

PITTSBURGH TRIBUNE-REVIEW

BUSINESS

SECTION

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Friday,
May 12,
2006

INSIDE In Brief: D4 • Wall Street report D2-4

Invention promoter seeks judgment reduction

The judge, in finding Davison inflated its track record, ordered a \$26M compensation fund.

BY KIM LEONARD
TRIBUNE-REVIEW

Invention promoter Davison Associates Inc. on Thursday asked a federal judge to cut his \$26 million judgment against the company by 74 percent, based on what it says it could pay to create a compensation fund for clients.

U.S. District Judge Gary L. Lancaster is expected to rule today on attorney Cynthia Reed Eddy's request to cut the judgment to \$6.87 million.

"That is what we have in liq-

uid assets" plus the values of two homes owned by company President George Davison and his brother, Gordon, Eddy said in a hearing yesterday.

The Davisons would keep two other homes.

The amount is a far cry from Lancaster's March 17 order giving the O'Hara-based firm, a related business and three individuals 60 days to turn over \$26 million to the Federal Trade Commission, without being assessed interest. The FTC sued Davison in 1997 as part of its "Project Mousetrap" crackdown on invention promotion firms, and a trial was held last June.

Davison sells services to amateur inventors, saying it will prepare and present new product

ideas to corporations. Lancaster, in making his ruling, found the company misrepresented its services and track record for actually getting products licensed for marketing.

Lancaster based his client compensation fund total on \$8 million the company and other defendants earned before the lawsuit, plus \$18 million that trial testimony indicated was earned during 2004, according to a court filing.

Davison representatives gave other numbers yesterday. Mark Gleason, a certified public accountant hired by the company, testified the business took in \$89.3 million from 1994-2005, including \$25.8 million last year. After-tax profits were far less —

\$2.2 million last year, for example — and cash flow fluctuates during the month with \$2 million to \$2.5 million coming in, and \$1.75 million being spent.

Lancaster's judgment names the Davison company and an associate, Manufacturer's Support Services Inc., the Davison brothers and Barbara Miele Davison.

If the \$26 million amount isn't reduced, Eddy told Lancaster, the company could put up a \$4.8 million cash bond if the order is stayed pending appeal to the U.S. Circuit Court of Appeals. Davison also is fighting the FTC's request for a court-appointed auditor in the case.

The company said it is continuing to do business and meet payroll for about 250 employees.

Gleason noted in testimony that PNC Bank took control of \$573,000 in a Davison account early this month, to guard against chargebacks by Davison customers.

The company also proposed several changes yesterday to Lancaster's requirements for detailed disclosure statements that must be sent to potential clients, spelling out Davison's track record in getting products licensed.

Gleason said demand continues for the company's services; 700 new clients were signed between the judgment date, March 17, and Wednesday.

New clients pay an initial fee of about \$700 for product research.