

# INTELLECTUAL PROPERTY OPINIONS OF THE HON. NEAL GORSUCH\*

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\* The opinions were based on a search of Westlaw focused on opinions that had at least peripheral relationship to patents. Search conducted February 5, 2017 by Harold C. Wegner.

***Russo v. Ballard Medical Products*, 550 F.3d 1004, 1011-14  
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A

The Supremacy Clause of the Constitution provides that federal law trumps, or preempts, contrary state laws. U.S. Const. art. VI, cl. 2. While a seemingly simple rule, preemption takes a number of guises, known variously as explicit, field, and conflict preemption. The first two of these species of preemption do not bear on our current problem. Federal patent law does not explicitly preempt state trade secret laws. *See* 35 U.S.C. §§ 1–376 (2000). Neither has Congress evinced an intent to occupy exclusively the entire intellectual property field associated with inventions. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 478–79 (1974). Our only concern in this case is thus narrowed to conflict preemption. Conflict preemption arises when state law ‘stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress,’ as expressed in this case in the Patent Act. *Id.* at 479, 94 S.Ct. 1879 (citations omitted). When it comes to assessing this question, two particular doctrinal strands bear upon our analysis, one illustrated by *Kewanee Oil*, the other by *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989).

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In *Kewanee Oil*, the Supreme Court confronted the question whether the Patent Act preempted a claim for violation of Ohio's trade secret law, a law substantively identical for our purposes to the Utah trade secret statute under which Mr. Russo sought relief in this case. At the outset, the Court readily acknowledged that good arguments could be mustered for preempting traditional state trade secret claims.<sup>3</sup> Even so, the Court ultimately took the view that such claims do not fatally conflict with federal patent law. *Kewanee Oil Co.*, 416 U.S. at 484–491; *see also* *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262–63 (1979) (same holding with respect to contract claims for breach of a royalty agreement).

In reaching its conclusion, the *Kewanee Oil* Court stressed that traditional state trade secret laws and federal patent law usually serve complementary, not conflicting, purposes. Both create incentives to invention, after all, and plainly ‘[i]n this respect the two systems are not and never would be in conflict.’ 416 U.S. at 484. Trade secret serves this shared purpose, moreover, in arenas ‘where patent law does not reach,’ thus mitigating the potential for conflict between the two systems of law. *Id.* at 485. Trade secret laws operate only to protect those ideas held in secret, while patent law affords the exclusive means of protecting the right

to an invention only after it is disclosed to the public. *Id.* Similarly, trade secret law applies to innovations that may not ever be amenable to patent, given patent law's strict requirements of novelty, utility, and non-obviousness. *Id.* The *Kewanee Oil* Court also emphasized the social costs associated with preempting state trade secret laws. Without trade secret protection, the Court observed, the holders of trade secrets would be discouraged from sharing their ideas with potential manufacturers who, in such a regime, could not be bound to pay a license fee or protect any secret. *Id.* at 486. Such a rule of law would serve to encourage the 'hoard[ing] rather than [the] disseminat[ion]' of knowledge, requiring trade secret holders to 'engage in the time-consuming and economically wasteful enterprise of constructing duplicative manufacturing and marketing mechanisms' to get their ideas to market. *Id.* at 486–87. Such inefficiencies would deter the development and dissemination of scientific and technological innovations, causing 'society, as a whole, [to] suffer,' *id.* at 486, a result, the Court emphasized, that 'cannot be justified by reference to any policy that the federal patent law seeks to advance,' *id.* at 487. Indeed, if anything, such a regime would be inimical to patent law's primary purpose, embodied in our Constitution, of 'promot[ing] the Progress of Science and the useful Arts.' U.S. Const. Art. I, sec. 8, cl. 8.

At the same time, the *Kewanee Oil* Court was not blind to costs and considerations on the other side of the ledger. Though not all trade secrets are amenable to patent, many are, and the potential for conflict between state and federal law is, for these secrets, at its 'peak.' *Id.* at 489. Federal law expresses a strong interest in seeing that patentable innovations do not stay bottled up in secret but are instead shared with the public in order to promote social progress. This interest is most obviously embodied in patent law's bargain of providing inventors with many years of monopoly rents in return for the public's opportunity to use and enjoy their ideas. *Id.* But even for this class of trade secrets—those amenable to patent and thus for which there is a strong interest in their public dissemination—the Court ultimately declined to preempt traditional state trade secret laws. It did so reasoning that, even here, trade secret laws pose 'no reasonable risk' of deterring inventors with patentable ideas from sharing their work with the world through the patent process. *Id.* Trade secret laws, after all, provide 'far weaker protection' than patent law in critical respects. *Id.* at 489–90. While proof of inventorship under patent law operates 'against the world,' forbidding any use of the invention for whatever purpose for a significant length of time,' and affording monopoly rents during that period, trade secret laws do nothing to foreclose others from discovering the trade secret holder's idea (either independently or by means of reverse engineering) and exploiting it for profit publicly. *Id.* at 490. So, '[w]here patent law acts as a barrier,

trade secret law functions relatively as a sieve,’ and a rational inventor would have every reason to choose the barrier over the sieve. *Id.* at 490. Of course, there is the possibility that the occasional ‘rare inventor’ will choose trade secret protection over patent protection, even where a patent is available. *Id.* But this, the Court held, is no cause for (serious) concern. Patent law's objective of encouraging scientific and technological progress is not likely to be significantly impeded because, ‘[i]f something is to be discovered at all very likely it will be discovered by more than one person.’ *Id.* As the Court put it, ‘[i]f Watson and Crick had not discovered the structure of DNA it is likely that Linus Pauling would have made the discovery soon.’ *Id.* at 490, n. 19. So, ‘[e]ven were an inventor to keep his discovery completely to himself, something that neither the patent nor trade secret laws forbid, there is a high probability that it will be soon independently developed.’ *Id.* at 490–91.<sup>4</sup>

Under the arrangement contemplated by the Court in *Kewanee Oil*, then, inventors have a choice. They may keep their ideas secret with the protection of state law but run the risk of potential independent discovery by others. Or they may disclose their ideas and enjoy the ensuing legal monopoly afforded by federal patent law. *See Bonito Boats*, 489 U.S. at 149 (‘[I]t is a condition upon the inventor's right to a patent that he shall not exploit his discovery competitively after it is ready for patenting; he must content himself with either secrecy or legal monopoly.’) (quoting *Metallizing Eng'g Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516, 520 (2d Cir.) (L. Hand, J.), *cert denied*, 328 U.S. 840 (1946)).

2

To say that traditional trade secret claims can peacefully coexist with patent law, however, is not to say that states may freely regulate the dissemination of potentially patentable innovations. Far from it. The Court in *Kewanee Oil* cautioned that, if ‘a State, through a system of protection, were to cause a substantial risk that holders of patentable inventions would not seek patents, but rather would rely on the state protection, we would be compelled to hold that such a system could not constitutionally continue to exist.’ 416 U.S. at 489. This warning anticipated and was amplified by the Court's holding fifteen years later in *Bonito Boats*.

In *Bonito Boats*, the Court faced a Florida statute that made it ‘unlawful for any person to use the direct molding process to duplicate for the purpose of sale any manufactured vessel hull or component part of a vessel made by another without the written permission of that other person.’ 489 U.S. at 144–45. In essence, the Florida law afforded vessel hull designers who had already made their designs publicly known (by manufacturing and selling boats embodying their designs) with protections different from, and more extensive than, federal patent law. Plainly, Florida sought to protect its highly prized boat design industry from what it considered to be undesirable competition.

The Court had no difficulty holding Florida's statute preempted by federal patent law, explaining that states ‘may not offer patent-like protection[s]’ to publicly disclosed ideas because ‘the ultimate goal of public disclosure and use which is the centerpiece of federal patent policy’ is contravened by ‘[a] state law that substantially interferes with the enjoyment of an unpatented utilitarian or design conception which has been freely disclosed by its author to the public at large.’ *Id.* at 156–57. Simply put, once an idea is in the public domain, federal patent law controls; states may not further insulate their inventors from (or expose them to) competition. Still, the Court in *Bonito Boats* took pains to reaffirm *Kewanee Oil*, and underscore the compatibility of its holdings. The Court explained that, so long as ‘the veil of secrecy’ continues to shroud an idea, it remains ‘private’ property amenable to state trade secret laws. *Id.* at 149. Federal law requires only, but significantly, that, once that veil is lifted, an inventor must choose between ‘the protection of a federal patent or the dedication of his idea to the public at large,’ by placing it in the public domain. *Id.*

B

***Storagecraft Technology Corp. v. Kirby*, 744 F.3d 1183, 1185-88  
(10th Cir. 2014)(Gorsuch, J.)**

Utah's Uniform Trade Secrets Act provides three possible measures of damages for misappropriation—the defendant's unjust enrichment, the plaintiff's ‘actual loss,’ or ‘a reasonable royalty.’ Utah Code Ann. § 13–24–4(1). This last option is sometimes described as ‘the price that would be set by a willing buyer and a willing seller’ for a license in the trade secret, a measure of damages that seeks to recreate ‘an actual market transaction ... [in] which both parties gain from the transaction.’ Restatement (Third) of Unfair Competition § 45 cmt. g (1995). At trial, the district court allowed StorageCraft to present evidence premised on a reasonable royalty damages theory. The company argued that its source code was its lawful trade secret; that Mr. Kirby stole it; that he disclosed it to a rival; that in doing so he effectively assumed for himself a license to reveal the trade secret to StorageCraft's competitor; that this diminished the value of its intellectual property and the products depending on it; and that Mr. Kirby should pay a royalty reflecting that much, whether or not he or NetJapan have to date made commercial use of that intellectual property in products of their own.

Utah law allows a plaintiff to proceed just as StorageCraft did. Contrary to Mr. Kirby's supposition, nothing in the state's trade secret statute categorically restricts the availability of ‘reasonable royalty’ damages to cases in which the misappropriator *used* a trade secret commercially rather than *disclosed* it to others. To the contrary, the statute expressly provides that ‘[i]n lieu of damages measured by any other methods,’ the reasonable royalty measure of damages is available ‘for a misappropriator's unauthorized *disclosure or use* of a trade secret.’ Utah Code Ann. § 13–24–4(1) (emphasis added). In this respect, Utah's statute tracks the Uniform Trade Secrets Act, which itself provides that reasonable royalty damages are a ‘general option’ for cases involving disclosure as well as use. *See* Unif. Trade Secrets Act § 3 & cmt. (amended 1985); *cf. Hertz v. Luzenac Grp.*, 576 F.3d 1103, 1115 (10th Cir.2009) (noting that under Colorado's materially identical trade secret statute reasonable royalty damages are allowed for a misappropriator's disclosure *or use* of a trade secret); *Sonoco Prods. Co. v. Johnson*, 23 P.3d 1287, 1290 (Colo.App.2001) (same).



Neither does Utah's policy choice on this score come without its reasons. In the first place, the line between *use* and *disclosure* is hardly as crisp as Mr. Kirby suggests. Can't *disclosing* a trade secret for a particular end or purpose (be it retribution or profit or otherwise) be a way of putting it to *use*, at least in a broad sense of the word? What happens when the disclosure is made to a third party (like NetJapan) with the intent the third party itself put the trade secret to commercial *use* in ways harmful to the secret's owner? Isn't at least *that* disclosure a *use* of the secret, whether or not the third party takes up the invitation?

Beyond these definitional difficulties, where (as here) a defendant discloses a trade secret to a rival company in a fit of retaliatory pique without any desire for personal riches, the other two measures of damages may not always be entirely fit for the task. An award based on unjust enrichment risks undercompensating the plaintiff when the defendant has no gains of his own to disgorge. *See* Restatement (Third) of Unfair Competition § 45 cmt. g (commending use of reasonable royalty measure of damages 'when the plaintiff's loss ... is ... greater than any gain acquired by the defendant'). Though what the Utah statute calls the 'actual loss' measure of damages doesn't suffer from this particular problem, it may invite practical difficulties of its own. In cases like ours the best evidence about the extent of the plaintiff's lost sales isn't readily available from the defendant before the court but resides instead in the hands of far-flung third parties like NetJapan. Proving a causal connection between the plaintiff's claimed lost profits and the defendant's conduct might be difficult, too, in these circumstances. Complexities like these may be surmountable, but the cost of doing so may be enough to explain why a state would wish to make reasonable royalty awards generally available to misappropriation plaintiffs. After all, it is hardly unknown for the law to resolve ambiguities about the appropriate quantity of damages against the proven wrongdoer rather than his victim. *See, e.g., Russo v. Ballard Med. Prods.*, 550 F.3d 1004, 1021 (10th Cir.2008).

In recognizing this much we don't mean to suggest that the reasonable royalty measure of damages is always the most sensible remedy. Or that every state must be as solicitous to it as Utah. Rather than follow the Uniform Trade Secrets Act and deem the reasonable royalty remedy a 'general option' for disclosure cases, some states allow the remedy only when the plaintiff is unable to prove the amount of its actual losses or the misappropriator's unjust gains. *See Cacique, Inc. v. Robert Reiser & Co.*, 169 F.3d 619, 623 (9th Cir.1999). We can imagine arguments that might lead reasonable lawmakers in that direction as well, including worries that hypothetical royalty negotiation exercises themselves might be difficult to

administer in certain circumstances or might yield damages in excess of the plaintiff's actual losses. *Cf. Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1554 n. 13 (Fed.Cir.1995) (en banc) (finding in a patent case that the 'willing licensor/willing licensee' description is 'an inaccurate, and even absurd, characterization when ... the patentee does not wish to grant a license'); Mark A. Lemley, *Distinguishing Lost Profits from Reasonable Royalties*, 51 Wm. & Mary L.Rev. 655, 667 (2009) (worrying that 'some patentees who *can* prove lost profits elect instead to seek a 'reasonable' royalty that is far in excess both of what the parties would have negotiated and of the actual losses the patentee suffered').

In the end, though, arguments like these are more appropriately directed to those charged with writing Utah's trade secret statute than those charged with applying it. To decide this case it's enough for this court to recognize and respect Utah's policy choice to permit 'reasonable royalty' awards as a 'general option' in 'disclosure' cases. We are in no position to override that legislative choice simply because we might prefer another. Neither does Mr. Kirby suggest Utah's legislative choice offends any higher principle of law that we do have the power to enforce. He does not, for example, suggest that the use of the reasonable royalty measure of damages in his case or more generally is so speculative that it offends the Federal Constitution's due process guarantee.

Instead, Mr. Kirby replies a good deal more modestly by directing our attention to *University Computing Co. v. Lykes-Youngstown Corp.* and citing it for the proposition that at common law a misappropriation defendant generally had to 'put the trade secret to some commercial use' before a reasonable royalty award was allowed. 504 F.2d 518, 539 (5th Cir.1974). The problem is, *University Computing* offered its view of the common law's requirements well before Utah passed the statute we are called upon to apply and well before the adoption of the Uniform Trade Secrets Act on which the Utah statute is modeled. What's more, *University Computing* proceeded to hold that the defendant there engaged in 'a clear commercial use' of the trade secret merely by displaying it to a third party who could use the secret to the owner's disadvantage. *See id.* at 542; *see also Metallurgical Indus. Inc. v. Fourtek, Inc.*, 790 F.2d 1195, 1205 (5th Cir.1986) (noting the breadth of *University Computing*'s definition of commercial use). As we've seen, the same description could easily be applied to our case—so even taking *University Computing* and its description of the common law at full value does nothing to help Mr. Kirby's cause.



Beyond even these problems lurks still another. To the extent *University Computing* or similar cases cited by Mr. Kirby happen to emphasize commercial use apart from *disclosure*, it's noteworthy that they tend to borrow generously from patent law's approach to reasonable royalty damages. See, e.g., *Univ. Computing*, 504 F.2d at 535, 536–37; *Olson v. Nieman's, Ltd.*, 579 N.W.2d 299, 310 (Iowa 1998). Under the terms of the federal patent statute (unlike those of the Uniform Trade Secrets Act), a reasonable royalty award *does* depend on ‘the use made of the invention by the infringer.’ 35 U.S.C. § 284.

But the difference between the Patent Act and Uniform Trade Secrets Act on this score is hardly surprising given basic differences between patents and trade secrets. Sharing information about another's patented invention is generally not the injury disclosing a trade secret is. After all, patentees aren't allowed to keep their innovations entirely to themselves; telling us how to practice their invention is the price they must pay for their patent. *Universal Oil Prods. Co. v. Globe Oil & Ref. Co.*, 322 U.S. 471, 484 (1944); see also 35 U.S.C. § 112(a).

Because the crucial information about patented inventions is already a matter of public record, patent cases on reasonable royalties have had no cause to address unauthorized disclosure. Their focus has been and must be on authorized uses. To be sure, patent cases still provide useful instruction for courts considering damages for trade secret misappropriation, as we have noted before. See, e.g., *Telex Corp. v. Int'l Bus. Machs. Corp.*, 510 F.2d 894, 930 (10th Cir.1975).

But in light of the differences between the patent and trade secret statutes—and between patents and trade secrets themselves—patent law's treatment of reasonable royalties can't be read to suggest that a reasonable royalty award in trade secret cases must always and as a matter of logical necessity require commercial use.

***El Encanto, Inc. v. Hatch Chile Company, Inc.*, 825 F.3d 1161  
(10th Cir. 2016)(Gorsuch, J.)**

The Hatch Valley may be to chiles what the Napa Valley is to grapes. Whether it's the soil, the desert's dry heat, or the waters of the Rio Grande, the little town of Hatch, New Mexico, and its surroundings produce some of the world's finest chile peppers. Just ask any of the 30,000 people who descend on the place every year for the chile festival.

One thing we know about life and the law is that where value lurks litigation will soon follow—and the Hatch Valley chile pepper supplies no exception. After the Hatch Chile Company sought to trademark the term ‘Hatch’ for its exclusive use, a chile producing rival, El Encanto, objected. Before the Trademark Trial and Appeal Board (TTAB), a division of the **Patent** and Trademark Office (PTO), El Encanto argued that ‘Hatch’ can't be trademarked both because it refers to a place and because Hatch Chile has used the term in a misleading manner. To prove its case of deception, El Encanto sought to show that Hatch Chile's products regularly include chiles that aren't even from the Hatch Valley.

As so many do these days, this seemingly mild dispute turned hot during discovery. When El Encanto asked Hatch Chile to disclose the provenance of its chiles, the company responded (maybe a little curiously) that it didn't know the answer and that El Encanto would have to ask its ‘co-packers and suppliers.’ So that's just what El Encanto did, issuing a Fed. R. Civ. P. 45 subpoena to Mizkan Americas, Inc., for documents revealing the geographic source of Hatch Chile's peppers. But instead of yielding documents that request yielded motions practice. After seeming to encourage El Encanto to ask its suppliers for just this information, Hatch Chile filed a motion seeking a protective order. And Mizkan added its own motion to quash.

So apparently determined to keep the source of the chiles a secret, Hatch Chile and Mizkan offered this rather paradoxical argument in their attempt to defeat the subpoena. They began by acknowledging that parties to TTAB proceedings may use Rule 45 subpoenas to compel nonparties to produce documents at a deposition. But, they argued, requesting a deposition is a necessary precondition to any document demand. Of course, El Encanto replied that it didn't want to waste everyone's time with a deposition: documents would suffice to answer its pretty simple question. But this response didn't satisfy Hatch Chile or Mizkan, for they told the district court that, needless and wasteful though it might be, a deposition

had to be convened—and because El Encanto's Rule 45 subpoena failed to seek one it had to be quashed. El Encanto's discovery request faltered, then, not because it demanded too much discovery—the usual complaint. It faltered only because El Encanto demanded too little discovery. A topsy turvy sort of argument, to be sure, but one aimed all the same at keeping the source of Hatch Chile's peppers a mystery. And one that met with considerable initial success, for the district court agreed and granted Mizkan's motion to quash.

So it is this curious case now comes to us. We, of course, review district court discovery rulings for an abuse of discretion. But a district court always abuses its discretion when it errs on a legal question, and we decide the presence or absence of legal error de novo. So really in cases like this, where everything turns on the interpretation of rules, regulations, and statutes, it's a bit anomalous to ask whether the district court abused its discretion. The real question is simply whether we think the district court read the law correctly. *See Frontier Ref. Inc. v. Gorman–Rupp Co.*, 136 F.3d 695, 702 (10th Cir. 1998). And answering that question here, we think it did not. For we see nothing in the federal rules, the relevant statute, or the applicable regulations that commands the pointless process Hatch Chile and Mizkan insist upon.

Start with Rule 45. That rule, like the rest in the Federal Rules of Civil Procedure, is supposed to be administered by courts and parties to ensure the speedy and inexpensive resolution of all cases. Indeed, the rules committee only last year amended Rule 1 to make this point unmistakable. *See Fed. R. Civ. P. 1*. So how can it be that we must insist on an application of Rule 45 that would, by everyone's estimation, ensure only needless delay and expense? Months of motions practice followed by a new subpoena and a deposition that no one really wants just to secure documents the relevance of which no one seriously disputes? Of course it's true that, years ago, Rule 45 was often read as requiring a party to notice a deposition if it wanted to compel nonparties to produce documents. But it's also true that the rulemakers addressed this anomaly a quarter-century ago, adding language to make plain that parties may compel a nonparty to produce documents while ‘spar[ing]’ everyone ‘the necessity’ of a needless deposition. *See Fed. R. Civ. P. 45(a)(1) advisory committee's note to 1991 amendment*. So it is that nothing in the federal rules today requires the pointless process Hatch Chile and Mizkan demand.

That, though, isn't the end of the story but closer to its beginning. For the federal statute that authorizes parties to TTAB proceedings to invoke federal discovery processes, 35 U.S.C. § 24, was written long before the 1991 amendments to Rule 45. And it is the particular and maybe peculiar interaction between this statute and the federal rules, *Hatch Chile* and *Mizkan* suggest, that requires parties in TTAB proceedings to request a deposition in order to obtain documents from nonparties. For our part, though, we just don't see it. Section 24 says this:

The clerk of any United States court for the district wherein testimony is to be taken for use in any contested case in the **Patent** and Trademark Office, shall, upon the application of any party thereto, issue a subpoena for any witness residing or being within such district, commanding him to appear and testify before an officer in such district authorized to take depositions and affidavits, at the time and place stated in the subpoena.

The provisions of the Federal Rules of Civil Procedure relating to the attendance of witnesses and to the production of documents and things shall apply to contested cases in the Patent and Trademark Office.

Everyone before us agrees that this case qualifies as a 'contested' one. *See Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1319–20 (Fed. Cir. 2013) (suggesting a possible definition of 'contested' cases). And everyone agrees that the TTAB is a division of the PTO. *See* 15 U.S.C. § 1067. So it is everyone agrees that the first sentence of the statute allows parties like *El Encanto* to compel nonparties like *Mizkan* to appear and testify at a deposition. But of course that is not all the statute permits, for the second sentence goes on to say that '[t]he provisions of the Federal Rules of Civil Procedure relating to the attendance of witnesses *and to the production of documents ... shall apply.*' 35 U.S.C. § 24 (emphasis added). And, as we've seen, Rule 45 today affords parties the power to compel nonparties to produce documents without also convening a deposition. In this way, and following this chain of logic, it seems to us that the statute's terms are ample enough to permit the very sort of efficient discovery *El Encanto* seeks.

To be sure, there's room to disagree over exactly how much work the second sentence of § 24 does. Some (including this court) have suggested that it affords parties to contested PTO proceedings access to all of the Federal Rules of Civil Procedure 'relating to the attendance of witnesses and to the production of documents and things,' including not only Rule 45's provisions relating to nonparty discovery but also Rule 34's provisions relating to the production of documents from the parties themselves. *See, e.g., Natta v. Hogan*, 392 F.2d 686, 690 (10th Cir. 1968) (holding that the statute 'does not limit discovery to that permissible under Rule 45'); *Natta v. Zletz*, 379 F.2d 615, 618 (7th Cir. 1967); *Babcock & Wilcox Co. v. Combustion Eng'g, Inc.*, 430 F.2d 1177, 1178 (2d Cir. 1968) (per curiam). Others have suggested the second sentence does less work than that. Though the statutory language appears to afford parties to contested PTO proceedings the right to invoke *all* of the Federal Rules of Civil Procedure relating to the attendance of witnesses and the production of documents, some have argued that Congress really intended to afford parties to PTO proceedings *only* the power to compel testimony and documents from nonparty witnesses pursuant to the provisions of Rule 45. *See, e.g., Frilette v. Kimberlin*, 508 F.2d 205, 209, 212 (3d Cir. 1974) (en banc) (holding that the statute refers only 'to the matters encompassed by Fed. R. Civ. P. 45 ...').

But, while which account of the statute you prefer might very well matter for other purposes, it doesn't much matter to the resolution of this appeal. On the first account, the second sentence makes the full panoply of procedures relevant to document production available to parties in contested PTO proceedings. On the second account, the statute still affords parties the right to compel nonparties to provide documents under Rule 45. Either way, parties to TTAB proceedings may invoke Rule 45 and (again) that Rule today expressly allows a party to compel nonparties to produce documents without also convening a deposition.

To be sure, you might at this point wonder which version of Rule 45 the statute's language means to reference. After all, § 24 was last amended in 1975, long before Rule 45's revision in 1991. So, you might ask, could it be that § 24 allows the parties to TTAB proceedings only those powers Rule 45 specified back in 1975 rather than those it specifies today? We think not. Indeed, even Hatch Chile and Mizkan don't purvey this argument. The fact is that the plain language of § 24 doesn't suggest that a reader must look to the Federal Rules of Civil Procedure as they were back when the statute was enacted. To the contrary, as written the language suggests that a reader may look to the rules as they are found on any given day, today included. And surely our job when interpreting statutes is to read them as an ordinary citizen might, not to lay spring traps for the unwary and force



lay persons to become experts in the vestigial esoterica of every statute and federal rule. *See Dir., Office of Workers' Comp. Programs v. Peabody Coal Co.*, 554 F.2d 310, 322 (7th Cir. 1977); Norman J. Singer & J.D. Shambie Singer, 2B Sutherland Statutory Construction § 51:8 (7th ed. 2015) ('A statute which refers to a subject generally ... adopts the law on the subject at the time the law is invoked, which includes all amendments and modifications subsequent to the reference statute's enactment.' (footnotes omitted)).

Having exhausted two possible readings of the statute we must admit still a third can be found in currency today. Some have suggested that for a party to avail itself of any rights under § 24, it must first have the PTO's approval to do so. For support, they point to the immediately preceding statute, 35 U.S.C. § 23, a provision that affords the PTO the power to 'establish rules for taking affidavits and depositions required in cases in the' PTO. *See, e.g., Rosenruist–Gestao E Servicos LDA v. Virgin Enters. Ltd.*, 511 F.3d 437, 447–48 (4th Cir. 2007); *Brown v. Braddick*, 595 F.2d 961, 966–67 (5th Cir. 1979); *Sheehan v. Doyle*, 529 F.2d 38, 39 (1st Cir. 1976) (per curiam). Of course, you might question whether the power to establish rules for proceedings 'in cases in the' PTO also conveys the power to prescribe what rules the parties may follow once § 24 permits them entry to federal court and access to the Federal Rules of Civil Procedure. But even assuming (without deciding) it does and accepting this, the last possible interpretation of the statute anyone's suggested to us, we still don't see how Hatch Chile and Mizkan might prevail.

We don't because the PTO has issued rules allowing parties in contested proceedings like this one to make use of Rule 45's existing procedures.

In patent proceedings the PTO has expressly said that parties may seek and obtain subpoenas for nonparty documents without a deposition. In fact, it has done so twice. 37 C.F.R. § 41.156(a); *id.* § 42.52. To be sure, its regulations anticipate that the parties will file a 'motion' first with the PTO. But no parallel motion is required in TTAB proceedings. Indeed, the PTO's promulgated rules for TTAB proceedings are even more generous than its rules for patent proceedings, indicating that, '[e]xcept as otherwise provided,' *all* of the Federal Rules of Civil Procedure govern in 'inter partes proceedings' (as everyone agrees this proceeding is). *Id.* § 2.116. Neither do the TTAB rules ever 'otherwise provide' when it comes to Rule 45. *See id.* § 2.120.<sup>1</sup>



At this juncture, Hatch Chile and Mizkan reply by directing us to a sub-regulatory manual. And whether by virtue of the operation of § 23 or thanks only to judge-made doctrines of deference like *Chevron* or *Auer*, they suggest we owe this sub-regulatory manual our obeisance. And, they say, this manual *does* forbid TTAB parties from issuing document subpoenas to nonparties unless they are accompanied by a demand for a needless deposition. It seems the district court found this argument most persuasive for it is the one on which its opinion appears to rest.

But here too we just don't see it. The relevant portion of the manual, called the Trademark Trial and Appeal Board Manual of Procedure (TBMP), says this:

Requests for production may not be served on a non-party. [Note 4[: *See* Fed. R. Civ. P. 34(a).]] However, if a discovery deposition deponent is a nonparty witness residing in the United States, production of designated documents by the witness at the deposition may be obtained by means of a subpoena duces tecum. [Note 5[: 35 U.S.C. § 24; Fed. R. Civ. P. 45. *But see Dan Foam ApS v. Sleep Innovations Inc.*, 106 U.S.P.Q.2d 1939, 1942-43 (TTAB 2013) (discussing notice requirement to adverse party under Fed. R. Civ. P. 45(b)(1) for a subpoena duces tecum (without deposition) issued to nonparty and noting that respondent could have sought its own subpoena of the nonparty to obtain additional documents and/or a discovery deposition).

TBMP § 406.01 (June 2014).

What exactly does this language mean? Hatch Chile and Mizkan suggest that the first sentence generally prohibits a party from seeking documents from nonparties and that the second sentence provides a limited exception for situations when the nonparty is being deposed. Maybe. But El Encanto offers another plausible reading that yields a very different conclusion. On this reading, the first sentence alerts parties to the truism that requests for production of documents under Rule 34 may be directed only to parties, not nonparties. And the second sentence proceeds to explain how to get documents from nonparties. Allowing, on El Encanto's view, parties to seek documents from nonparties either at a deposition or, as the footnote seems to explain, however permitted by Rule 45. After all, El Encanto notes, the footnote expressly acknowledges that a party used a Rule 45 subpoena without an attendant deposition in the *Dan Foam* litigation before the TTAB.

Who is right about the optimal reading of this most opaque of sub-regulatory guidance? In the end, we think this is just another debate that doesn't matter. It doesn't matter because the TBMP itself disavows any suggestion that it seeks to offer authoritative interpretive guidance about § 23 or § 24 that might possibly command our deference. The manual states quite plainly that it doesn't purport to 'bind[ ]' the TTAB or the PTO or anyone else and doesn't purport to 'have the force and effect of law.' TBMP Introduction (June 2014). Instead the TBMP says it aspires only to serve as a sort of rough-and-ready handbook, supplying some 'basic information' that may prove 'generally useful' to TTAB practitioners. *Id.* And we are aware of nothing that might require a federal court to afford deference to such a self-effacing agency document, one that not only doesn't demand deference but actually disclaims it. Maybe especially when another circuit has already found this manual not 'particularly persuasive.' *Rosenruist–Gestao*, 511 F.3d at 448. And maybe especially when, if we were to read the TBMP as Hatch Chile and Mizkan suggest, it would only wind up creating a conflict between this sub-regulatory handbook and the PTO's promulgated Administrative Procedure Act notice-and-comment regulations that clearly permit the use of document-only subpoenas. For surely if the agency is indeed so confused that it has spoken out of both sides of its regulatory mouth, it has to be the side speaking unambiguously through formal rulemaking, rather than the side speaking in garbled terms so quickly disavowed, that speaks the more loudly.

At this stage we might note only that one thing further conspires to persuade us of the conclusion we reach in this case. History teaches that, when Congress first established the PTO, a problem arose because the legislature neglected to afford the office the power to force nonparty witnesses to participate in its proceedings. *See generally id.* at 444. As long ago as 1857, the Commissioner of Patents complained to Congress that this oversight seriously impeded his work because 'refractory or mercenary men, availing themselves of this omission in the law ... refused to appear or give their depositions, except upon the payment of the most exorbitant sums by the parties.' U.S. Patent Office, Report of the Commissioner of Patents for the Year 1857, at 7 (1858). And by all accounts that's at least one reason why Congress eventually adopted what is now § 24—to help the PTO secure needed evidence from recalcitrant nonparties by giving parties to its proceedings the power to seek and obtain subpoenas enforceable in federal court. *Rosenruist–Gestao*, 511 F.3d at 444; *Abbott Labs.*, 710 F.3d at 1323–24. A rationale that seems to extend not just to nonparty testimony but equally and independently to their documents. So it is we can see nothing (and no one has

pointed us to anything) in the statute's history suggesting that the production of nonparty documents should necessarily depend on the fortuity of a deposition. This seemingly small case about chile pepper sourcing and document discovery has carried a surprisingly large punch, requiring us to try to fit together in a sensible way an aged statute, many and diverse judicial glosses given to that law, various agency rules—and musings—about the statute, and their interaction with amendments to the Federal Rules of Civil Procedure. We have done the best we can to fit these disparate pieces together. In having attempted that much, though, we take care to point out what we haven't attempted. We haven't sought to offer any views on the optimal interpretation of § 24 or its interaction (if any) with § 23. The long lingering circuit split that lingers there lingers there still. Neither do we purport to address Mizkan's many more prosaic objections to the subpoena under Rule 45 itself (objections about the scope of the document requests, etc.). The district court chose not to rely on these grounds in its order quashing the subpoena, and they are the sort of issues it is better equipped to address in the first instance. Today we've sought to show no more than that, consistent with any of the various statutory interpretations and regulations cited to us, a party to a TTAB proceeding can obtain nonparty documents without wasting everyone's time and money with a deposition no one really wants. We trust that this litigation might now turn away from a chase up and down the federal court system over collateral disputes related to the production of documents whose relevance no one before us seriously disputes and advance toward a more informed discussion of the merits consistent with the aspirations of Rule 1.

Reversed.

Footnote 1: Section 23 speaks of allowing the Commissioner of **Patents** to ‘establish rules for taking affidavits and depositions.’ It does not expressly authorize the PTO to establish rules regarding other forms of discovery. So if the PTO's authorization is really required for any discovery, even that permitted in federal court under § 24, you might well wonder if discovery must be limited to affidavits and depositions alone. No one in this case, however, has suggested an interpretation remotely so aggressive. To the contrary, Hatch Chile and Mizkan (again) take as given that parties to TTAB proceedings *can* seek document discovery in federal court under some circumstances, and they do not challenge any of the PTO's various rules allowing document discovery as resting on an impermissible interpretation of the relevant statutes. Maybe someone will on some other distant day choose to pursue an argument along these lines, but the parties before us have waived anything like it. ...The suit was brought by United States Gypsum Company against Rock Wool Insulating Company and others to recover damages for patent infringement....

...The propriety of permitting the intervention in the patent infringement case is doubtful; but, after permitting such intervention, the trial court heard the presentation of the appellant with commendable patience and restraint before holding that the issues had all been decided in the cases mentioned above....