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Trademarks and Neil Gorsuch – a heated tale of chilli peppers and agency regulation

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President Trump recently nominated Tenth Circuit Judge Neil Gorsuch for the seat on the US Supreme Court that was vacated upon the death of Justice Antonin Scalia. Previously we reviewed how Gorsuch's somewhat expansive view of venue may affect patent owners (see "Patents and Supreme Court nominee Judge Neil Gorsuch"). Here we examine one of Gorsuch's recent opinions, in which he disapproves of a party's use of procedural rules to build superfluous roadblocks in proceedings before the Trademark Trial and Appeal Board (TTAB).

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In *El Encanto, Inc v Hatch Chile Co* (825 F 3d 1161 (Tenth Cir 2016)) the court refused to subject parties to unnecessary procedural requirements that have little, if any, statutory support. Specifically, it held that a deposition is not a necessary prerequisite to compel document production from a non-party in a TTAB proceeding.

This fiery case arose from a trademark dispute over the use of the word HATCH in connection with the sale of chilli peppers. In his famed narrative-like style, Gorsuch accurately described the Hatch Valley region as being "to chiles what Napa Valley is to grapes" (*El Encanto*, 825 F 3d at 1161). Therefore, it was no surprise that Hatch Chile Company's application for the exclusive use of the mark HATCH met with strong opposition.

Kicking off these piquant proceedings, El Encanto – a rival chilli producer – objected to Hatch Chile's application, arguing in part that its use of the mark would be misleading because not all of Hatch Chile's peppers originate from the Hatch Valley. To support this assertion, El Encanto requested that Hatch Chile disclose the source of its peppers. Hatch Chile claimed ignorance and replied that its supplier, Mizkan Americas, possessed the relevant information. El Encanto then issued a subpoena under Federal Rule of Civil Procedure 45 to Mizkan, compelling production of documents which would disclose the geographical source of Hatch Chile's product. In response, Hatch Chile and Mizkan filed a protective order and a motion to quash, respectively.

Hatch Chile argued that in a TTAB proceeding a Rule 45 motion only applies if the non-party is deposed. According to Hatch Chile, El Encanto's subpoena was inadequate because it compelled the production of documents from a non-party without also requiring a deposition. El Encanto replied that since the requested documents could efficiently answer El Encanto's question, a deposition was unnecessary and would only waste time and money. The district court was unmoved by El Encanto's assertion. Relying principally on the TTAB Manual of Procedure (TBMP), the district court granted Hatch Chile and Mizkan's motion to quash.

On appeal, the Tenth Circuit reversed, finding nothing in "the federal rules, the relevant statute, or the applicable regulations" that requires what Gorsuch described as "the pointless process Hatch Chile and Mizkan insist upon" (*El Encanto*, 825 F 3d at 1162).

Gorsuch began his discussion by looking at the purpose of the Federal Rules of Civil Procedure – to promote a speedy and inexpensive trial. The court highlighted that requiring an unwanted and cumbersome deposition would be contrary to this aim, particularly when the answer sought could be promptly addressed by the production of the requested documents. Gorsuch then cited a 1991 amendment to the rules and the associated advisory committee notes, which made it clear that Rule 45 allows for the production of documents from a non-party without necessitating an accompanying deposition.

The court then turned to the federal statute which authorises parties to invoke the rules in discovery for TTAB proceedings (35 USC §24). Applying the ordinary meaning of this, the court found that Section 24 expressly allows a party to use Rule 45 to obtain documents from non-parties without also requiring a deposition.

Next, Gorsuch offered an apparent rebuke to the district court for its reliance on the TBMP, which he refers to as an "opaque sub-regulatory guidance". Here, Gorsuch provides a glimpse of his disdain for *Chevron* deference, a doctrine imposed by the Supreme Court in the mid-1980s which requires judges to defer to an agency's interpretation of certain statutes. (For a more pithy review and a downright call to arms against *Chevron* deference, see Gorsuch's concurrence in *Gutierrez- Brizuela v Lynch*, 834 F 3d 1142, 1149-1158 (Tenth Cir 2016).) In expressing his frustration, Gorsuch blamed "judge-made doctrines of deference like *Chevron*" for Hatch Chile's argument that the court must pay homage to a "rough-and-ready handbook" such as the TBMP (*El Encanto*, 825 F 3d at 1165-1166). He noted that both parties presented competing

arguments on how to interpret the relevant section of the TBMP but stated that the debate was moot because the US Patent and Trademark Office (USPTO) expressly disavowed the TBMP from having any force and effect of law. Accordingly, the Tenth Circuit reversed the district court and held that “a party to a TTAB proceeding can obtain nonparty documents without wasting everyone’s time and money with a deposition no one really wants.”

What does this holding mean for trademark owners and applicants? The decision shows that Gorsuch is a no-nonsense judge with little tolerance for parties which attempt to manipulate procedural rules for their own advantage. Having such a strong proponent for judicial efficiency on the Supreme Court could mean a much quicker disposition of challenges to trademark applications (or patent applications for that matter).

In addition, and perhaps more importantly, chilli peppers were not the only source of heat in this opinion. Gorsuch repeatedly revealed his frustration with the TBMP and the USPTO in general. At one point, he referred to the agency as being “so confused that it has spoken out of both sides of its regulatory mouth” and described the TBMP as “garbled terms [that are] quickly disavowed” (*El Encanto*, 825 F 3d at 1166). Given that he was nominated by Trump – whose election platform relied heavily on deregulation and “draining the swamp” – it is unsurprising that Gorsuch does not hesitate to criticise agency regulation when required. Assuming that his nomination is confirmed, this philosophy could play out in a big way and may provide additional accountability for what many believe has become a rogue and unpredictable USPTO.

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