

# Invention Promotion Firms

## Introduction

Think that you have a great idea for a new product or service? You are not alone! Every year, tens of thousands of people try to develop their ideas and commercially market them.

Many inventors try to license their idea or invention to a manufacturer that would fabricate and market the invention and pay royalties to the inventor. But finding a company to do that can be difficult. As an alternative, many inventors use the services of an invention promotion firm. Indeed, some inventors pay thousands of dollars to firms that promise to evaluate, develop, patent, and market inventions.

Unscrupulous promoters take advantage of the inventor's enthusiasm for a new product or service. They not only urge inventors to patent their ideas or invention, but they also make false and exaggerated claims about the market potential of the invention. The facts are:

few inventions ever make it to the marketplace; and

although a patent can provide valuable protection for a successful invention, getting a patent doesn't necessarily increase the chances of commercial success.

There's great satisfaction in developing a new product or service and in getting a patent. But when it comes to determining market potential, inventors should proceed with caution as they try to avoid falling for the sweet-sounding promises of a fraudulent promotion firm.

Invention promotion organizations advertise that industry is seeking new inventions and ideas. Typically, after reviewing the invention for a nominal fee and providing a favorable report, the invention promotion organization will suggest contacting interested manufacturers to obtain a licensing agreement for the inventor.

This phase is exceedingly expensive. The typical inventor will lose between \$10,000 and \$50,000, without any results. Invention promotion is a growing industry with an annual income of approximately \$500 million.

The following statement is quoted from an invention promotion company website.

"Since 1984, we have grown into the largest company performing **invention submission services** for inventors in the United States, and perhaps the world. We have sales offices in more than 60 cities in the U.S., Canada, United Kingdom, Korea, South Africa and Australia."

The American Inventors Protection Act was enacted November 29, 1999, as Public Law 106-113 gives inventors certain rights when dealing with invention promoters. Before an invention promoter can enter into a contract with an inventor, it must disclose the following information about its business practices during the past five years:

how many inventions it has evaluated,

how many of those inventions got positive or negative evaluations,

its total number of customers,

how many of those customers received a net profit from the promoter's services, and

how many of those customers have licensed their inventions due to the promoter's services.

The disclosure is usually hidden within the organizations website. Below is an information disclosure statement taken from the same website as the promotion organization quoted above

*"From 2003 to 2005, we signed submission agreements with 6,592 clients. As a result of our services, 119 clients have received license agreements for their products, and 15 clients have received more money than they paid us for these services."*

15 clients receiving more money than was spent with the invention promotion firm is total of 6,592 paying clients is a success ratio of one in 439.

All the material set forth below is reprinted from public documents published by the Bureau of Consumer Protection, a division of the Federal Trade Commission (FTC) and the United States Patent and Trademark Office (USPTO).

## Spotting Sweet-Sounding Promises

### Fraudulent Invention Promotion Firms

The Federal Trade Commission (FTC) has found that many invention promotion firms claim - falsely - that they can turn almost any idea into cash. But, the agency says, smart inventors can learn to spot the sweet-sounding promises of a fraudulent promotion firm. Here's how to follow up if you hear the following lines:

**"We think your idea has great market potential."** Few ideas - however good - become commercially successful. If a company fails to disclose that investing in your idea is a high-risk venture, and that most ideas never make any money, beware.

**"Our company has licensed a lot of invention ideas successfully."** If a company tells you it has a good track record, ask for a list of its successful clients. Confirm that these clients have had commercial success. If the company refuses to give you a list of their successful clients, it probably means they don't have any.

**"You need to hurry and patent your idea before someone else does."** Be wary of high pressure sales tactics. Although some patents are valuable, simply patenting your idea does NOT mean you will ever make any money from it.

**"Congratulations! We've done a patent search on your idea, and we have some great news. There's nothing like it out there."** Many invention promotion firms claim to perform patent searches on ideas. Patent searches by fraudulent invention promotion firms usually are incomplete, conducted in the wrong category, or unaccompanied by a legal opinion on the results of the search from a patent attorney. Because unscrupulous firms promote virtually any idea or invention without regard to its patentability, they may market an idea for which someone already has a valid, unexpired patent. In that case, you may be the subject of a patent infringement lawsuit - even if the promotional efforts on your invention are successful.

**"Our research department, engineers, and patent attorneys have evaluated your idea. We definitely want to move forward."** This is a standard sales pitch. Many questionable firms do not perform any evaluation at all. In fact, many don't have the "professional" staff they claim.

**"Our company has evaluated your idea, and now wants to prepare a more in-depth research report. It'll be several hundred dollars."** If the company's initial evaluation is "positive," ask why the company isn't willing to cover the cost of researching your idea further.

**"Our company makes most of its money from the royalties it gets from licensing its clients' ideas. Of course, we need some money from you before we get started."** If a firm tells you this, but asks you to pay a large fee - up-front or to agree to make credit payments - ask why they're not willing to help you on a contingency basis. Unscrupulous firms make almost all their money from advance fees.

## Project Mousetrap

A significant number of firms in the invention promotion industry are perpetrating a massive fraud on middle American consumers by claiming they have the resources and corporate connections to successfully develop and market individuals' inventions, according to federal and state officials who gathered at Federal Trade Commission headquarters in Washington, D.C. today. Issuing a message of extreme caution to consumers about using the very expensive, but almost always fruitless, services of an invention promotion firm, the FTC announced "Project Mousetrap," a law-enforcement sweep that has leveled federal and state charges in seven actions against companies and

their principals involved in schemes purportedly to help independent inventors who tinker away in their garages late into each night in the hope of "building a better mousetrap."

"It is a fact that less than one percent of all new product concepts succeed in the marketplace," said Jodie Bernstein, Director of the FTC's Bureau of Consumer Protection, at a press conference announcing Project Mousetrap. "Yet the fraudulent firms in this industry conclude, after a 'professional' evaluation, that virtually every new idea or product crossing their desks is patentable and has 'tremendous market potential.' They promise enthusiastic inventors that they can provide professional assistance in getting a patent and securing licensing and manufacturing agreements with manufacturers. Time after time, however, these firms lie to consumers about the sincerity of their belief in an idea and its marketability. Mark Twain once said that the name of the greatest inventor is accident. But it is no accident that these firms profit while the dreams of their customers die. That is their plan, and up to now, they have been very successful in perpetrating that plan. Virtually no consumers have even made back their investment, let alone any profit, from these companies' services."

"Attorney General Mike Fisher is committed to striking back against unscrupulous companies that take advantage of the hopes and creativity of inventors," said Pennsylvania Executive Deputy Attorney General Alexis Barbieri, who also spoke at the press conference. "Too many inventors, who thought they could turn a good idea into reality, ended up with nothing more than their own canceled check."

"Project Mousetrap" also begins a concerted effort among law enforcement officials and other federal regulators to combat this type of fraud with a targeted consumer education campaign. The U.S. Patent and Trademark Office (USPTO), the Department of Justice and the FTC have formed a task force to gather and share information about law enforcement efforts, and to develop a long-term campaign to give consumers information about invention promotion fraud at key times where they might be especially receptive to the message -- for instance, when they receive information from the USPTO.

**JODIE BERNSTEIN  
DIRECTOR, BUREAU OF CONSUMER PROTECTION**

**JULY 23, 1997**

Today we are here to announce the results of Project Mousetrap, a campaign targeting firms that exploit the dreams and enthusiasm of perhaps America's most sympathetic entrepreneur, the individual inventor. This is a crackdown on fraudulent invention promotion firms, companies that pretend to scrutinize an inventor's idea so carefully, and then offer their patenting and marketing expertise to only a select few that purportedly have tremendous commercial potential. All this for only \$10,000 to \$20,000 - - up front.

Fraudulent invention promotion firms target middle America -- the worker who tinkers away in the garage late into each night in the hope of building a better mousetrap; the individual who does not have connections to major U.S. corporations that might take the financial risk to develop and market a potentially great idea; the enthusiastic consumer who might be partially blinded by professional looking reports that purport to evaluate and authenticate the potential commercial success of the invention. There are tens of thousands of these people across America, and it can be overwhelming for these individuals to try and sell their ideas to a manufacturer who would pay them royalties. That is why they turn to invention promotion firms and that is why they are vulnerable to false and exaggerated claims.

It is a fact that less than one percent of all new product concepts succeed in the marketplace. Yet the fraudulent firms in this industry claim, after a purportedly professional evaluation, that virtually every new idea or product crossing their desks is patentable and that it has tremendous market potential. They promise professional assistance in getting that patent and in securing licensing and manufacturing agreements. Time after time, however, these firms blind consumers with lies about the sincerity of their belief in an idea and its marketability. Mark Twain once said that the name of the greatest inventor is "Accident." But it is no accident that these firms profit while the dreams of their customers die. That is their plan and, up to now, they have been very successful in perpetrating it. Virtually no consumers have even made back their investment, let alone any profit, from these companies' services.

Project Mousetrap is a two-pronged campaign to help nullify that plan. The first prong is the law-enforcement effort. Today we announce federal or state charges in seven actions against the corporations and individuals behind six allegedly fraudulent invention promotion schemes. The FTC staff believes that the defendants in its five cases alone have generated in excess of \$90 million dollars in sales, but provided very little of value in return. The schemes we challenge are all woven with a common thread: false claims about the firms' track records and their potential for helping inventors generate substantial profits. To bolster these lies, they tend to weave in additional deceptive claims about how selective they are in screening ideas, perhaps the special relationships they have with manufacturers, or the benefits of getting an idea patented. And they use disguised high-pressure sales tactics, saying for instance that you must patent your idea quickly before someone else does. Examples of the reports they provide to consumers, purportedly offering a professional evaluation of an idea, show page after page of virtually identical text with the name of the inventor and the idea dropped in from time to time.

Invention promotion fraud has been such a persistent problem that it is clear to us that a more massive, coordinated approach, rather than case-by-case enforcement was needed. Our partners in this effort are the Pennsylvania and Florida state Attorneys General, who also have filed actions in their state courts.

The second prong of Project Mousetrap is consumer education. Together with the U.S. Patent and Trademark Office and the Department of Justice, we have formed the

Invention Promotion Fraud Task Force, which will explore ways in which we can gather and share information about law enforcement efforts, and develop a long-term campaign to give consumers information about invention promotion fraud at key times where they might be especially receptive to the message -- for instance, when they receive information in connection with a patent application from the Patent Office.

## Using Invention Promotion Firms

Many fraudulent invention promotion firms offer inventors two services in a two-step process: one involves a research report or market evaluation of your idea that can cost you hundreds of dollars. The other involves patenting or marketing and licensing services, which can cost you several thousand dollars. Early in your discussion with a promotion firm, ask for the total cost of its services, from the "research" about your invention through the marketing and licensing. Walk away if the salesperson hesitates to answer.

Many fraudulent companies offer to provide invention assistance or marketing services in exchange for advance fees that can range from \$5,000 to \$10,000. Some even offer to finance the full amount to entice inventors into making a quick decision. Reputable licensing agents rarely rely on large up-front fees.

Unscrupulous invention promotion firms tell *all* inventors that their ideas are among the relative few that have market potential. The truth is that most ideas don't make any money.

Advertisements for invention promotion firms are on television, radio and the Internet, and in newspapers and magazines. These ads target independent inventors with offers of free information on how to patent and market their inventions. Often, however, the only information you get is about the promoter.

If you respond to the ads — which may urge you to call a toll-free number — you may hear back from a salesperson who will ask for a sketch of the invention and information about you and your idea. As an inducement, a firm may offer to do a free preliminary review of your invention.

Some invention promotion firms may claim to know or have special access to manufacturers who are likely to be interested in licensing your invention. In addition, some firms may claim to represent manufacturers on the look-out for new product ideas. Ask for proof, such as contacts at manufacturers, before you sign a contract with any invention promotion firm that claims special relationships with manufacturers. If the promoter provides only one or two names, be careful: The contacts may be "shills" — people hired to give favorable testimonials.

After giving your invention a preliminary review, a firm might tell you it needs to do a market evaluation of your idea — for a fee that can be several hundred dollars.

Many questionable firms don't do any genuine research or market evaluations. Sometimes the "research" is bogus, and the "positive" reports are mass-produced in an effort to sell clients on additional invention promotion and marketing services. Fraudulent invention promotion firms don't offer an honest appraisal of the merit, technical feasibility, or market potential of an invention.

Some invention promotion firms also may offer a contract in which they agree to help you market and license your invention to manufacturers. Unscrupulous promoters may require you to pay a fee of several thousand dollars in advance, or to agree to make credit payments instead. Reputable licensing agents usually don't rely on large advance fees. Rather, they depend on royalties from the successful licensing of client inventions. How can they make money when so few inventions achieve commercial success? They're choosy about which ideas or inventions they pursue. If a firm is enthusiastic about the market potential of your idea — but wants to charge you a large fee in advance — take your business elsewhere.

### Required information disclosure from invention promoters/promotion firms

If you decide to use the services of an invention promoter/promotion firm, keep in mind that the firm must disclose specific information to you regarding their past business practices. This mandatory disclosure is required by law and is intended to help you make an informed decision whether or not the firm will meet your needs.

The American Inventors Protection Act of 1999 gives you certain rights when dealing with invention promoters. Before an invention promoter can enter into a contract with you, it must disclose the following information about its business practices during the past five years:

Specifically, before an invention promotion contract can be established between you and the firm, each invention promotion firm must disclose to you **in writing** each of the following items of information:

**(1) The total number of inventions evaluated by the invention promoter for commercial potential in the past 5 years, as well as the number of those inventions that received positive evaluations, and the number of those inventions that received negative evaluations**

*In other words, how much experience does the promoter have? What is their track record? Do they generally give mostly positive or negative evaluations, or is there a balance between their positive and negative evaluation history?*

**(2) The total number of customers who have contracted with the invention promoter in the past 5 years, not including customers who have purchased trade show services, research, advertising, or other nonmarketing services from the invention promoter, or who have defaulted in their payment to the**

## **invention promoter**

*This information will give you an idea of just how experienced the promoter or firm is and the volume of services they provide.*

**(3) The total number of customers known by the invention promoter to have received a net financial profit as a direct result of the invention promotion services provided by such invention promoter**

*What financial impact, if any, has the promoter or firm actually made to its customers?*

**(4) The total number of customers known by the invention promoter to have received license agreements for their inventions as a direct result of the invention promotion services provided by such invention promoter**

*Like item (3) above, this information will also enable you to gauge the effectiveness of the firm in evaluating its direct impact on its customers. Note the key words in the last two requirements--"...as a direct result of the invention promotion services provided by such invention promoter". Be aware that just because a license agreement was eventually secured for a given invention does not necessarily mean that it was a "direct result" of the promotion activities of the firm.*

**(5) The names and addresses of all previous invention promotion companies with which the invention promoter or its officers have collectively or individually been affiliated in the previous 10 years**

*This information will help you to know the history of the promoter or firm, even if the promoter changes firms or the firm changes its name.*

## **Check References**

Ask the promoter to give you the names of many previous purchasers so that you can pick and choose who to call for references. Again, beware of skills.

Fraudulent invention promotion firms may promise to register your idea with the U.S. Patent and Trademark Office's (USPTO) Disclosure Document Program. Although many scam artists charge high fees to do this, you can do it for \$10 by filing your document with the USPTO directly. The disclosure is accepted as evidence of the date of conception of the invention, but it doesn't offer patent protection.

Unscrupulous firms often promise that they will exhibit your idea at trade shows, but don't actually go to these trade shows, much less market your idea effectively. Check with previous clients and trade show sponsors about whether their ideas were exhibited.

Many unscrupulous firms agree in their contracts to identify manufacturers by coding your idea with the U.S. Bureau of Standard Industrial Code (SIC). Lists of manufacturers that come from classifying your idea with the SIC usually are of limited value.

Invention promoters also must give you the names and addresses of all invention promotion companies they have been affiliated with over the past 10 years. Use this information to determine whether the company you're considering doing business with has been subject to complaints or legal action. Call the U.S. Patent and Trademark Office at 1-866-767-3848 and the Federal Trade Commission, Bureau of Consumer Protection at 202-326-2222. The Better Business Bureau

If a promoter causes you financial injury by failing to make the required disclosures, by making any false or fraudulent statements or representations, or by omitting any fact, you have the right to sue the promoter and recover the amount of your injury plus costs and attorneys' fees.

### File a Complaint

To view complaints or file a complaint at The United States Patent and Trademark Office visit [www.uspto.gov](http://www.uspto.gov). Under "Inventor Support" click on "Inventor Resources." Under the heading "Complaints" is a link to complaints which have been filed and a link to the form for filing a complaint.

To file a complaint with the Bureau of Consumer Protection, Federal Trade Commission, go to [www.ftc.gov](http://www.ftc.gov). At the top center of the page, click on "File a Complaint" to display the form to be used. To view complaints filed, enter "Complaints Filed" into the search box at the top, right hand corner of the home page

### For More Information

#### **U.S. Patent and Trademark Office**

The USPTO offers information about patents and trademarks. Write: U.S. Patent and Trademark Office, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450; call toll-free at 1-800-PTO-9199; or visit [www.uspto.gov](http://www.uspto.gov). For more information about the Disclosure Document Program, Provisional Applications or Non-provisional Applications call 1-800-PTO-9199. In addition, every state has a Patent and Trademark Depository Library that maintains collections of current and previously-issued patents and Patent and Trademark reference materials. To order a copy of the American Inventors Protection Act, call 1-800-PTO-9199, or visit [www.uspto.gov/web/offices/com/speeches/s1948gb1.pdf](http://www.uspto.gov/web/offices/com/speeches/s1948gb1.pdf).

### **National Congress of Inventor Organizations**

NCIO offers free articles, information, resources, and an online magazine **America's Inventor Online**. To contact NCIO, call toll-free 1-877-807-4074, or visit [www.inventionconvention.com/ncio](http://www.inventionconvention.com/ncio).

### **United Inventors Association**

UIA offers free articles, information, resources, referrals to local support groups for inventors, and online copies of its newsletter. To contact UIA, call 1-585-359-9310, or visit [www.uiausa.com](http://www.uiausa.com) or [www.uiausa.org](http://www.uiausa.org).

### **Federal Trade Commission (FTC)**

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a [complaint](#) or to get [free information on consumer issues](#), visit [www.ftc.gov](http://www.ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into [Consumer Sentinel](#), a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

To see if a company has been investigated and/or fined by the Federal Trade Commission visit <http://www.ftc.gov/search> and type in the word "invention".

In addition, although the USPTO has no civil authority to bring law enforcement actions against invention promoters, it will accept your complaint and post it online if you complete the form, **Complaint Regarding Invention Promoter**, at [www.uspto.gov/web/forms/2048.pdf](http://www.uspto.gov/web/forms/2048.pdf). The USPTO also will forward your complaint to the promoter, and publish its response online. To read complaints and responses, visit **Inventor Resources** at [www.uspto.gov/web/offices/com/iip/index.htm](http://www.uspto.gov/web/offices/com/iip/index.htm).