

COUNSELING CLIENTS ABOUT INVENTION PROMOTION COMPANIES

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In the last few years, I have met quite a few Idaho inventors who have done business with what patent practitioners refer to as “invention promotion companies” or “invention promoters.” Personally, I have not seen any inventor come out of the relationship happy. Indeed, most of the inventors were highly upset, believing they had been scammed out of money (often to the tune of five to fifteen thousand dollars, or more).

Many of these inventors might have reconsidered entering into such a business relationship if they had only read the resources available on the Internet regarding invention promotion companies. The purpose of this article is to explain the issues present, to help you spot when one of your clients may need additional guidance, and to provide links to the relevant resources that you can share with your clients.

INVENTION PROMOTER DEFINED

What is an invention promoter? 35 U.S.C. § 297 defines an “invention promoter” as:

any person, firm, partnership, corporation, or other entity who offers to perform or performs invention promotion services [“the procurement or attempted procurement for a customer of a firm, corporation, or other entity to develop and market products or services that include the invention of the customer”] for, or on behalf of, a customer, and who holds itself out through advertising in any mass media as providing such services.

Once relegated to ads in the back of *Popular Science* and similar magazines, invention promotion companies have recently gone mainstream, acquiring clients through late night television ads and Internet key word advertising. Why the change? Money. Lots of money. Many invention promotion companies are reported to bring in tens of millions of dollars of revenue a year.

CONGRESS RESPONDS

Inventors being taken advantage of by improper and deceptive invention promotion became such a problem in the 1990s that Congress got involved. The American Inventors Protection Act of 1999¹ (AIPA) includes key provisions directed towards the issue. The provisions require invention promoters to disclose to customers, in writing:

1. the total number of inventions evaluated by the invention promoter for commercial potential in the past five years, as well as the number of those inventions that received positive evaluations, and the number of those inventions that received negative evaluations;
2. the total number of customers who have contracted with the invention promoter in the past five 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;
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;
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; and,
5. the names and addresses of all previous invention pro-

motion companies with which the invention promoter or its officers have collectively or individually been affiliated in the previous ten years.

The results of these disclosure requirements were stunning. For instance, invention promoter Advent Product Development had, over one five year period, a zero percent (0%) success rate,² and it has been reported that two other invention promoters indicated success rates of 0.23% and 0.03%.³ (Imagine *your* client’s reaction if your success rate was that low.) What is amazing is that customers still utilize invention promotion company services after being provided with documentation showing such unbelievably low success rates.

The AIPA also provides civil remedies to inventors “found by a court to have been injured by any material false or fraudulent statement or representation, or any omission of material fact, by that invention promoter” or “by the failure of that invention promoter to disclose” the success rate information mentioned above. These remedies include actual damages or statutory damages (of not more than \$5,000), as well as the potential recovery of attorneys’ fees and costs.

While the civil remedy provisions of the AIPA would seem to provide an effective remedy for inventors, they appear to have been seriously undermined by a recent case in New Jersey.⁴ In that case, the District Court upheld a forum selection clause in the promoter’s contract with the inventor and transferred the case to the district court in the promoter’s home state, effectively ending the plaintiff’s ability to sue the promoter on a cost effective basis. Whether other courts will follow the New Jersey court’s lead or whether Congress will amend the Act to state that the “proper venue is the inventor’s home forum” is yet to be seen.

The AIPA also includes a requirement that the Commissioner of Patents keep a public record of any complaints filed by inventors who feel that an invention promoter has taken advantage of them. The requirement also allows for any response by the invention promoter to be published as well. The complaints (and responses) can be found on the website of the U.S. Patent and Trademark Office (USPTO).⁵

THE PATENT OFFICE TAKES AIM

The USPTO has further addressed the “invention promotion” issue by producing and distributing a brochure entitled “Contact the USPTO Before You Get Burned.”⁶ That brochure provides a number of “warning signs” for suspect invention services, including: slick ads on radio, TV and magazines; high pressure sales tactics; being guaranteed to get a patent or your money back; and being told that the invention is “a sure fire hit.”

THE FTC BUILDS A BETTER MOUSETRAP

The USPTO is not the only government agency with a role in monitoring invention promoters. The Federal Trade Commission (FTC) has filed a number of cases against invention promoters, including complaints against Davison & Associates in 1997 (arguing “Defendants’ invention marketing services are worthless and almost certain to result in a total loss of the consumer’s investment”),⁷ National Invention Services, Inc. (NISI) in 1998 (NISI was ordered to pay \$745,000 in damages),⁸ and Global Patent Research Services in 1996.⁹ More recently, Davison & Associates was sued and \$26,000,000 in damages was awarded based upon the failure of Davison to comply with its obligations under the AIPA.¹⁰

The FTC also publishes a couple of excellent publications for inventors:

- a. Consumer Alert: Spotting Sweet-Sounding Promises of Fraudulent Invention Promotion Firms;¹¹ and,
- b. FTC Facts for Consumers: Invention Promotion Firms.¹²

CONCLUSION

The problem of improper and deceptive invention promotion services has been the subject of increased government regulation and enforcement. Through use of the resources discussed in this article, inventors and their attorneys have access to information that will help them make an educated decision before utilizing invention promotion and development services. *Caveat emptor* indeed.

ABOUT THE AUTHOR

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ENDNOTES

¹ <http://www.uspto.gov/web/offices/com/speeches/s1948gb1.pdf>

² <http://inventblog.com/2007/05/advent-product-developments-success-rate-0.html>

³ <http://www.ild-law.com/2006/12/inventhelp-and-davison-truth-behind.html>

⁴ *Pappalardo v. Advent Prod. Dev., Inc.*, No. CV 06-04697 (D. N.J. April 30, 2007).

⁵ <http://www.uspto.gov/web/offices/com/iip/complaints.htm>

⁶ <http://www.uspto.gov/web/offices/com/iip/documents/scamprevent.pdf>

⁷ <http://www.ftc.gov/os/1997/07/davisb~1.htm>

⁸ <http://www.ftc.gov/os/1998/07/perminis.htm>;
<http://www.ftc.gov/opa/1998/07/nisi.shtm>.

⁹ <http://www.ftc.gov/opa/1996/05/global.shtm>.

¹⁰ *Fed. Trade Comm'n v. Davison & Assocs. Inc.*, No. CV 97-1278 (W.D. Pa. March 20, 2006), available at

<http://www.ftc.gov/os/caselist/9623310/9623310.shtm>.

¹¹ Available at <http://www.ftc.gov/bcp/conline/pubs/alerts/invnalrt.htm>.

¹² Available at <http://www.ftc.gov/bcp/conline/pubs/services/invent.pdf>

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