

No. 2016-1299, -1300

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

LEAK SURVEYS, INC.,

Appellant,

v.

FLIR SYSTEMS, INC.,

Appellee.

*Appeals from the United States Patent and Trademark Office,
Patent Trial and Appeal Board in
Case Nos. IPR2014-00411, IPR2014-00434, and IPR2015-00065*

**APPELLANT LEAK SURVEYS, INC.'S COMBINED PETITION FOR
REHEARING *EN BANC* AND PANEL REHEARING**

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CERTIFICATE OF INTEREST

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1. The full name of every party or amicus represented by me is:

Leak Surveys, Inc.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

Not applicable.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

None.

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STATEMENT OF COUNSEL—FEDERAL CIRCUIT RULE 35(B)(2)

Based on my professional judgment, I believe this appeal requires an answer to one or more precedent-setting questions of exceptional importance:

- (1) Does Fed. Cir. R. 36 (“Rule 36”) permit the Court to affirm a final decision of the Patent Trial and Appeal Board (“PTAB”) without opinion when the PTAB’s stated reasons are erroneous, and the Court’s affirmance is based on new or alternative grounds not stated by the PTAB itself?
- (2) When a party seeks to vacate a Rule 36 judgment by alleging that the Court affirmed on new or alternative grounds, what must the party show to be entitled to the requested relief?
- (3) May the Court ever affirm a final IPR decision without opinion?

Based on my professional judgment, I believe the panel’s decision is contrary to at least the following decisions of the Supreme Court of the United States and precedents of this court: *S.E.C. v. Chenery Corp.*, 318 U.S. 80 (1943); *Nike, Inc. v. Adidas AG*, 812 F.3d 1326 (Fed. Cir. 2016); *Power Integrations, Inc. v. Lee*, 797 F.3d 1318 (Fed. Cir. 2015); *Straight Path IP Group, Inc. v. Sipnet EU S.R.O.*, 806 F.3d 1356 (Fed. Cir. 2015); *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292 (Fed. Cir. 2015); and *In re Leithem*, 661 F.3d 1316 (Fed. Cir. 2011).

Dated: February 9, 2017

/s/ Donald Puckett
Attorney for Appellant

I. INTRODUCTION AND SUMMARY OF ARGUMENT

It is hard to imagine an appeal more *unsuitable* for affirmance without opinion under Fed. Cir. R. 36 than this one, and few cases will ever present as clear a record for establishing the boundaries of this court's authority to affirm a final written decision ("FWD") of the Patent Trial and Appeal Board ("PTAB") without opinion under the Federal Circuit's "Rule 36."

In this request for rehearing, Leak Surveys, Inc. ("LSI") challenges the panel's Rule 36 affirmance as exceeding the scope of the court's *appellate jurisdiction* because the court did not confine its review to the reasons stated by the PTAB, and instead affirmed a facially and plainly erroneous decision on "alternative grounds" not stated or considered by the PTAB itself. LSI also raises a *constitutional due process* challenge to the panel's affirmance without opinion, because the panel's new and alternative grounds for affirmance were not briefed by the parties, but instead were presented by the court itself for the first time during the appellate oral argument—including issues relating to potential claim indefiniteness that are, by statute, improper for consideration in IPR.

In most cases, a party will be unable to make these allegations when the panel does not state its reasons for affirmance. But this case is different. In this motion, LSI will establish two predicate facts to support its request to vacate the panel's Rule 36 affirmance. First, LSI will show that the reasons stated in the PTAB's decision

below are plain error, in ways never contested by the panel at oral argument. Second, LSI will show that the panel itself advanced and considered new and alternative grounds for affirmance during the argument.

Taken together, these facts form a *prima facie* showing that the panel in fact relied upon new or alternative grounds to affirm the PTAB's decision. This raises serious jurisdictional and due process concerns that can only be resolved if the panel's decision is vacated, and the court provides an opinion stating its reasons.

LSI easily can show these predicate facts because this case stands apart from most others in several ways. First, this case presents a remarkable factual record that consists of 24 declarations and 14 depositions, most from extraordinary scientists offering testimony based on their own *personal knowledge* of the events giving rise to the patents. *See* LSI Op. Br at 6-10 (witnesses), 6-39 (factual record). Second, the FWD below is plainly erroneous: it misapprehended the state of the art and the technical problem (*see* LSI Op.Br. at 42-43), relied upon facially erroneous claim constructions that re-wrote the claims to eliminate critical inventive elements (*see id.* at 44-52), and ignored *all* objective evidence of nonobviousness despite a strong and compelling record of objective evidence having an intrinsic nexus to the claims (*see* LSI Op.Br. at 66-71). Third, this case stands apart because the panel's questions at oral argument were entirely divorced from the PTAB's stated reasons for decision, and because many new issues and arguments were raised *for the first time* at oral

argument—including a new theory for how FLIR allegedly had met its burden of proof, and indefiniteness issues that (by statute) may not be considered in IPR.

Given LSI's *prima facie* showing, the Court should vacate its Rule 36 judgment and provide an opinion for at least two reasons. First, the Court should hold that when it relies upon new or alternative grounds to affirm the PTAB (if this is even permitted at all), it may not invoke Rule 36 to affirm without opinion. Second, the Rule 36 judgment must be vacated because of the serious jurisdictional and due process concerns created by the Court's use of Rule 36 under these circumstances.

The Court may hesitate to open a floodgate of rehearing requests if it grants LSI's request in this motion. But LSI urges the Court to view this request in a different light. This request for rehearing presents an ideal opportunity for the Court to hold that Rule 36 does not permit affirmance without opinion in a PTAB appeal if the court is affirming on new or alternative grounds. Not only would this construction of Rule 36 preserve the Court's jurisdictional boundaries and protect important due process rights; it also might help *protect* Rule 36 for use by the Court in other appropriate cases, if and when this Court's authority to affirm *any* PTAB IPR decision without opinion is challenged under 35 U.S.C. §141.

II. POINTS OF LAW OR FACT OVERLOOKED OR MISAPPREHENDED BY THE PANEL

Pursuant to Federal Circuit Rules 36(e)(3)(F) and 40(a)(4), LSI provides this statement of points of law or fact that were overlooked or misapprehended by the court in its panel decision.

1. The panel overlooked the limits of its appellate jurisdiction when it considered new and alternative grounds for affirming the PTAB's decision.

2. The panel misapprehended or overlooked the fundamental errors in the PTAB's stated reason for its own decision that require reversal, and that preclude this court from affirming on new or alternative grounds.

3. The panel overlooked the serious jurisdictional issues and constitutional due process rights that are implicated by an affirmance without opinion under the facts and circumstances of this case.

III. ARGUMENT

A. Federal Circuit Rule 36(d) cannot be Read to Permit Affirmance Without Opinion when the PTAB's Stated Reasons are Erroneous, thus Requiring the Court to Rely on New or Alternative Grounds to Affirm.

Rule 36(d) pertains to appeals from administrative agencies. In agency appeals, the rule permits affirmance without opinion only where the decision "warrants an affirmance under the standard of review authorizing the petition for review." Fed. Cir. R. 36(d). In PTAB appeals, the standard of review is established by §706 the Administrative Procedures Act ("APA"). *See* 5 U.S.C. §706. *See also*

Pride Mobility Prods. Corp. v. Permobil, Inc., 818 F.3d 1307, 1313 (Fed. Cir. 2016).

Section 706 requires an appellate court, when reviewing an agency decision, to confine the review to the reasons the agency itself gave in support of its decision. As this Court recently stated:

[O]ur review of a patentability determination is confined to the grounds upon which the Board actually relied. . . . We have no warrant to accept appellate counsel's *post hoc* rationalizations for agency action . . . or to supply a reasoned justification for an agency decision that the agency itself has not given.

Power Integrations, Inc. v. Lee, 797 F.3d 1318, 1326 (Fed. Cir. 2015) (internal quotations and citations omitted).¹ This is in accord with bedrock administrative law, which has long held that an agency's decision must stand or fall on the soundness of the agency's own stated reasons. *See, e.g. S.E.C. v. Chenery Corp.*, 318 U.S. 80, 87 (1943). When an appellate court disregards the agency's own reasoning to affirm on new or alternative grounds, the reviewing court exceeds the scope of its appellate jurisdiction by substituting its own judgment for the judgment of the agency. *See Power Integrations*, 797 F.3d at 1326; *Chenery*, 318 U.S. at 87.

¹ The Federal Circuit and other courts have permitted consideration of alternative grounds for affirmance in circumstances that are not applicable to an appeal of the PTAB's §103 obviousness determinations. *See, e.g. In re Comiskey*, 554 F.3d 967, 974-75 (Fed. Cir. 2009). Although the issue is not presented here, it may be permissible for this Court to affirm on alternative grounds for other issues in PTAB appeals that would not require new fact-finding on appeal - for example: some §102 issues, patentability issues only raised in CBM reviews (such as §101 or §112 indefiniteness), or non-patent issues that present pure questions of law.

Moreover, an appellate court violates a party's most basic due process rights to notice of the issues and an opportunity to meaningfully respond with evidence when the court's affirmance is based on reasons that are newly presented on appeal, and especially so if the reasons for affirmance are articulated for the very first time during the appellate oral argument. *See, e.g. In re Leithem*, 661 F.3d 1316, 1320-21 (Fed. Cir. 2011).

For at least these reasons, Rule 36 should be read to preclude affirmance without opinion where the agency's decision cannot stand on its own reasons, thus requiring the Court to rely on new or alternative grounds for affirmance. LSI encourages the Court to expressly adopt this construction of Rule 36.

B. The Reasons set forth in the PTAB's Decision Below are Plainly Erroneous and Cannot Stand on their Own.

The PTAB's decision below simply cannot be affirmed based on the reasons stated by the PTAB itself. At the beginning of the oral argument, LSI's counsel succinctly identified these fundamental errors for the court (summarizing the primary arguments advanced in LSI's briefs). The PTAB below misapprehended the state of the art and the technical problem addressed by the patents, and in turn adopted erroneous claim constructions that effectively eliminated the most critical claim elements—in effect, the PTAB re-wrote the claims to coincide with its mistaken view of the state of the art and technical problem. *See Oral Argument Recording (“Arg.”) at 0:51 – 1:33.* Moreover, the PTAB's *Graham* analysis was

fundamentally defective for using erroneous claim constructions to compare the claims to the prior art, and also for refusing to give any weight at all to the extraordinary objective evidence presented by LSI. *See id.* at 1:33-53. Additionally, the decision below is fundamentally defective because its conclusions regarding the motivation to combine are both legally erroneous, and also lacking in substantial evidence. *See id.* at 1:53 – 2:18.

The panel never contested LSI's direct assertion that the claim constructions are plainly erroneous. *See, e.g.* Arg. at 2:34 – 3:24. FLIR's counsel acknowledged a key point—that affirming the PTAB's claim constructions leads to the rather absurd conclusion that the patent office examined the patents for nine years, only to allow claims that (under the PTAB's constructions) are anticipated by the unmodified Merlin, even though the Merlin is the device that Furry modified, as discussed at length in the patent specification. *See* Arg. At 2:51 – 3:24; *id.* at 16:21 – 17:33 (“I don't want to criticize the examiner; but he probably could have 102'd some of the broader claims”). Similarly, the panel never contested LSI's assertion that the PTAB misapprehended the very nature of the technical problem and the state of the art. *See id.* at 4:20 – 5:11.

The panel's questioning of FLIR's counsel about the compelling evidence of secondary considerations is particularly telling. FLIR offered new and alternative grounds for the PTAB's decision at every turn. The panel itself acknowledged the

plain errors in the PTAB’s decision, and never questioned the nexus requirement. *See id.* at 22:47 – 24:56.

Each of these fundamental errors, standing alone, requires reversal for the reasons stated in LSI’s opening appellate brief. The claim constructions, for example, are facially erroneous. The PTAB construed “variable ambient conditions of the area around the leak” to mean “the ambient conditions of the area around the leak”—adopting a construction that *literally* struck one of the most critical words from the claim. *See* LSI Op.Br. at 48-52. The PTAB defined “leak” to include both intended and unintended emissions, contrary to the plain meaning of the word, based on two isolated sentences in the specification that describe the *types of components* that can be inspected with the invention, and that do not use the word “leak” at all. *See* LSI Op.Br. at 45-48. The PTAB’s claim construction for “leak” employs the same “fallacy of the undistributed middle” that was criticized and reversed in *In re LF Centennial Lmted.*, 649 Fed. Appx. 491, 497 (Fed Cir. 2016). *See* LSI Rpl.Br. at 15-16. These claim construction errors require reversal. *Straight Path IP Group, Inc. v. Sipnet EU S.R.O.*, 806 F.3d 1356, 1363 (Fed. Cir. 2015); *Microsoft Corp. v. Proxycorr, Inc.*, 789 F.3d 1292, 1308-09 (Fed. Cir. 2015).

As a second example, the PTAB completely discarded the striking record of objective evidence, a glaring error in the PTAB’s *Graham* analysis. *See* LSI Op.Br. at 66-71. The PTAB’s error is particularly egregious in this case, given the powerful

testimony provided by so many extraordinary scientists who have personal knowledge of the prior art and Furry's inventive activities, and who contemporaneously recognized Furry's revolutionary technical achievements for petrochemical leak detection. This evidence is coupled with FLIR's own direct copying of the Hawk camera and its own recognition of Furry's intellectual property rights in the business deal they struck with him; and the immediate and lasting commercial success of FLIR's own leak detection cameras that resulted from that business deal, and which to this day remain based on Furry's fundamental design that began with the Hawk. Because the PTAB failed to conduct a proper *Graham* analysis, its decision cannot be affirmed as a matter of law. *See, e.g., Power Integrations*, 797 F.3d at 1326-27; *Nike, Inc. v. Adidas AG*, 812 F.3d 1326, 1339-40 (Fed. Cir. 2016).

As a third example, the PTAB found that FLIR had met its burden of proof to show that its alleged combinations of prior art would meet the claim limitation requiring that the system or method "produce a visible image . . . under variable ambient conditions" even though FLIR offered *no evidence at all* in support. *See* LSI Op. Br at 52-55. This fundamental error not only requires that the PTAB's decision be vacated, but also supports LSI's request that judgment be entered in its favor without remand to the PTAB. *See* LSI Op.Br. at 52-55 and 71-72.

C. During Oral Argument, the Panel Focused on Issues Unrelated to the PTAB’s Own Stated Reasons for its Decision.

1. The Panel’s Extensive Questions About Certain Dependent Claims Prompted FLIR to Concoct a New Theory that it had Met its Burden of Proof Through “Claim Differentiation,” and thus was not Required to Submit Evidence.

Throughout the oral argument, the panel questioned LSI extensively about the meaning and implication of certain dependent claims (particularly claim 37 of the ‘813 Patent)² that expressly state a numeric upper limit on the filter passband size. *See Arg.* at 3:24-47; 6:12-27; 9:49 – 11:21; 33:19 – 34:23. The PTAB’s FWD did not discuss these dependent claims at all, or draw any inferences from them.

During the argument, FLIR’s counsel conceded that the result required by the claim (“producing a visible image . . . under variable ambient conditions) does impose a “practical upper limit” on the filter passband width as a matter of “common sense.” *See Arg.* at 19:36-45. Having conceded this critical point,³ FLIR’s counsel was obliged to concoct a brand new theory as to how FLIR allegedly had met its

² The court began its questioning by referring to “claim 18 of the ‘496” Patent (*Arg.* at 3:25-33). This was a mistake. The ‘496 Patent does not contain any independent or dependent claims that place a numerical upper limit on the filter’s passband width.

³ In its appeal brief (and in the PTAB below), FLIR had argued: “The fact that several claims set a specific range of values for the passband that includes a numeric upper limit, underscores that ‘produce a visible image’ imposes no such limit.” FLIR Br. at 33. This is a critical point because FLIR’s IPR petitions assumed it could meet its burden of proof to show the proposed prior art combinations would satisfy all claim limitations merely by showing that the filter has a passband wider than the minimum width stated in the claims, irrespective of how wide the filter might be or whether it might exceed the practical upper limit that would prevent the camera from producing a visible image under variable ambient conditions. *See, e.g.* A242.

burden of proof to show that the alleged combinations would satisfy all claim elements, since the filters of Strachan and Kulp each have a passband width exceeding 500nm.⁴

FLIR's brand new argument was that the court can draw an inference about the numeric value of this practical upper limit without evidence, based instead solely on the language of certain dependent claims. *See Arg.* at 19:59 – 22:24. Thus, in FLIR's view, it was not required to submit evidence to meet its burden of proof, because its proof can be inferred through claim differentiation. *See id.*

FLIR's argument is the equivalent of a patent owner attempting to prove infringement in district court without evidence, but merely by pointing to dependent claims and urging the jury to infer infringement because of "claim differentiation." Any patent plaintiff standing on this argument as the sole evidence of infringement in district court would appropriately be sanctioned.

During LSI's rebuttal, the panel picked up this argument and pressed LSI to identify the numeric practical "upper limit" for the filter passband width. *See Arg.* at 33:55 – 34:45. But this is not LSI's burden, and the panel's questions inappropriately shifted the burden of proof to LSI to prove that FLIR's alleged

⁴ In its appeal brief, FLIR argued for the very first time that the Strachan filter had a "bandwidth" of 200nm. In its Reply, LSI showed that this was an inaccurate and misleading description of the Strachan filter, materially different than the positions FLIR had taken in the PTAB below. *See LSI Rpl.Br.* at 2-5. FLIR abandoned this mischaracterization of the Strachan filter at the oral argument.

combinations would *not* fall within the claim, rather than holding FLIR to its burden of proof. *See In re Magnum Oil Tools Int'l, Inc.*, 829 F.3d 1364, 1376 (Fed. Cir. 2016) (the burden of proof on obviousness never shifts to the patent owner).

In making this argument, both FLIR and the panel misapprehended the important role played by the selection of “predetermined gases of interest” as required by each claim. The “practical upper limit” will vary depending on the predetermined gases of interest (because different gases have different absorption band characteristics), and thus the practical upper limit cannot be determined in the abstract, without knowing the predetermined gases of interest. *See, e.g.* ‘496 Patent at Figs. 5-11 and Col. 8:30 – 10:48 (A60-66, A89-90) (discussing a variety of chemical gases that may be detected, and illustrating different widths for the overlapping absorption bands depending on which gases are selected for detection).

Indeed, the court’s entire focus on a precise numeric upper limit is misguided. The claim language of the independent claims requires a system that achieves a certain result (“producing a visible image . . . under variable ambient conditions”), which easily can be shown through testing, as FLIR’s own documents show. *See* A23951-78 (FLIR test protocols for GasFindIR camera). FLIR chose not to offer actual evidence, and cannot overcome this deficiency in its proof through a *post hoc* rationalization based on “claim differentiation.”

2. The Panel's Questions Demonstrate it was Concerned About Potential Indefiniteness, an Issue it is Precluded by Statute from Considering in IPR.

The PTAB is precluded by statute from invalidating a patent in IPR on grounds of §112 indefiniteness. *See* 35 U.S.C. §311(b). This issue is beyond the statutory jurisdiction of both PTAB in IPR, and this court in an IPR appeal. *See Cuozzo Speed Tech's, LLC v. Lee*, 136 S.Ct. 2131, 2141-42 (2016). *See also Ericsson Inc. v. Intellectual Ventures II LLC*, Case IPR2014-01170, Paper 9 at 7-8 (PTAB Feb. 17, 2015) (declining to institute where the PTAB had potential indefiniteness concerns); *Space Exploration Technologies Corp. v. Blue Origin LLC*, Case IPR2014-01378, Paper 6 at 8-9 (PTAB Mar. 3, 2015) (same). In this case, FLIR raised indefiniteness issues in district court (and LSI responded with expert testimony) before that case was stayed pending the outcome of these IPRs.

Nonetheless, the court at oral argument openly expressed concern that LSI's claims might be indefinite because the claims do not expressly state a numerical upper limit on the filter passband width. *See* Arg. at 36:07-23. Indeed, much of the questioning focused on whether a precise numeric upper limit can be discerned. *See, e.g., id.* at 5:58 – 6:57; 9:37 – 10:03; 12:23 – 13:25; 13:53 – 14:30; 33:55 – 34:45; 36:07-42. LSI did not present evidence or argument on indefiniteness in this IPR

because it was not at issue; and neither the PTAB nor this Court considered LSI's district court evidence or argument on indefiniteness.⁵

D. The *En Banc* Court Should Grant Rehearing to Consider Whether a PTAB IPR Decision can Ever be Affirmed Without Opinion.

For the foregoing reasons, the Court's Rule 36 affirmance without opinion in this case cannot stand on its own stated reasons, and must be vacated or reversed. LSI urges the Court to hold that Rule 36 cannot be used to affirm on new or alternative grounds, and vacate the panel's Rule 36 judgment.

In the alternative, LSI urges the *en banc* Court to grant rehearing to decide whether this Court can *ever* affirm a PTAB IPR decision without opinion. *See* 35 U.S.C. §141 (in USPTO appeal, Federal Circuit "shall issue to the Director its mandate *and opinion* . . .") (emphasis added). *See also* Crouch, *Wrongly Affirmed Without Opinion*, Univ. of Missou. L. Stud. Research Paper No. 2017-02), <http://ssrn.com/abstract=2909007> (January 31, 2017).

LSI presents this argument here to preserve it for further appeal to the U.S. Supreme Court if necessary. But the Court may avoid this issue altogether if it will simply adopt LSI's proposed construction of Rule 36 and vacate the panel's judgment.

⁵ Interestingly, just before the oral argument the Federal Circuit issued an opinion reversing a district court's finding of indefiniteness for the claim term "visually negligible"—very similar to the "produce a visible image under variable ambient conditions" claim element that seemed to trouble the panel at oral argument. *See Sonix Tech. v. Publications Int'l*, 844 F.3d 1370 (Fed. Cir. Jan. 5, 2017).

Dated: February 9, 2017

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ADDENDUM

NOTE: This disposition is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

LEAK SURVEYS, INC.,
Appellant

v.

FLIR SYSTEMS, INC.,
Appellee

2016-1299, 2016-1300

Appeals from the United States Patent and Trade-
mark Office, Patent Trial and Appeal Board in Nos.
IPR2014-00411, IPR2014-00434, IPR2015-00065.

JUDGMENT

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THIS CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

PER CURIAM (O'MALLEY, BRYSON, and REYNA, *Circuit Judges*).

AFFIRMED. See Fed. Cir. R. 36.

ENTERED BY ORDER OF THE COURT

January 10, 2017
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

Leak Surveys, Inc. v. FLIR Systems, Inc., Nos. 2016-1299, -1300

CERTIFICATE OF SERVICE

I, Robyn Cocho, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

Counsel Press was retained by NELSON BUMGARDNER PC, attorneys for Appellant to print this document. I am an employee of Counsel Press.

On **February 9, 2017**, counsel has authorized me to electronically file the foregoing **Combined Petition for Rehearing *En Banc* and Panel Rehearing**, with the Clerk of Court using the CM/ECF System, which will serve via e-mail notice of such filing to any of the following counsel registered as CM/ECF users:

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Paper copies will also be mailed to the above principal counsel on this date and eighteen copies will be filed with the Court within the time provided in the Court's rules.

February 9, 2017

/s/ Robyn Cocho
Counsel Press

CERTIFICATE OF COMPLIANCE

Pursuant to Rule 32(a)(7)(C) of the Federal Rules of Appellate Procedure, I hereby certify that I am an attorney of record on behalf of Appellant Leak Surveys, Inc. and that I personally used the “word count” feature of Microsoft Word 2010 to count the words in the foregoing Combined Petition for Rehearing *En Banc* and Panel Rehearing and determined that the foregoing brief contains 3,827 words and is therefore in compliance with Rule 35(b)(2)(A).

In addition, this brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the style requirements of Federal Rule of Appellate Procedure 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Microsoft Word 2010 in 14-point Times New Roman.

By:

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