

## All's well that EDWELL: two markets can be substantially different if defined narrowly enough

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### UNITED STATES OF AMERICA

Legal updates: case law analysis and intelligence

- The 10<sup>th</sup> Circuit confirmed that there was no likelihood of confusion between EDWEL and EDWELL
- The court agreed that the parties' goods and marketing channels were dissimilar
- Isolated, anecdotal instances of actual confusion may be disregarded in the likelihood of confusion analysis

In [\*M Welles & Associates Inc v Edwell Inc\*](#) (Case No 22-1248, 31 May 2023) (Ebel, Bacharach, JJ) (Tymkovich J, dissenting), despite evidence of actual confusion and seemingly similar services, the US Court of Appeals for the 10th Circuit has upheld a district court's non-infringement finding concerning two nearly identical education-related marks because the parties targeted different goods and marketing channels. In his dissent, Judge Tymkovich criticised the lower court for characterising the scope of the parties' services too narrowly and observed that "[a]ny court can find *some* differences between businesses and markets at a particular level of generality".

### Background

M Welles & Associates provides classes, seminars and certification workshops in the project management space under the brand name EDWEL (derived from "education done well"). The classes are designed for professionals in a variety of industries, including information technology, healthcare, education and the military. Welles primarily advertises its services via social media, Google and email, and further owns a variety of domain names incorporating both EDWEL and EDWELL. The defendant, Edwell, is a non-profit organisation that provides mental health coaching services to schoolteachers using the domain name 'edwell.org' and the brand name EDWELL (derived from "to be an educator and to be well"). Edwell operates by partnering with schools to provide its services and currently has partnerships with 10 K-12 public schools. Edwell does not target institutions of higher learning and does not offer services to corporations.

Welles first learned of Edwell's services when it received a call from a potential customer asking about classes at Denver North High School - classes that were in fact offered by Edwell, not Welles. Welles sent a cease and desist notice to Edwell, which rebranded to "Educator Wellness Project" for a short time before reverting back to EDWELL. Welles then sued Edwell for trademark infringement, and the district court found that there was no likelihood of confusion. Welles appealed.

Welles raised three arguments on appeal:

1. The magistrate judge used the wrong legal standard in assessing likelihood of confusion.
2. The 10th Circuit should adopt a presumption of confusion.
3. The magistrate judge clearly erred in the analysis of Edwell's intent, the similarity of the parties' services and marketing, the degree of purchaser care and actual confusion.

Welles also moved to supplement the appellate record with new evidence of actual confusion that occurred after the trial.

## Decision

### **Supplementation**

The 10th Circuit first addressed Welles's motion, finding that there was no legitimate basis for supplementing the record. Federal Rule of Appellate Procedure 10(e) permits a court to modify the appellate record "only to the extent necessary to 'truly disclose what occurred in the district court'". Because the new evidence of actual confusion was not before the district court, the 10th Circuit concluded that Rule 10(e) would not permit it to be added to the record. The court further reasoned that the rare exception to Rule 10, which permits the court to supplement the record to correct misrepresentations, demonstrate mootness or raise an issue for the first time on appeal, did not apply. The evidence concerned a "minor incident" pertaining to a "single prong of a multi-prong analysis" and did not present a rare case justifying invocation of the exception.

### **Merits**

Turning to Welles's merits arguments, the 10th Circuit first noted that the district court applied the correct standard: similar marks may not generate confusion as to the source where the products are very different or expensive, and *de minimis* evidence of confusion does not establish actual confusion. The court also declined Welles's request to adopt a presumption of likelihood of confusion when parties "use nearly identical marks online and web addresses in generally related fields". Such a presumption would bifurcate the likelihood of confusion analysis by only requiring the plaintiff to prove two likelihood of confusion factors - similarity between the marks and similarity between the goods and marketing strategies - before improperly shifting the burden to the defendant to address the remaining factors.

As for the district court's infringement analysis, the 10th Circuit found that the magistrate judge did not err in finding no likelihood of confusion, addressing each of the factors as follows:

- Intent of the alleged infringer: it was not error to conclude that Edwell did not intend to deceive the public when it transitioned from "Educator Wellness Project" to Edwell because mere knowledge of a mark does not demonstrate an intent to deceive.
- Similarity of the goods, services and marketing: the 10th Circuit also affirmed the district court's determination that the parties' goods and marketing channels were dissimilar because Welles markets to universities, large companies and business professionals, whereas Edwell targets public school teachers, administrators and students seeking mental health coaching. The court noted that Welles could have demonstrated market similarity based on plans to expand to the K-12 market, but it did not offer any evidence of an intent to expand.
- Degree of care exercised by purchasers: the 10th Circuit agreed with the magistrate judge that consumers would likely conduct substantial due diligence before purchasing either of the party's services because the services require a significant investment of time and energy. The court found this to be especially probative to the overall likelihood of confusion finding.
- Evidence of actual confusion: the court concluded that it was not error for the magistrate judge to find Welles's evidence of actual confusion to be *de minimis* because there was only a single instance of confusion. Isolated, anecdotal instances of actual confusion may be disregarded in the likelihood of confusion analysis.

## Dissent

Judge Tymkovich dissented, arguing that the district court had misapplied three factors: the similarity of services, the intent of the alleged infringer and the degree of care likely to be exercised by purchasers.

- Intent of the alleged infringer: Judge Tymkovich believed that Edwell failed to conduct a trademark search or even perform a simple online search for "Edwell" prior to adopting its mark and that, while indifference may not rise to the level of bad faith, Edwell cannot use its incompetence as a shield.

- Similarity of the goods, services and marketing: Judge Tymkovich believed that the district court construed the scope of services too narrowly. From a consumer's perspective, Welles and Edwell share "considerable overlap: (1) both are in the educational space; (2) both offer training, coaching, and seminars; and (3) both are available online". Further, Judge Tymkovich stated that the majority overlooked the likelihood of confusion as to affiliation.
  - Degree of care exercised by purchasers: Judge Tymkovich believed that the district court speculated as to the degree of care consumers would exercise without any testimony as to the costs of either party's services. In his view, the district court also failed to consider the difficulty of sorting through the brands during an online search, which impinges on Welles's potential customers.
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