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## Inventor Groups Remain Uneasy Despite FTC Accord Advocates Vow to Keep Fighting Exploitation of Amateurs; Firm Signs Pact

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The Federal Trade Commission concluded its legal battle with Invention Submission Corp. of Pittsburgh. But inventor advocates say the war against marketing companies that allegedly prey on amateur inventors is far from over.

The FTC announced this week that it had signed a consent decree with ISC that requires the company to pay \$1.2 million into a consumer redress fund and to disclose its success rate to prospective clients.

The settlement also permanently prohibits ISC from making a broad range of misrepresentations, particularly concerning its experience in promoting inventions, the financial gains its clients will achieve, its access to business organizations, and its evaluation of the marketability of client's ideas.

Companies such as ISC say they try to market inventors' ideas to manufacturers and others; they often charge the inventors thousands of dollars in fees. Complaints about the methods of many of these concerns have proliferated in recent years.

"ISC was the big fish of the industry", says Phoebe Morse, director of the FTC's Boston office. She says the agreement, which also applies to two affiliated concerns, their parent company Technosystems Consolidated Corp., and Martin S. Berger, its owner, "should send warning signals to anybody trying the same tactics."

### Plans of FTC

Ms. Morse declines to say whether the FTC is investigating other concerns, but implies that it is. "The commission believes in a level playing field," she says. "As it takes action against other companies, it will want to get similar relief."

Inventor groups are hailing the settlement as a blow to the biggest and most visible marketing concern. "ISC is the worst of the crop," says Clayton Williamson, president of the Kansas Association of Inventors, a non-profit group. Robert Lougher, founder of the Inventors Awareness Group Inc., says ISC tops a list he publishes of more than 20 companies that inventors should "approach with extreme caution." And Roberta Toole, president of the United Inventors Association of the U.S.A., St. Louis says, "I must have heard from 500 people over the past few years who have lost money to ISC." But inventor advocates worry that no single

law enforcement action can put a stop to abuses that have plagued the invention community for decades. At best, they say, it will make a dent in the industry that rakes in between \$100 million and \$300 million a year.

Often, companies that have been targets of state or federal probes change their names, or shut down and move to another state, these advocates say. "chasing these people is like hunting gophers—they disappear down a hole and pop up somewhere else," says Gerald Udell, a marketing professor at Southwest Missouri State University in Springfield, Mo.

### 'A Very Positive Conclusion'

ISC is staying put, and putting a positive spin on the consent decree. "This is a very positive conclusion," says Mr. Berger, the owner, in a written statement. "We believe that in signing this order, ISC has set the highest possible standard for other companies to follow." The company denies any wrong doing.

Inventor advocates say they are focusing on their efforts less on legal challenges to invention promotion companies and more on educating would-be entrepreneurs about the perils of paying upfront fees for marketing services.

That is what Mr. Lougher of Inventors Awareness Group says he is doing. A former employee of American Inventors Corp. in Westfield, Mass., he quit in disgust after concluding that the invention-promotion concern was taking in millions of dollars from unsuspecting inventors but rarely, if ever, getting customers' ideas to market.

He established Inventors Awareness Group to expose the operations of AIC and other marketing companies. He has compiled a brochure that details ways to verify credibility, and also publishes an occasional newsletter.

In response to his allegations, AIC sued Mr.

Lougher and his organization in Hampden County, Mass., Superior Court late last year for allegedly violating a nondisclosure agreement that forbids him from revealing confidential information about the company. Ron Boulterice, AIC's owner, says Mr. Lougher is a "disgruntled former employee" who is guilty of "libel and slander" against the concern.

Mr. Boulterice acknowledges his customers' success rate is "less than 2%"—he won't specify how much less— but says AIC makes it clear to customers how difficult it is to get a new product to market. Asked to describe some inventions that his company has commercialized, he cites a stomach exerciser and a device that holds a tube during stomach operations.

### Relying on Royalties

Legitimate marketing companies do exist. But they generally rely on royalties rather than upfront fees, and tend to have high success rates, people familiar with the industry say.

In contrast, they say, some invention marketing companies have batting averages close to zero. Certainly, that is the case with Western Invention Submission Corp., one of Mr. Berger's ISC companies. Under a tough Minnesota law, invention marketing companies in that state must disclose their success rates to prospective clients.

The latest statement that Penny Becker, executive director of the Minnesota Inventors Congress, has seen from the Western Invention Submission states that of 7,651 customers who had signed contracts, "zero have received money in excess of fees paid."

"Who would do business with them after seeing that?" Ms. Becker wonders. "But people still do. I can't understand."

## Selling Ideas

The invention-promotion industry at a glance:

- Number of major firms in field: **20**
- Estimated number of customers these firms will enroll this year: **20,000**
- Average fee of total marketing program: **\$5,700**
- Estimated total revenues for the firms this year: **\$114 million**

Source: Inventor Awareness Group Inc.