

Facts About

Invention Promotion Firms

Inventor pitfalls when dealing
with invention promotion firms.



WHAT ARE INVENTION PROMOTION FIRMS?

You've seen their advertisements on late-night television. The invention promotion firm promises scoreless riches to inventors in exchange for paying for the privilege to market their inventions. The sad reality, however, is that very often, despite all the hype, invention promotion firms typically provide little or no value in exchange for collecting thousands of dollars from the individual inventor. Patent lawyers around the country repeatedly hear horror stories about how inventors were initially lured by an invention promotion firm because of the seemingly believable enthusiasm expressed by the firms over a particular invention.

Many invention promotion firms prepare elaborate reports about inventions and state in glowing terms how wonderful your ideas are and conclude, usually with little or no analysis, that an invention will likely be a blockbuster when the idea is introduced to the market. The inventors are then faced with the decision of whether to abandon the idea or to follow the invention promoter's suggestion of riches and commit even more money toward the promotion of an invention. Typically, fees ranging from \$2,000 to \$10,000 or more are collected under the premise that the invention promotion firm will use its "best efforts" to promote the invention. In fact, many of these promoters do nothing or do little more than file for an inappropriate type of protection. It is because of this type of fraudulent activity that law enforcement at the national and state levels have regularly pursued these invention promotion firms in the courts. Unfortunately, as quickly as the government succeeds in closing down one invention promotion firm, another firm with a similar name (and frequently founded by the very same unscrupulous individuals) resurfaces shortly thereafter. Protecting the public from the fraudulent practices of invention promotion firms continues to be a top concern for law enforcement throughout the United States.

HOW CAN I AVOID BECOMING A VICTIM?

As with investing your money, if it sounds too good to be true, it probably isn't. When it comes to inventions, your first stop should always be to visit a qualified Patent Attorney or Patent Agent. He or she will advise you initially on what your options might be to protect your idea for possible exploitation down the road. Remember, it will be difficult to maintain the value of your invention unless you take all of the steps necessary to protect your idea. This is a very complicated area of the law and best left to qualified individuals. The United States Patent and

Trademark Offices publishes a list of all Registered Patent Attorneys and Patent Agents throughout the United States. Simply visit <https://oedci.uspto.gov/OEDCI/> for information about patent practitioners in your area.

The actual cost of preparing, filing, and prosecuting your patent application will vary depending upon the complexity of your invention, the number of claims sought to be obtained, and the amount of detail about your invention that you provide to your Patent Attorney or Patent Agent (generally the more information you provide, the less time the Patent Attorney or Patent Agent will have to spend on obtaining the necessary information). It will always be less expensive to speak with a Registered Patent Attorney or Patent Agent at the outset than losing thousands to an invention promotion firm that will likely have little to show for its efforts and facing the possibility that your ability to obtain patent protection has been lost by the promoter's actions. A reputable Patent Attorney or Patent Agent can guide you in techniques or agencies that might assist you in marketing your invention, including how to contact venture capital firms that might participate in the financing and marketing of your ideas.

The Federal Trade Commission has published tips for consumers to avoid being victimized by invention promotion firms, the most blunt being:

“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.”

The vast majority of reputable licensing agents rarely charge an up-front fee.

WHAT CAN I DO IF I HAVE BECOME A VICTIM?

Frequently, inventors learn that the invention promotion firm merely obtained only design patent protection on the ornamental aspects of their invention. Or, worse yet, the inventors learn that the patent was not properly drafted and thus is completely unenforceable or unlikely to be licensed. These are actually the most common complaints of invention promotion firms that actually make an effort to obtain a patent for a particular client, and the client typically does not realize until too late that the deadlines have passed for obtaining proper patent coverage for an invention.

If you have become victim of an invention promotion firm, your first stop should be to visit a Registered Patent Attorney or Patent Agent to determine whether your invention can still be

adequately protected. You should also contact law enforcement authorities in your state, typically your local Attorney General's office.

In 1999, Congress took action against invention promotion firms and enacted the American Inventor's Protection Act, aimed at curbing some of the abuses of such firms. The new law mandated certain contract terms and relevant disclosures that have to be given to prospective customers of invention promotion firms, including:

1. The invention promotion firm must disclose the total number of inventions evaluated for their commercial potential by the firm in the past five years, as well as the number that have received either positive or negative evaluations;

2. The promotion firm must disclose the total number of customers who have contracted with the invention promotion firm in the past five years;

3. The promotion firm must disclose the total number of customers known to have received, as a direct result of the particular invention promotion firm's efforts, an amount of money in excess of the amount paid by the customer to that firm;

4. The promotion firm must disclose, as a result of the efforts of the particular invention promotion firm, the number of customers that have received a royalty-paying license agreement for their inventions; and

5. Finally, the promotion firm must disclose the names of all previous invention promotion entities with which the present invention promotion firm has been affiliated within the past ten years.

Although the prudent inventor should demand this information before any contract is signed with an invention promotion firm, you should also assess whether this information was, in fact, provided as required by law. You may be able to obtain relief if the necessary disclosures were not made. In addition to recover for failure to make the requisite disclosures, the American Inventors Protection Act permits a customer to recover for injuries, costs, and legal fees if a promoter has made any false or fraudulent statement or omission of any material fact to you in connection with your contract. Remember, the burden of showing that the law has been violated remains your responsibility before any recovery may be obtained.

Another possibility if you find yourself victimized is to consult an attorney to determine whether any action might be taken to recover money previously paid to the invention promotion firm. The invention promotion firms, however, understand as part of their business model that they will receive a high number of complaints. To guard against this, the contracts often contain fine print that provides loopholes for the invention promotion firm to avoid liability. Nevertheless, you should at least explore whether any relief might be obtainable under the terms of the contract.

WHERE CAN I GO FOR FURTHER ASSISTANCE?

In addition to consulting a Registered Patent Attorney or Patent Agent, there are a number of agencies that you can contact for further assistance.

- **U.S. PATENT AND TRADEMARK OFFICE.** The USPTO office can be contacted at “U.S. Patent and Trademark Office, Commissioner for Patents, P.O. Box 1540, Alexandria, VA 22313-1450,” telephone 1-800-PTO-9199 or visit www.uspto.gov. Complaints against invention promotion firms may be filed online by filling out the form “Complaint Regarding Invention Promoter,” located at www.uspto.gov/web/forms/2048.pdf but it must be remembered that the USPTO is not authorized to take action other than to publish the complaint and permit the firm an opportunity to respond. Also, visit the USPTO’s “Inventor Resources” web page at www.uspto.gov/web/offices/com/iip/index.htm to read complaints and responses against particular invention promotion firms.
- **U.S. FEDERAL TRADE COMMISSION.** The Federal Trade Commission provides numerous resources for consumers, including the maintenance of an online database where complaints may be entered for the benefit of hundreds of civil and criminal law enforcement agencies throughout the United States. To file a complaint in English or Spanish (bilingual counselors are available to take complaints), or to get information on any of 150 consumer topics, call, **1-877-FTC-HELP (1-877-382-4357)**, or use the complaint form at <http://www.ftc.gov/ftc/complaint.htm>.

STATE ATTORNEY GENERAL’S OFFICE. Don’t forget that potentially your most useful resource is the local office of Attorney General for the state in which you reside or the state in which the invention promotion firm resides. Numerous states have histories in dealing with unscrupulous

invention promotion firms and could direct you on possibly filing a complaint or taking action on state law, such as unfair trade practices or consumer protection statutes.

These materials have been posted by the AIPLA for informational purposes only and are not legal advice. Do not act in reliance upon this information without seeking professional counsel. Unless expressly stated, materials posted on this web site should not be construed as actions or positions of the American Intellectual Property Law Association to be such.