

INVENTION PROMOTION COMPANIES

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There are a number of companies which advertise an TV, radio and/or the internet which offer to promote and market inventions. These companies promise to protect your invention, show your product to other companies and at tradeshow and assist in negotiating licences for a fee.

While reputable firms do exist, a number of these companies charge large fees for services which are not carried out or are of little practical value. For example, three US invention marketing firms were indicted with mail fraud, money laundering and tax evasion stemming from their operation or participation in an invention promotion scam that netted an estimated \$60 million. Similarly, the United States Federal Trade Commission has an ongoing program called "Project Mousetrap" which investigates US based invention marketers. This program has led to a number of civil cases being filed against these firms. Unfortunately, these "marketers" frequently change names and locations to avoid prosecution.

Fortunately, there are a number of sites on the internet available for inventors to share their experiences with specific invention marketers, including the National Inventor Fraud Centre (www.inventorfraud.com), the Inventor Awareness Centre (www.uiausa.com), R.J. Riley's Caution List (www.inventored.org) and the Inventors Network (www.inventnet.com). The following is the typical process followed by these illegitimate firms.

Step 1 – "The Hook": The company runs ads on television or radio offering free information for inventors on how to patent an market their inventions along with an 800 number for ordering the material. The material that arrives is typically only promotional brochures about the company and possibly an invention submission document.

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Step 2 – “The Initial Pitch”: A salesperson makes a follow-up call to the inventor and offers, for a fee, to obtain a registered patent attorney or patent agent’s opinion letter and a marketing analysis report for the invention. The salesperson typically states that if the opinion and analysis are favourable, the company will offer their services for patenting and/or marketing. The company may also request that the inventor complete and sign the invention submission document when sending in information on their invention. In most cases, the invention submission document is effectively a contract which describes in very oblique language the terms and conditions of the agreement which may vary significantly from the terms expressed verbally. Please note that it is always recommended that you consult a lawyer before signing any contract, particularly when you uncertain exactly what it is that you are signing. In addition, the salesperson may suggest that in order to protect the invention that the inventor also mail a set of the documents to themselves. It is important to note that this does not protect your invention and is of little practical value.

Step 3 – “The Set-Up Pitch”: The inventor is told that the invention has passed a rigorous screening process and has been selected by the company for development. The company may even provide a “realistic” figure for cash advances and royalties that can be earned by the inventor. At this point, the company asks for an up-front fee for their services as well as a royalty of all further earnings from the invention. In some instances, the company also offers to reduce the royalty in exchange for more up-front money. However, the company does not notify the inventor of any negative opinion letters and the “market assessment” is typically not specific for the invention itself. That is, a market report for a new toothbrush would state how many toothbrushes were sold in North America last year and not identify the likely number of the invention which could be sold. Finally, the royalty rate quoted by the company is likely to sound very reasonable, because the company does not expect to make any money off of the royalties – all of their profit comes from the up-front fees.

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Step 4 – “Services”: The company promises to promote the invention to companies and at trade shows. However, the promotional package typically includes all of the inventions currently being promoted by the company and is not organised or directed to any specific field. These packages are then sent haphazardly to companies and are generally discarded unopened by the recipient. Furthermore, the trade shows at which the invention is promoted (if it is promoted at all) is often a trade show for invention marketers. The company may also offer to include your invention in a database and to relay all offers to you and help you in negotiating licences. As you will appreciate, these services are of little benefit if no one sees the database and no offers are received. Finally, the company may promise to file a “patent document” to protect your invention. This “patent document” may be: a “disclosure document” filed at the United States Patent and Trademark Office, which costs \$10 and is accepted as evidence of the date of conception of an invention but offers no patent protection; a design patent which protects the three dimensional shape or look of an article and is not suitable for most inventions; or a utility patent with claims so narrow, that no effective protection is obtained. Even if the company employs a qualified patent agent or attorney to prepare the documents, it is important to note that the attorney is working for the company and not the inventor.

To summarise, there are a number of warning signs that can indicate that the invention promotion company you are dealing with is not legitimate. These include the following:

- Company offers to provide invention assistance or promotion in exchange for large advance fees. If a company says that they make their money off licensing fees, why are they asking for up-front money? Reputable licensing agents rarely rely on up-front fees.

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- Company claims to have great records licensing their clients' inventions. Ask the firm how many clients have made more money than they spent. Ask for names of some representative clients.
- Company promises or assures you that your invention will make money. No one can guarantee an invention's success. As discussed above, there are a number of excellent resources available on the internet for investigating invention promotion companies. There are also a number of government sponsored programs designed to help inventors, including the Canadian Innovation Centre (www.innovationcentre.ca) and the Canadian Business Service Centre (www.cbcs.org)

Remember, once a dishonest company has your money, you are unlikely to ever get it back.

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