hewlett Packard knew that Senetic and other third parties used similar or identical marks for some of the goods and services at issue. There was no evidence that, at the time Hewlett Packard filed the applications, a third party was actually using similar or identical signs in marketing its goods or services. Also, Senetic failed to specify what third party, sign, goods or services were concerned.

Companies: HP Hewlett Packard Group LLC; Senetic S.A.

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