Podcast Transcript

Innovation Under Lock: Protecting IP Assets

Date: May 11, 2026

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Run Time: 11:07

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Lee: Intellectual property is one of the, if not the, greatest assets a business can own. Innovative companies need to carefully identify and protect their IP assets in order to maximize their value over their terms of protection. Savvy business owners will build this protection element into their overall business plan, ensuring that the IP strategy is not an afterthought but is a key proactive driver of the company's growth. The alignment between the two is critical and ensures that both strategies support the overall goals of the business. In BakerHostetler's third annual IP Perspectives thought leadership piece, BHIPP, the Intellectual Property Practice Group highlights myriad IP-related topics that are at the forefront of industry developments and current challenges and trends. I'm Leeann Lee, and you're listening to BakerHosts.

On today's episode, we discuss Innovation Under Lock: Protecting IP Assets. To provide us with insight into this topic, we have Tim Casey, a partner in the Intellectual Property Group at BakerHostetler. Tim is the Seattle Partner in Charge and the Seattle Intellectual Property Leader, and he has practiced IP and technology law for more than 35 years. Welcome to the show, Tim.

Casey: Thank you. Happy to be here.

Lee: So, to start us off, you say that companies should carefully identify and protect IP to maximize value. But what does that entail?

Casey: There are a number of different types of IP, and the strategy is necessarily different depending on the type involved. But I can use patents as an example. Many companies, patent protection is more reactive than proactive. This can be true when the company has a patent protection program managed by in-house attorneys. I know, because I was in-house for 12 years myself. But this is often the result of the company waiting for scientific management or different inventors to identify what they think might be patentable, instead of counsel proactively working with scientific management and marketing to identify internal projects with the greatest business potential, as well as the greatest potential for meaningful patent protection.

Lee: Okay, so that covers the identifying part. Now, what about the protecting part?

Casey: Just to be clear, what I said is a limited example of how even the identification of patentable assets to protect can be handled differently if some practical insights mixed in with the legal knowledge. The same holds true for the type of protection to pursue, and it can be a very long list of strategies to consider. I'll give you some examples.

Even if something is patentable, can it be claimed in a way that is possible to tell if a competitor is infringing? Or will patenting the idea result in a disclosure of what should be kept a secret? I remember years ago, when I was in-house, a group of engineers working on a new microprocessor design wanted to patent how the core of that design worked, but we'd never be able to tell if somebody was ever infringing on that core without having to tear a competitor's chip apart. And that, at the level of detail and difficulty of those chips, was impossible. So really, all they were doing was giving away the trade secrets of how the core worked without any resulting benefit from doing so. So I talked them out of it.

Another is, if the patent is to be used to prevent competition, claiming for validity over breadth may have great value as long as a competitor would still have to infringe in order to compete. What that means is, you want to make sure that what you're claiming is something that is going to be patentable as well as distinguishable from prior art that might be out there. So it is tempting to go for really broad claims, but the broader the claims are, the more likely it is that they'll be attacked. And what you want to do is use this against competition, you want something that is going to withstand attack.

Next example, does first filing an overly informal provisional actually preserve priority over what will be subsequently claimed, versus filing what I call a formal provisional that is more like a completed non-provisional? What that gets at is there is lots of companies that default to filing something really informal, very incomplete, short, maybe a page or two, some drawings, some hand notes, just to get something on file. But merely getting it on file doesn't do you any good if it is not an enabling disclosure. So a provisional which doesn't fully enable the invention doesn't actually protect the invention. So it is important that consideration is given to exactly what is being filed and why.

Another example is, has the potential for design patent rights related to the idea being explored? There is lots of opportunities to get design patents on other types of patentable subject matter, whether it is the graphical user interface or some other aspect of a product. And many times people look at utility, but they don't look at design.

Should multiple ideas be separated out and filed for independently? Or is it better to group them all into a single disclosure, so the disclosure is more robust and there are greater future claiming options available? I often use what is called an omnibus application, at least that is my term, where I combine a ton of stuff into the overall specification and drawings and then maybe file multiple different applications using that same specification, but focused on different inventions that are part of that disclosure. And that robustness of that disclosure gives me lots of options in the future during prosecution. If I need to add things or change things, I have the opportunity to get around it. Whereas if you file a very short specification, the technical details that you may need in the future to get around some prior art may not be there.

Lastly, are the claims being drafted in a way to eliminate joint tort fees or enforcement issues? These are just a few examples of what should go into the initial phase of a robust patent protection program. There are many additional phases and considerations along the way, and every type of IP has its own strategy.

Lee: Great. Now, you also mentioned maximizing value. What does that involve?

Casey: I touched on part of this aspect when I talked about determining whether claims can be infringed. I've seen brilliant inventions patented in such a way that it is not possible to prove infringement, as I used an example of, by observing how a competitive product or service operates, or even by taking the potential infringing product apart. If the patent can't be enforced, even if you have no real intention of doing so, it has no real value. In the same way a lot of money is wasted on international protection, you have to know what your business plan is in order to determine whether you should be spending money on IP. If your primary market is the U.S. and the value of your company is largely based on your ability to protect that market, then spending a substantial portion of your IP budget getting patents outside the U.S. doesn't really make any sense. You can get significantly more bang for the buck by building a bigger U.S. portfolio than getting rights in countries that an inquiring company is not going to value because the market is too small or enforcement in those countries is questionable at best.

Lee: Much of what you've talked about so far is on the protection side. Although you mentioned enforcement a few times, how does the strategy carry over to monetization?

Casey: There are really two sides to this, sale and license. One aspect of the sale side is the enhanced value of the underlying business to which the IP is assigned, but IP can also be sold on its own. There are some limits to this, obviously, because trademarks can't be sold without the underlying goodwill and other limitations like that. Too often companies abandon IP _______ rather than attempt to find out if there is an alternative market for them. When they are abandoned, they become public domain and anyone can use them. But if they're sold, another party may be able to continue to get value out of them and be willing to pay you for that, either upfront or contingently. As long as you manage this in a way that won't be likely to come back to harm your business, there can be pure upside.

Both companies for which I headed IP operations became profit centers by the time I left, which, if maintained, only fueled strategic action going forward. However, almost universally, whether one is looking at selling assets or licensing them in the end, whether IP has value depends on what can be done with it. And by that, I mean whether it can be enforced. If you can't prove infringement, claims are too broad. If there are blatantly obvious workarounds created during prosecution, the enforcement value of the asset can be greatly compromised. Licensing is ultimately about negotiation, and if the IP asset owner lacks leverage over the potential licensee, then there is little incentive to do a deal. Maximizing value is about preserving options to enforce, even if you have no intention of doing so.

Lee: Well, that makes sense. And I just have one final question for you. What is a company to do then if they want to develop or improve upon their IP strategy overall?

Casey: First, IP needs to be clearly thought of by management of the company as more of a critical, intangible asset than a budget line item. Managing costs, of course, is important, but the tendency is to budget towards specific numbers of filings and responses. For example, so many patents, so many trademarks, so many copyright registrations, et cetera. Getting out of this mindset a bit enables companies to also budget some money towards an IP audit focused on identifying what they're doing right and where they can do things differently, with a focus on improving the overall IP lifecycle so as to better manage costs, maximize value, and potentially explore monetization strategies. If you're interested in that, we are more than happy to help you.

Lee: This has been a great conversation. Thank you, Tim. If you have any questions for Tim, his contact information is in the show notes. As always, thanks for listening to BakerHosts.