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Walmart Beats \$32M 'Backyard' Trademark Fine At 4th Circ.

By **Bill Donahue**

Law360 (April 24, 2018, 5:16 PM EDT) -- The Fourth Circuit on Tuesday overturned a judge's ruling that Walmart "deliberately" infringed a smaller chain's "Backyard" brand, tossing out a \$32.5 million fine and sending the case to a jury.

A three-judge panel ruled that there had not been enough evidence for a lower judge to rule that Backyard BBQ products by Wal-Mart Stores Inc., now Walmart Inc., **infringed the Backyard brand** sold by Variety Stores Inc., which operates more than 300 Roses and Maxway discount stores across the South.

Instead, U.S. Circuit Judge Henry Franklin Floyd wrote for the panel, the case should have been submitted to a jury.

"We reiterate that the likelihood of consumer confusion is an 'inherently factual' issue that depends on the unique facts and circumstances of each case," the panel said. "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."

Tuesday's ruling wipes out not only a larger-than-usual damages award for a Lanham Act case but also a scathing decision against Walmart by a North Carolina federal judge. Citing "repeated warnings" from its own attorneys, the lower judge called its use of the Backyard name a "knowing violation by a larger corporation of a smaller company's established and registered trademark."

In overturning that decision, the Fourth Circuit said Tuesday that the lower judge had sided with Variety on a number of issues that should have been sent to jurors.

Where the trial judge ruled that Variety's trademark was conceptually and commercially strong, the appeals court said "a reasonable jury could resolve this issue in either party's favor." Where the judge said the two marks were very similar, the panel said "reasonable minds may differ."

Though other issues went Variety's way, the panel said the overall analysis was too close to be decided by the lower court.

"We find that the ultimate question of likelihood of confusion is also genuinely disputed," the court said. "Therefore, the district court erred in granting partial summary judgment in Variety's favor."

W. Thad Adams of Shumaker Loop & Kendrick LLP, an attorney for Variety Stores, told Law360 that the company "intends to proceed with a trial on the merits as ordered by the Fourth Circuit, and hope that the trial will be sooner than later."

In a statement, Walmart said the company was "pleased" with the ruling.

"We have continually said our Backyard Grill products do not infringe Variety's brand, and our evidence showed that consumers were not confused between the two brands," the company said. "We will continue to defend the company against this litigation."

Variety is represented by W. Thad Adams, Samuel A. Long and Christina Davidson Trimmer of Shumaker Loop & Kendrick LLP and Scott P. Shaw of Call & Jensen PC.

Walmart is represented by Mark S. Puzella, John A. Dragseth, R. David Hosp, Sheryl Koval Garko, Elizabeth E. Brenckman, Michael A. Anderson and Jeffrey C. Mok of Fish & Richardson PC and by William W. Wilkins and Kirsten Elena Small of Nexsen Pruet LLC.

The case is Variety Stores Inc. v. Wal-Mart Stores Inc., case number 17-1503, at the U.S. Court of Appeal for the Fourth Circuit.

--Editing by Edrienne Su.

Update: This story has been updated with a statement from Walmart.

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