

Approved February 21, 1990
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Elizabeth Baker at
Chairperson

3:38 ~~xxx~~ p.m. on Tuesday, February 13, 1990 in room 423-S of the Capitol.

All members were present except: Representatives Barkis, Kline and Foster. Excused.

Committee staff present:

Jim Wilson, Revisor
Lynne Holt, Research
Elaine Johnson, Secretary

Conferees appearing before the committee:

Clayton Williamson, President, Kansas Association of Inventors, Inc.
Clyde Engert, Director, Invention Coordinator Program, Kansas Technology Enterprises Corporation
Dale Russell
Daniel S. Dister
Lawrence D. Ireland, Attorney

The meeting was called to order at 3:38 p.m. by Chairperson Baker.

Representative Baker opened the hearing on HB 2792 and recognized Representative Bob Mead.

Representative Mead gave a brief overview of the bill.

The first conferee to testify in support of HB 2792 was Clayton Williamson, President of the Kansas Association of Inventors. Mr. Williamson gave a brief background of his frustrations with Invention Marketing Companies, Invention Development Companies and Invention Brokers. Mr. Williamson lists 7 obstacles that face the inventor that deals with one of these companies. He feels that in order to protect the innovative citizens of Kansas we must give our Attorney General the tools with which to combat these fraudulent companies and retrieve monies for those persons exploited. The proposed bill has the strongest performance requirements and remedies and enforcement penalties that he is aware of that are in existence. Attachment 1.

Mr. Williamson then read the written testimony in support of HB 2792 submitted by Dr. Gerald G. Udell, Professor of Marketing and Director, Center for Business Research and Development at Southwest Missouri State University. Dr. Udell, as a part of his research, has reviewed relevant legislation in other states and has had input in several bills now enacted or pending. He states that the bill before us is the best legislation proposed thus far to regulate the invention development service industry and should be considered as a model for other states to follow. Attachment 2. Dr. Udell also provided the committee with a copy of his "It's Still Caveat, Inventor." Attachment 3.

Mr. Williamson responded to questions from the committee.

The next conferee was Clyde Engert, Director Intellectual Property at the Kansas Technology Enterprise Corporation. Mr. Engert supports HB 2792 but does suggest a change. The bill addresses the "Inventor Developer", Section 1, (e) and he suggests that this be changed to mean "Inventor Promoter". The bill when changed to prevent discouraging business providing professional services from wanting to deal with inventors will be of great help for all inventors. Attachment 4.

Mr. Engert responded to questions from the committee.

Dale Russell was the next conferee to testify. He shared with the committee his experience and frustration with an invention marketing firm and strongly urges that this committee be of assistance not allow this type of unethical practice to continue to take place in the State of Kansas. Attachment 5.

Mr. Russell responded to questions from the committee.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,
room 423-S, Statehouse, at 3:38 ~~xxx~~/p.m. on Tuesday, February 13, 1990.

Mr. Daniel Dister then informed the committee of his experience with an invention marketing company and the loss that he has suffered. To date he has not received the return of any monies he has paid to this firm. The firm he dealt with is American Idea Management . American Idea Marketing located in Pittsburgh, Pennsylvania. Attachment 6.

Mr. Dister responded to questions from the committee.

Mr. Lawrence P. Ireland, an attorney in Topeka presented the committee with a "Factual Statement" and a "Summary of Testimony". He also included a letter from American Idea Management Corporation the corporation he was working with on his invention. Attachment 7.

Mr. Ireland responded to questions from the committee.

Representative Baker closed the hearing on HB 2792.

The meeting adjourned at 4:55 p.m.

*Elizabeth
Baker*

TESTIMONY

TO: Members of House Committee on Economic Development.

FROM: Clayton Williamson, President, Kansas Association of Inventors, Inc.

DATE: February 13, 1990

Honorable Chairperson Baker, Members of Committee, and Staff.

Good Afternoon, I'm Clayton Williamson, President of the Kansas Association of Inventors, First, let me express my thanks to you for allowing me to appear before you in behalf of the members of our association and the citizens of Kansas. The Kansas Association of Inventors, Inc., is a Statewide not-for-profit inventor assistance organization consisting of inventors, innovative persons, attorneys, manufacturers, business people, government and civil service people, with membership throughout the United States and Canada.

I'll start with a brief background of my frustrations with Invention Marketing Companies, Invention Development Companies or Invention Brokers. In September 1988, as president of the Kansas Association of Inventors, I was receiving enough complaints from citizens of Kansas that I began to wonder how I could help them. I decided the best approach may be a letter to the editor of the papers throughout the state. I mailed the first letter (copy attached) on September 28th and it was published starting October 4th, 1988.

Within days I was married to the phone during the day and had to take the phone off the hook at home to get any sleep at night. I literally had hundreds of calls in the few weeks after publication of that letter. A few people were calling saying thanks, as they were then considering using one of these companies, but the large part were persons that had been ripped off. I contacted the Attorney General's Office to find out the policies and procedures we needed to follow to file a complaint. I do not have any feel as to the total number of complaints filed, but I know they were considerable.

After the Attorney General contacted the companies advising them of the complaints, my phone went on overtime again. This time it was calls from persons that had filed complaints and had been contacted by the invention brokers with offers to do more work on their projects, offers of partial refunds, extensions of the contract period and etc. Those persons that when contacted stuck by their guns and demanded a total refund were eventually granted a refund, but only after they sent the broker a copy of the letter they had sent to the Attorney General withdrawing their complaint.

House Eco. Dev. Committee

Attachment 1 2/13/90

The January/February 1989 issue of the Inventors Digest published by Affiliated Inventors in Colorado Springs did a re-print of my letter sending it nationwide. This started an avalanche of letters and calls from throughout the nation. I was getting someone's attention, as this also prompted some unusual late night and early morning calls inquiring into the state of my health and did I intend to remain so.

I have published several letters addressing this subject since that first one. One was mailed to all papers in the nation with a 20,000 population or more, (copy attached). The latest is in the form of an interview with the Inventors Digest, January/February 1990 issue (copy attached). As a result of these letters, I have received in excess of three thousand calls and letters from persons throughout the U.S. and Canada.

Many obstacles face the inventor that deals with one of these companies, just a few of these are:

1. The invention is evaluated at a board meeting, in house by persons of doubtful credibility.
2. For fees of between \$350 and \$800 these companies will indicate they are getting you patent protection, when in fact they are filing a disclosure document under the U.S. Patent & Trademarks Office Disclosure Document Program at a fee of several hundred dollars when in fact the fee for this service at the Patent Office is \$6. Thirty minutes will complete the average disclosure document. They will indicate this gives you protection when in fact, all this does is register the date of conception of the idea with the Patent Office.
3. After this service is performed, they ask for fees between \$3500 and \$10,000 to try to present the invention to market for you. I have found some of the companies to which they indicate they have submitted your invention to be pure fiction. (see attachment)
4. They often sell your contract to a finance company in an effort to cut themselves off through a third party from future litigation.
5. Phone calls to the company are not answered or returned.
6. Letters are not answered or acknowledged.
7. The person with which you were dealing is no longer with the company.

I have found the problems listed above to be widespread throughout the Invention Marketing Industry.

Several other States presently have legislation controlling Invention Marketing Companies operations. (copies of Minnesota and North Dakota attached) Others States have similar legislation pending presently. Those are Oklahoma, Nebraska and Missouri that I know of.

To protect the innovative citizens of Kansas we must give our Attorney General the tools with which to combat these fraudulent companies and retrieve monies for those persons exploited. This proposed bill has the strongest performance requirements and remedies and enforcement penalties I know to exist.

Of the 3000+ contacts I have had in the past 16 months, I have NOT HAD ONE PERSON TELL ME THEY HAD GOOD DEALINGS WITH AN INVENTION MARKETING COMPANY.

I have written testimony from Dr. Gerald G. Udell, Professor of Marketing at the University of Southwest Missouri, Springfield, MO. I shall read the cover letter from Dr. Udell now.

With this I shall conclude my testimony, I will be happy to entertain questions either now or after the last testimony. Thank you.

Beware of false promises, inventors

I am the president of the Kansas Association of Inventors; as such, I am becoming concerned for many of our Kansas citizens. For years there have been advertisements in the classified section of trade and how-to magazines and newspapers soliciting inventors to contact "invention marketing companies." Many of these companies have expanded into radio and television advertising, giving a toll-free number to contact.

If the number of persons contacting my office in the past few days is any indication, these ads are very effective. There are many persons in Kansas being suckered in by these ads. In the past two weeks, I've been contacted by 17 persons who are in some state of involvement with one or another of these companies.

The ads will start as follows: "Do you have an invention or know someone who does; if so, please call the number listed in this ad for a free information packet." A few days after you receive your packet, you will receive a call asking when you are sending your invention as they have an evaluation committee meeting in a few days. A short time after you send your idea in, you will receive another call telling you that the preliminary examination indicates nothing similar on the market and for a fee (usually between \$300-\$700), they will conduct a patent search and a market study.

The next call in a few weeks will tell you that their company is really excited about your invention (sometimes they indicate they are willing to inject some of their own money into it) and all they need from you is a signed contract and a check for between \$3,000-\$11,000 and they will present it to manufacturers and place it in a trade show. Take note: The manufacturer contacted may not even



be in the general area of your invention, but it has fulfilled its obligation to you even though as fair trade, this is splitting hairs.

The call to my office usually comes about the time they ask for the larger sum of money. People want to know, hey, are these people really legitimate, can they really do me some good? I can only say that in the two years I've held this office, I've met with many inventors and attended many meetings around the state, and I have yet to hear one success story involving any invention marketing company.

I have on file available to anyone wishing a copy, The Patent and Trademarks Official Gazette, dated June 2, 1987, in which the attorney general of Wisconsin signed a demand for relief. To quote: "That defendants, their successors, assignees and transferees;

their agents, employees, representatives and all persons acting or claiming to be acting in their behalf be perpetually enjoined and restrained from conducting business operations in Wisconsin in the matter alleged herein." This action also ordered the defendants to restore any pecuniary loss suffered by any person because of the defendant's acts and practices. This action was taken against a "patent research and marketing company."

There is help available! The Kansas Association of Inventors is a non-profit association made up of persons from all walks of life dedicated to helping each other and furthering the economic future of Kansas. We have a statewide membership of close to 200 individual members and are growing daily. We have nearly 200 manufacturers and 700 manufacturer sales representatives in Kansas and surrounding states who are willing to look at your project, make suggestions and possibly manufacture and present to buyers your project. We are able to connect the inventor with several reputable patent attorneys, engineers, plastic and fiberglass experts, metallurgists, machinists, draftsmen and about any other assistance he may need. The Kansas Association of Inventors does not have a fee for our services. We do ask that a person seeking assistance consider becoming a member at an annual membership fee of \$25 per individual.

For further information write the Kansas Association of Inventors, 2015 Lakin, Great Bend, Kan. 67530, or call (316) 792-1375.

CLAYTON WILLIAMSON
President
Kansas Association of Inventors
Holsington

Copy of original letter written September 28, 1988 and published in the Wichita Eagle Beacon on October 4th 1988.

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THE MEDICINE SHOW COMES TO TOWN

Letter to the Editor:

"WE LIKE YOUR IDEA"!!!

That's a phrase you hear all too often from the Invention Marketing Companies that are advertising on radio, TV and in the back of magazines.

They offer a toll free number for you to call asking for their free information packet. I can assure you that is the last time you will hear the word "free" from them.

A few days after you receive the information packet, they will call asking when you are going to send them your invention. If you do send your invention or idea to them, you can expect another call in a week or so telling you that they have evaluated it and "WE LIKE YOUR IDEA". Now is when they will ask you to have them do a market study and a patent search for you (at a cost of \$150 to \$1000).

This idea may be something that was patented many years ago, or is already on the market, but they will ask you to hire them (at a cost of several thousand dollars paid up front, by you) to promote it to industry, even though they know there is little chance of success.

I seldom hear from an inventor that they recommended he/she apply for a patent on their invention. There is a major problem with the above set of circumstances. Without a patent, you don't have anything to sell.

-More-

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They have only to send your idea to the number of companies they contract for with you, and they have fulfilled their obligation to you. Your idea may be for a stuffed toy and they will send it to a baby carriage manufacturer, they make carriages, NOT stuffed toys.

The industry success for invention marketing companies is estimated to be only 1 in every 3,000 inventions submitted. With an average up-front cost to the inventor of \$8,500, if we multiply that by the 2,999 unsuccessful submissions, we have paid these companies \$25,491,500. That's right, TWENTY FIVE AND A HALF MILLION DOLLARS!!! Big Bucks, and there are over a dozen of these companies.

I've found in the last year that these companies have touched people from all walks of life, I've had over 2,300 complaints called or written to my office in that year, and no one has had one good word to say about them. If I can sit here in the middle of Kansas reaching no more people than I have, what will be the total money lost nationwide to these scam operations?

Experts in the invention field have estimated the annual take through these companies to be between \$400 and \$800 million. This is money that channeled through the proper avenues would make giant strides in the advancement of technology in the U.S.

-More-

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There are close to 100 NOT-FOR-PROFIT inventor organizations nationwide, including ourselves. We are capable of assisting the individual inventor with his/her invention in the areas of patent protection, evaluations, locating a manufacturer and a manufacturer sales representative to present the invention to the marketplace.

There is help available. Contact your local Inventor Organization. If you can't find one locally, contact me and I will put you in touch with the closest one to you. One phone call or letter could save you thousands of dollars.

As I stated early in this letter, their common phrase is "We like your idea," perhaps that should have read, "**WE LIKE YOUR MONEY**"!!

Sincerely,

Clayton Williamson, President
Kansas Association of Inventors
2015 Lakin
Great Bend, Kansas 67530

The Inventor's Knight



Clayton Williamson, president of the Kansas Association of Inventors, is conducting a one-man crusade against invention development "scam" operations. In 1988 he sent his first

Letter to the Editor to newspapers throughout Kansas alerting inventors to the way fraudulent operations do business. Recently, Clayton sent out another letter, but this time he sent his letter to more than 600 papers nationwide. "I even sent it to the big ones like The New York Times," he says. ID talked with Clayton and he explained what sparked his crusade and what inventors can do to protect themselves!

INVENTORS' DIGEST:

Clayton, during the past couple of years you've come to prominence by your vocal and active support of inventors. Are you yourself an inventor?

Clayton Williamson:

I've been involved with inventors and inventing in one way or another for the past 30 years. For years I owned a welding and machine business in a farming and oil field community. People would come to me with an idea to improve something they worked with, but they didn't have the know how to put the idea into practice. With my experience in fabrication, we would work together to make the improvements.

In the early 70's I patented and built a hopper bottomed grain trailer that would safely haul 250 bushels of grain behind a half ton pickup. There wasn't any maintenance to speak of; just pack a wheel bearing or replace a light bulb now

and then. That was it. I learned, though, that while I was very good at building, I wasn't so good at marketing.

ID: To what do you attribute your knack for inventing?

C.W.: I'd have to say I got my interest in inventing from my father. Nearly 50 years ago he made the first ever automatic bowling pin setter complete with scaled down pins, balls and bowling alley. I remember the day officials from a major bowling equipment company came to see his setter. I was one of the demonstrators. The company men were impressed with Dad's invention; they "oohed" and "ahhed" over it. I remember even today how proud I was of him.

ID: Did the company buy his invention?

C.W.: No, but looking back I guess this was my first lesson in invention marketing. About a year after the demonstration Dad learned that the company had his invention

on the market. I remember him cutting the entire prototype into fire wood.

ID: Was it this experience that started your war against unscrupulous invention marketing companies?

C.W.: No, not really. There were actually a couple of things that happened that got my blood boiling. A few years ago, I was going through my Dad's old drawings and papers. I came across some papers that indicated he'd had dealings from the late '50s to the early '70s with several invention marketing companies of that era.

Coincidentally, at about the same time the Kansas Association of Inventors was formed and I became president. I started getting calls and letters from people who felt they'd been "ripped off" by an invention marketing company.

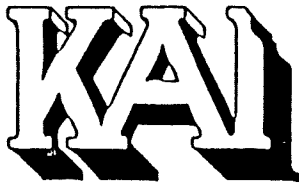
ID: How does finding your Dad's papers relate to Kansas inventors feeling ripped off?

C.W.: At first I didn't think there was any connection. But one night I was looking through some of Dad's papers, and something seemed familiar. By this time my file of complaints was overflowing. I took one of the recent complaints and started comparing it with Dad's papers. The language had changed somewhat, but the forms are essentially the same today as they were back then! The only difference is the amount of the fees!

ID: That's quite a revelation. What did you do?

C.W.: There's no polite way to say it. I got mad as hell. I really feel for these people who are being hurt by these unethical invention promoters. That was what prompted me to write a "Letter to the Editor" warning inventors about these unethical operators. It was published statewide in Kansas and eventually went nationwide in INVEN-

(Continued on next page)



Kansas Association of Inventors

Date Began: March 1987

of Original Members: 17

Statement of Purpose: "The purpose of the Association shall be to foster, promote and encourage the development and distribution to the public of useful inventions and discoveries. . . [it] shall serve exclusively as an educational association devoted to the education of individual inventors, innovators and entrepreneurs."

Financial Support: Since its inception, KAI has been supported only by dues. However, its offices are supplied rent-free by the Mid-Kansas Economic Development Commission. Recently, KAI was awarded a \$10,000 grant from Southwestern Bell.

Dues: \$35/year for individuals

of Current Members: 400. KAI's roster includes 70 members who are non-Kansans, including 21 Floridians, 3 Canadians and 3 Israeli residents!

Chapters: There are 7 chapters of the state association. Each has monthly meetings.

Newsletter: KAI publishes a quarterly state newsletters; each chapter handles its own newsletter.

Seminars: The Fourth Annual Inventors Workshop and Exposition will be held March 22-24 at the Holiday Inn Convention Center in Great Bend.

Future Plans: It is anticipated that four more chapters will be added in 1990. KAI also hopes to have its own facility which will house an incubator program including an industry liaison program, a U.S. Small Business Development Center office, and a field office of the Department of Commerce. KAI president Clayton Williamson says it's hoped that "an inventor can come in the front door with an idea and in 2 1/2 or 3 years go out the back door with a business wrapped around it."

Contact: For more information write to:
KAI, 2015 Lakin, Great Bend, KS 67530.
Or call: (316) 792-1375



Kansas Governor Mike Hayden (seated) receives his KAI membership certificate from KAI president Clayton Williamson.

The Inventor's Knight

(Continued)

TORS' DIGEST [Jan/Feb '89 issue].

ID: With so much publicity, you must have gotten quite a few responses.

C.W.: I was overwhelmed! I've had over 2400 contacts from people nationwide. These contacts have happened in just the last 13 months and represent literally millions of dollars that most of these people could ill afford to lose! I still receive complaints at the rate of several each day.

ID: What did you do with the complaints?

C.W.: I referred the complaints from Kansas inventors to the Kansas Attorney General's office for disposition. We've been successful in obtaining many refunds as a result. As to those out of state, I recently surveyed

the Attorney Generals in each state requesting their policies and procedures for handling complaints. I now have the name and phone number of the person they should contact in their state for assistance.

ID: What has been your experience with complaints that are filed with the Attorney General's office or a Better Business Bureau?

C.W.: These companies come "un-glued at the seams" to clear the complaint! They've offered to re-open the file and do more work; work that should have been done in the first place! They've sometimes offered a partial refund. They've tried to work out almost any agreement with the inventor to clear the complaint. It seems that if the only way they can get the

What inventors say about

He told me to write a letter to the Attorney General

"Several years ago I sent an idea to a company in Washington, D.C. They said \$550 would get everything going; no more money would be needed. I was so excited about my idea I borrowed the money. After I sent it to them, they kept calling me for more money. I told them I didn't have any more. They said I should get my friends to invest. I couldn't do that so I just gave up and figured I'd lost my

money. Some time later I read about Mr. Williamson in the newsletter of the Chamber of Commerce here. I called him to find out how I could get an idea off the ground with no money. Well, he told me that couldn't be done, but while we were talking, I told him about the money I'd lost. He gave me suggestions about what to do; he was wonderful! He told me to write a letter to the Attorney General which I did, and to contact the company and ask for my money back. The Attorney General's office made contact with the company, too. It had been two years since I'd

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...int off the record is to give the inventor a full refund, they'll do that — but only after the inventor gives them a copy of the letter to the Attorney General or Better Business Bureau withdrawing the complaint.

ID: What have been your dealings with the companies? Do they try to contact you?

C.W.: I don't normally get directly involved with a company. I advise the inventor what he should do or contact the Attorney General's office. Since I started this campaign, though, I've been getting threatening, anonymous phone calls. Sometimes even in the middle of the night. Guess I'm getting their attention.

ID: Aren't there laws that can stop these unscrupulous operators?

C.W.: The laws on the books today aren't strong enough. I've written

sample legislation for presentation to the State of Kansas to force these companies to conform to certain requirements to be able to operate in Kansas. It's being drafted into bill form now and will be presented in the next legislative session.

ID: What can an inventor do to feel comfortable that he or she has selected an honest company?

C.W.: If inventors are enticed by the invention marketing companies' advertisements, they have to remember this: it costs BIG BUCKS to advertise through radio, TV and magazines. Just because they advertise on nationwide TV and radio or in national magazines doesn't mean they're a good company; radio and TV stations and magazines sell advertising

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Clayton Williamson

done business with them; I didn't think there was any way I could get my money back. But I followed Mr. Williamson's advice, and I couldn't believe it, but they did give me a full refund."

Diane Claussen
Ottawa, Kansas

**Thank God we
have somebody
like Clayton!**

"I had used one of those late night TV-fly-by-night outfits what has since changed its name. I had \$900 into them and the next step would have been \$6,000. I was just about to

send the money off when I got connected with KAI. I talked with Clayton and he said, 'I can get your money back.' He guided me through it. He said he knew they'd try to settle for half, but I should stick to my guns. After I contacted them, they *did* offer me half my money back just like Clayton said they would. I didn't budge. It only took 2 days and they agreed to a full refund. If it hadn't of been for Clayton, I wouldn't have gotten my money back! Thank God we have somebody like Clayton!"

Dale Russell
Rossville, Kansas

People are talking about **INVENTORS' DIGEST . . .**

"An excellent source for teachers interested in invention and patenting is INVENTORS' DIGEST."

TIES Magazine, published by Drexel University in Philadelphia for teachers interested in helping students increase their technological literacy and capability.

"There is a fine magazine for inventors on the market, and soon the price of a subscription to INVENTORS' DIGEST will go up. I enjoy it a lot. I've learned from the articles, ads and information it contains, and I can't praise it enough."

Don Costar, Vice President, Northern Nevada Chapter, Inventors Workshop International Education Foundation

"INVENTORS' DIGEST is the voice of America's inventors."

Bobby Toole, Inventors Association of St. Louis

. . . and we're thrilled!

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Igor Sikorsky

(Continued from page 9)

the U.S., Sikorsky found the state of aviation even sadder than it was in Europe. In 1923 he started the Sikorsky Aero Engineering Corporation with investments from friends. Years later he recalled that "the greatest danger in aviation was starvation." He and his staff worked for next to nothing in wages and were eventually forced to accept money from oil companies to support the research. Although he felt they weren't ready, Sikorsky's company, pressured by investors to produce results, attempted the first New York to Paris flight in the fall of 1926. The plane crashed on take off. Just six months later, on May 20, 1927, Charles Lindbergh made history with the first trans-Atlantic flight.

With Lindbergh's success the pressure was off Sikorsky's company. It switched gears and

concentrated on producing amphibian aircraft. The first successful plane was built in 1928, and, although it looked like an ugly duckling, it had a range of 600 miles carrying eight passengers and a crew of two. Orders came in from the U.S. Navy, Pan American Airways, and from individuals, including one man who wanted to use it for exploration in Africa. The design of this plane was improved in 1931 so it could fly farther, carry more and be more powerful. The new plane was called the Flying Clipper. Only three were built — the American Clipper, the Caribbean Clipper, and the Southern Clipper — but they logged a total of *ten million miles* in the air and never experienced a crash. Owned by Pan American Airways, the 40-passenger flying boats were used to blaze air trails to South America.

The last of Sikorsky's flying boats were called the Flying Aces. They could seat 32 for short flights or accommodate 16 for overnight trips. It established the fastest flying record between the U.S. and Europe: 14 hours and 17 minutes. By 1938 there was no demand for amphibian aircraft, and the company that employed Sikorsky, United Aircraft, found itself with a "factory full of wonderful people, but no orders," said senior vice president Eugene Wilson. Recognizing his tremendous contributions to aviation, the company was willing to consider any individual research program Sikorsky proposed. Finally, the time had come for him to renew his interest in the "impossible" helicopter. Years later, he recalled: "That was one of my dreams, to build this lifesaving machine. . . If a

man is in need of rescue, an airplane can come in and throw flowers on him and that's about all. But a direct lift aircraft could come in and save his life."

On September 14, 1938, the first helicopter took off — for ten seconds. By 1940, after much trial and error, an improved version took off. It went backwards, sideways, and up and down, but it didn't fly forward. When asked why, Sikorsky said, "That is one of the minor engineering problems we have not yet solved." Of course, the problem was solved and the name Sikorsky became synonymous with the word helicopter. Since the first successful flights in 1942, thousands of people have been saved because one man held on to a

30-year-old dream.

Source: IGOR SIKORSKY, His Three Careers in Aviation by Frank J. Delear



The Inventor's Knight

(Continued from page 5)

space! Inventors should ask questions, ask questions, ask questions! Call the Better Business Bureau and the Attorney General in several states; just because a company may have a clean bill of health in D.C. or Pittsburgh doesn't mean they're clean in Omaha and Phoenix.

ID: Isn't there a national organization that an inventor can check with? It seems like a hit and miss kind of thing to try to call all different cities around the country.

C.W.: No, there's no national organization per se. However, I'd be happy to help any inventor from

any state. They can call me at my office in Great Bend, Kansas, at 316-792-1375.

ID: What are the steps an inventor should take with his or her invention?

C.W.: First, start a journal and keep records. In fact, INVENTORS' DIGEST ran an excellent article on journals in the last issue. Also, the inventor should file a

disclosure document with the U.S. Patent and Trademark Office. The next step is to contact an inventor foundation or organization which can assist the inventor in finding a competent patent attorney, prototype and manufacturing assistance and possibly even marketing assistance. At the very least, you'll get straight honest answers. If you've got an ugly baby, we'll tell

you it's ugly!

ID: As we enter a new year and a new decade what can an inventor do to protect himself or herself from unscrupulous marketing companies?

C.W.: I tell all inventors the same thing: You've spent your time and your effort and your diligence in your inventing. Now use the same time, effort and diligence in finding the help you need to protect, evaluate, manufacture and promote your invention. Treat your invention with the same care you would a new baby!



NEXT ISSUE !!!

Think you've been taken by a dishonest company? We'll tell you what to do to try and get your money back!!!

DON'T MISS IT!!!

CHAPTER 325A

INVENTION SERVICES

325A.01 Definitions.
 325A.02 Notice to customers.
 325A.03 Right of cancellation.
 325A.04 Mandatory contract form.
 325A.05 Disclosures made prior to contract.
 325A.06 Financial requirements.

325A.07 Restriction on use of negotiable instruments.
 325A.08 Records.
 325A.09 Remedies and enforcement.
 325A.10 Citation.

325A.01 DEFINITIONS.

Subdivision 1. As used in sections 325A.01 to 325A.10, the following terms shall have the meanings given:

Subd. 2. "Contract for invention development services" includes a contract by which an invention developer undertakes to develop or promote an invention for a customer.

Subd. 3. "Customer" means any natural person who is solicited by, inquires about, seeks the services of or enters into a contract with an invention developer for invention development services.

Subd. 4. "Invention" includes a process, machine, manufacture, composition of matter, improvement upon the foregoing, or a concept.

Subd. 5. "Invention developer" means any person, firm, corporation or association and the agents, employees or representatives of the person, firm, corporation or association which develops or promotes or offers to develop or promote an invention of a customer in order that the customer's invention may be patented, licensed or sold for manufacture or manufactured in large quantities, except the term does not include:

(1) a partnership or corporation when all of its partners, stockholders or members are licensed by a state or the United States to render legal advice concerning patents and trademarks, or a person so licensed,

(2) a department or agency of the federal, state or local government,

(3) a charitable, scientific, educational, religious or other organization registered under Minnesota Statutes, Section 309.52 or described in Section 170 (b) (1) (A) of the Internal Revenue Code of 1954, as amended and in effect on January 1, 1977,

(4) a person, firm, corporation, association or other entity that does not charge a fee for invention development services, or

(5) any person, firm, corporation, association or other entity whose gross receipts from contracts for invention development services do not exceed ten percent of its gross receipts from all sources during the fiscal year preceding the year in which any contract for invention development services is signed.

For the purposes of this subdivision, "fee" shall include any payment made by the customer to the entity, including reimbursements for expenditures made or costs incurred by such entity, but shall not include a payment made from a portion of the income received by a customer by virtue of invention development services performed by the entity.

Subd. 6. "Invention development services" includes acts required or promised to be performed, or actually performed by an invention developer for a customer.

Subd. 7. "Business day" means any day other than a Saturday, Sunday or holiday as defined in section 645.44, subdivision 5.

History: 1977 c 288 s 1

325A.02 NOTICE TO CUSTOMERS.

Subdivision 1. Every contract for invention development services shall be in writing and shall be subject to the provisions of sections 325A.01 to 325A.10. A copy of each fully executed, written contract shall be given to the customer at the time he signs the contract.

Subd. 2. If one or more contracts are contemplated by the invention developer in connection with an invention or if the invention developer contemplates performance of services in connection with an invention in more than one phase with the performance of each phase covered in one or more contracts, the invention developer shall so state in a written statement and shall supply to the customer the written statement together with a copy of each contract or a written summary of the general terms of each contract, including the total cost or consideration required from the customer, before the customer signs the first contract.

History: 1977 c 288 s 2

325A.03 RIGHT OF CANCELLATION.

Subdivision 1. Notwithstanding any contractual provision to the contrary, the customer shall have the unconditional right to cancel a contract for invention development services for any reason at any time before midnight of the third business day following the date the invention developer and the customer sign the contract and the customer receives a fully executed copy of it. Written notice of cancellation may be delivered personally or by mail. If given by mail, the notice is effective upon deposit in a mailbox, properly addressed and postage prepaid. Notice of cancellation need not take a particular form and is sufficient if it indicates, by any form of written expression, the intention of the customer not to be bound by the contract. Within ten business days after receipt of the notice of cancellation, the invention developer shall deliver to the customer, personally or by mail, all moneys paid, any note or other evidence of indebtedness and all materials provided by the customer.

Subd. 2. Every contract for invention development services shall contain the following statement in 10-point boldface type immediately above the place where the customer signs the contract:

"The three business day period during which you may cancel this contract for any reason by mailing or delivering written notice to the invention developer will expire on (last date to mail or deliver notice). If you choose to mail your notice, it must be placed in the United States mail addressed to (Name of Invention Developer), at (Address of Invention Developer's Place of Business) with first class postage prepaid before midnight of this date. If you choose to personally deliver your notice to the invention developer, it must be delivered to him by the end of his normal business day on this date."

History: 1977 c 288 s 3

325A.04 MANDATORY CONTRACT FORM.

Subdivision 1. A contract for invention development services shall set forth the information required in this section in at least 10-point type or equivalent size if handwritten.

Subd. 2. The following disclosure statement shall be in boldface type and shall be located conspicuously on a cover sheet that contains no other writing:

"The following disclosures are required by law and are expressly made a part of this contract: You have the right to cancel this contract for any reason at any time within three business days from the date you and the invention devel-

oper sign the contract and you receive a fully executed copy of it. To exercise this option you need only mail or personally deliver to this invention developer written notice of your cancellation. The method and time for notification is set forth in this contract immediately above the place for your signature. Upon cancellation, the invention developer must return by mail or personal delivery, within ten business days after receipt of the cancellation notice, all money paid and all materials provided either by you or by another party in your behalf.

Unless the invention developer is a lawyer, he is NOT permitted to give you legal advice concerning patent, copyright or trademark law or to advise you of whether your idea or invention may be patentable or may be protected under the patent, copyright or trademark laws of the United States or any other law.

No patent, copyright or trademark protection will be acquired for you by the invention developer or by this contract. Your failure to inquire into the law governing patent, copyright or trademark matters may jeopardize your rights in your idea or invention both in the United States and in foreign countries. Your failure to identify and investigate existing patents, trademarks or registered copyrights may place you in jeopardy of infringing the copyrights, patent or trademark rights of other persons if you proceed to make, use, distribute or sell your idea or invention."

Subd. 3. The contract shall describe fully and in detail the acts or services that the invention developer contracts to perform for the customer.

Subd. 4. The contract shall state whether the invention developer contracts to construct one or more prototypes, models or devices embodying the customer's invention, the number of such prototypes to be constructed and whether the invention developer contracts to sell or distribute such prototypes, models or devices.

Subd. 5. If an oral or written estimate of customer earnings is made, the contract shall state the estimate and the data upon which it is based.

Subd. 6. In a single statement the contract shall set forth both (1) the total number of customers who have contracted with the invention developer, except that the number need not reflect those customers who have contracted within the last 30 days, and (2) the number of customers who have received, by virtue of the invention developer's performance of invention development services, an amount of money in excess of the amount of money paid by such customers to the invention developer pursuant to a contract for invention development services.

Subd. 7. The contract shall state the expected date of completion of the invention development services.

Subd. 8. The contract shall state whether and the extent to which it effectuates or makes possible the purchase by the invention developer of an interest in the title to the customer's invention.

Subd. 9. The contract shall explain that the invention developer is required to maintain all records and correspondence relating to performance of the invention development services for that customer for a period not less than three years after expiration of the term of the contract for invention development services.

Subd. 10. The contract shall state that the records and correspondence required to be maintained pursuant to section 325A.08 will be made available to the customer or his representative for review and copying at the customer's expense on the invention developer's premises during normal business hours upon seven days' written notice, the time period to begin from the date the notice is placed in the United States mail properly addressed and first class postage prepaid.

Subd. 11. The contract shall state the name of the person or firm contracting to perform the invention development services, all names under which said person or firm is doing or has done business as an invention developer during the previous ten years, the names of all parent and subsidiary companies to the firm and the names of all companies that have a contractual obligation to the firm to perform invention development services.

Subd. 12. The contract shall state the invention developer's principal business address and the name and address of its agent in this state authorized to receive service of process in this state.

History: 1977 c 288 s 4

325A.05 DISCLOSURES MADE PRIOR TO CONTRACT.

Subdivision 1. In either the first written communication from the invention developer to a specific customer or at the first personal meeting between the invention developer and a customer, the invention developer shall make a written disclosure to the customer of the information required in this section.

Subd. 2. The disclosure shall state the median fee charged to all of the invention developers' customers who have signed contracts with the developer in the preceding six months, excluding customers who have signed in the preceding 30 days.

Subd. 3. The disclosure shall include a single statement setting forth (1) the total number of customers who have contracted with the invention developer, except that the number need not reflect those customers who have contracted within the preceding 30 days, and (2) the number of customers who have received by virtue of the invention developer's performance of invention development services an amount of money in excess of the amount of money paid by those customers to the invention developer pursuant to a contract for invention development services.

Subd. 4. The disclosure shall contain the following statement:

"Unless the invention developer is a lawyer, he is NOT permitted to give you legal advice concerning patent, copyright or trademark law or to advise you of whether your idea or invention may be patentable or may be protected under the patent, copyright or trademark laws of the United States or any other law.

No patent, copyright or trademark protection will be acquired for you by the invention developer. Your failure to inquire into the law governing patent, copyright or trademark matters may jeopardize your rights in your idea or invention, both in the United States and in foreign countries. Your failure to identify and investigate existing patents, trademarks or registered copyrights may place you in jeopardy of infringing the copyrights, patent or trademark rights of other persons if you proceed to make, use, distribute or sell your idea or invention."

History: 1977 c 288 s 5

325A.06 FINANCIAL REQUIREMENTS.

Subdivision 1. Every invention developer rendering or offering to render invention development services in this state shall maintain a bond issued by a surety admitted to do business in this state, and equal to either ten percent of the invention developer's gross income from the invention development business in this state during the invention developer's preceding fiscal year, or \$25,000, whichever is larger. A copy of the bond shall be approved by the attorney general and filed with the secretary of state before the invention developer renders or offers to render invention development services in this state. The invention developer shall have 90 days after the end of each fiscal year within which to change the bond as may be necessary to conform to the requirements of this subdivision.

Subd. 2. The bond required by subdivision 1 shall be in favor of the state of Minnesota for the benefit of any person who, after entering into a contract for invention development services with an invention developer, is damaged by fraud or dishonesty of the invention developer in performance of the contract, by the insolvency or the cessation of business by the invention developer or by the intentional violation of sections 325A.01 to 325A.10 by the invention developer. Any person claiming against the bond may maintain an action at law against the invention developer and the surety company.

The aggregate liability of the surety company to all persons for all breaches of conditions of the bond shall in no event exceed the amount of the bond.

Subd. 3. In lieu of the bond required by subdivision 1 the invention developer may deposit with the state treasurer a cash deposit in the like amount. The state treasurer shall not refund a deposit until 60 days after either the invention developer has ceased doing business in the state or a bond has been filed which complies with subdivisions 1 and 2.

History: 1977 c 288 s 6

325A.07 RESTRICTION ON USE OF NEGOTIABLE INSTRUMENTS.

In connection with a contract for invention development services, the invention developer shall not take from a customer a negotiable instrument other than a check as evidence of the obligation of the customer. A holder is not a holder in due course if he takes a negotiable instrument taken from a customer in violation of this section.

History: 1977 c 288 s 7

325A.08 RECORDS.

Every invention developer shall maintain all records and correspondence relating to performance of each invention development contract for a period of not less than three years after expiration of the term of the contract.

History: 1977 c 288 s 8

325A.09 REMEDIES AND ENFORCEMENT.

Subdivision 1. The provisions of sections 325A.01 to 325A.10 are not exclusive and do not relieve the parties or the contract from compliance with all other applicable provisions of law.

Subd. 2. Any contract for invention development services that does not comply with the applicable provisions of sections 325A.01 to 325A.10 shall be unenforceable against the customer as contrary to public policy, provided that no contract shall be unenforceable if the invention developer proves that non-compliance was unintentional and resulted from a bona fide error in spite of his use of reasonable procedures adopted to avoid any such errors, and if he makes an appropriate correction.

Subd. 3. Any contract for invention development services entered into by a customer with an invention developer who has used any fraud, false pretense, false promise, misrepresentation, misleading statement or deceptive practice in respect to that customer with the intent that the customer rely thereon, whether or not the customer was in fact misled, deceived or damaged, shall be unenforceable against the customer.

Subd. 4. Any waiver by the customer of the provisions of sections 325A.01 to 325A.10 shall be deemed contrary to public policy and shall be void and unenforceable.

Subd. 5. Any person who has been injured by a violation of sections 325A.01 to 325A.10 by an invention developer, by any false or fraudulent state-

ment, representation or omission of material fact by an invention developer or by failure of an invention developer to make all the disclosures required by sections 325A.01 to 325A.10 may bring a civil action against the invention developer for the damages sustained together with costs and disbursements, including reasonable attorney's fees. The court in its discretion may increase the award of damages to an amount not to exceed three times the damages sustained or \$2,500, whichever is greater.

Subd. 6. Failure to make the disclosures required by section 325A.05 shall render any contract subsequently entered into between the customer and the invention developer voidable by the customer.

Subd. 7. In addition to the penalties provided in subdivisions 1 to 6, any invention developer who is found to have violated sections 325A.01 to 325A.10 shall be deemed in violation of section 325F.69, subdivision 1, and the provisions of section 8.31 shall apply.

History: 1977 c 288 s 9

325A.10 CITATION.

Sections 325A.01 to 325A.10 may be cited as the invention services act.

History: 1977 c 288 s 10

OUTLINE

SB 2465 Invention Broker Legislation

SECTION 1 Definitions

1. Contract for Invention Development Services
2. Customer
3. Invention
4. Invention Developer
- Exceptions
 - a. Legally Licensed
 - b. State, Local or Federal Agency
 - c. Charitable, Scientific, Educational, Religious, etc.
 - d. No Fee Charged
 - e. Receipts Less Than 10% of Gross/Year
 - f. Research Development Corporations for Universities, federal labs
5. Invention Development Services

SECTION 2 Notice to Customers

1. Written Copy of Contract to Customers
2. Notification of Planned Phased Contract and Costs

SECTION 3 Right of Cancellation

1. Customer May Cancel Within 3 Days for Any Reason
2. Service Must State Cancellation Right

SECTION 4 Mandatory Contract Form

1. In Ten Point Type
2. Disclosure Statement
 - a. Right of Cancellation
 - b. Cannot Provide Legal Advice, Patent, etc., Unless Admitted to Bar
 - c. Patent, Copyright, Trademark, Will Not be Acquired
3. Define Service Performed
4. Number of Prototypes to be Developed and Marketing Participation
5. Written Estimate and Data Base for Any Projected Earnings
6. Number of Customers Served to Date and Number Who Have Received Returns in Excess of Expenses
7. Anticipated Completion Date
8. Expected Participation or Title Interest in Invention
9. Records Maintained for 3 Years
10. Customer's Right to Review Records
11. State All Names Used for Business, Parent Company, and Subsidiaries
12. Agents Name and Address

SECTION 5 Disclosures Made Prior to Contract

1. Written Disclosure After First Communication
2. Median Fee Charged During Last 6 Months
3. Total Number of Customers Who Have Profited
4. Names of Anyone With More Than 10% Ownership
5. No Legal Advice Unless Patent Attorney or Patent Agent
 - a. No Patent, Copyright, Trademark will be Acquired
 - b. Warning to Inquire into Patent Laws
6. Low Percentage of Successfully Marketed Inventions

SECTION 6 Financial Requirements

1. Developer Maintains Bond of 10% of Gross Income in State or \$25,000
2. Bond in Favor of State for Benefit of Persons
3. May Deposit Funds in Bank of North Dakota in Lieu of Bond

SECTION 7 Restriction on Use of Negotiable Instruments

1. Must Take Check from Customer

SECTION 8 Records

1. Maintain for 3 years

SECTION 9 Remedies for Enforcement

1. Provisions Not Exclusive
2. Unenforceable Contract in Non-Complaint Unless Unintentional Error
3. Unenforceable for Fraud, False Pretense, Misrepresentation, etc.
4. Customer Waivers Void
5. Customer's Right to Sue, Collect Costs, Fees, Damages
6. Nondisclosure by Developer Voids Contract

115th Legislative Assembly, State of North Dakota, begun and held
the Capitol in the City of Bismarck, on Tuesday, the sixth day of
January, one thousand nine hundred and eighty-seven.

SENATE BILL NO. 2465
(Senator Holmberg)
(Representative Hamerlik)

AN ACT to provide for regulation of invention development services.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF THE
STATE OF NORTH DAKOTA:

SECTION 1. Definitions. As used in this Act, unless the
context otherwise requires:

1. "Contract for invention development services" includes a contract by which an invention developer undertakes to develop or promote an invention for a customer.
2. "Customer" means any individual who is solicited by, inquires about, seeks the services of, or enters into a contract with an invention developer for invention development services.
3. "Invention" includes a process, machine, manufacture, composition of matter, improvement upon the foregoing, or a concept.
4. "Invention developer" means any person, and the agents, employees, or representatives of the person, that develops or promotes or offers to develop or promote an invention of a customer in order that the customer's invention may be patented, licensed, or sold for manufacture or manufactured in large quantities, except the term does not include:
 - a. A partnership or corporation when all of its partners, stockholders, or members are licensed by a state or the United States to render legal advice concerning patents and trademarks, or a person so licensed.
 - b. A department or agency of federal, state, or local government.

- c. A charitable, scientific, educational, religious, or other organization described in section 170(b)(1)(A) of the Internal Revenue Code of 1954.
- d. An entity that does not charge a fee for invention development services.
- e. An entity whose gross receipts from contracts for invention development services do not exceed ten percent of its gross receipts from all sources during the fiscal year preceding the year in which any contract for invention development services is signed.
- f. A partnership or corporation that accepts technology from institutions of higher education and other state and federal research institutions for evaluation and the providing of marketing services.

For the purposes of this subsection, "fee" includes any payment made by the customer to the entity, including reimbursements for expenditures made or costs incurred by such entity, but does not include a payment made from a portion of the income received by a customer by virtue of invention development services performed by the entity.

5. "Invention development services" includes acts required or promised to be performed, or actually performed, by an invention developer for a customer.

SECTION 2. Notice to customers.

1. Every contract for invention development services must be in writing and is subject to this Act. A copy of each fully executed contract must be given to the customer at the time the customer signs the contract.
2. If one or more contracts are contemplated by the invention developer in connection with an invention or if the invention developer contemplates performance of services in connection with an invention in more than one phase with the performance of each phase covered in one or more contracts, the invention developer shall so state in a written statement and shall supply to the customer the written statement together with a copy of each contract or a written summary of the general terms of each contract, including the total cost or consideration required from the customer, before the customer signs the first contract.

SECTION 3. Right of cancellation.

1. Notwithstanding any contractual provision to the contrary, the customer has the unconditional right to cancel a contract for invention development services for any reason.

at any time before midnight of the third business day following the date the invention developer and the customer sign the contract and the customer receives a fully executed copy of it. Written notice of cancellation may be delivered personally or by mail. If given by mail, the notice is effective upon placement in the possession of the United States postal service, properly addressed and first-class postage prepaid. Notice of cancellation need not take a particular form and is sufficient if it indicates, by any form of written expression, the intention of the customer not to be bound by the contract. Within ten business days after receipt of the notice of cancellation, the invention developer shall deliver to the customer, personally or by mail, all moneys paid, any note or other evidence of indebtedness, and all materials provided by the customer.

2. Every contract for invention development services must contain the following statement in ten-point boldface type immediately above the place where the customer signs the contract:

The three-business-day period during which you may cancel this contract for any reason by mailing or delivering written notice to the invention developer will expire on (last date to mail or deliver notice). If you choose to mail your notice, it must be placed in the United States mail addressed to (name of invention developer), at (address of invention developer's place of business) with first-class postage prepaid before midnight of this date. If you choose to personally deliver your notice to the invention developer, it must be delivered to the invention developer by five p.m. on this date.

SECTION 4. Mandatory contract form.

1. A contract for invention development services must set forth the information required in this section in at least ten-point type or equivalent size if handwritten.
2. The following disclosure statement must be in boldface type and must be located conspicuously on a cover sheet that contains no other writing:

The following disclosures are required by law and are expressly made a part of this contract: You have the right to cancel this contract for any reason at any time within three business days from the date you and the invention developer sign the contract and you receive a fully executed copy of it. To exercise this option you need only mail or personally deliver to this invention developer written notice of your cancellation. The method and time for notification is

set forth in this contract immediately above the place for your signature. Upon cancellation, the invention developer must return by mail or personal delivery, within ten business days after receipt of the cancellation notice, all money paid and all materials provided either by you or by another party in your behalf.

Unless the invention developer is an attorney or patent agent registered with the United States patent office, the invention developer is not permitted to give you legal advice concerning patent, copyright, or trademark law or to advise you of whether your idea or invention may be patentable or may be protected under the patent, copyright, or trademark laws of the United States or any other law.

No patent, copyright, or trademark protection will be acquired for you by the invention developer or by this contract. Your failure to inquire into the law governing patent, copyright, or trademark matters may jeopardize your rights in your idea or invention both in the United States and in foreign countries. Your failure to identify and investigate existing patents, trademarks, or registered copyrights may place you in jeopardy of infringing the copyrights, patent rights, or trademark rights of other persons if you proceed to make, use, distribute, or sell your idea or invention.

3. The contract must describe fully and in detail the acts or services that the invention developer contracts to perform for the customer.
4. The contract must state whether the invention developer contracts to construct one or more prototypes, models, or devices embodying the customer's invention, the number of such prototypes to be constructed, and whether the invention developer contracts to sell or distribute such prototypes, models, or devices.
5. If an oral or written estimate of customer earnings is made, the contract must state the estimate and the data upon which it is based.
6. In a single statement the contract must set forth both the total number of customers who have contracted with the invention developer, except that the number need not reflect those customers who have contracted within the last thirty days, and the number of customers who have received, by virtue of the invention developer's performance of invention development services, an amount of money in excess of the amount of money paid by such

customers to the invention developer pursuant to a contract for invention development services.

7. The contract must state the expected date of completion of the invention development services.
8. The contract must state whether and the extent to which it effectuates or makes possible the purchase by the invention developer of an interest in the title to the customer's invention.
9. The contract must explain that the invention developer is required to maintain all records and correspondence relating to performance of the invention development services for that customer for a period not less than three years after expiration of the term of the contract for invention development services.
10. The contract must state that the records and correspondence required to be maintained pursuant to section 8 of this Act will be made available to the customer or the customer's representative for review and copying at the customer's expense on the invention developer's premises during normal business hours upon seven days' written notice, the time period to begin from the date the notice is placed in the United States mail properly addressed and first-class postage prepaid.
11. The contract must state the name of the person or firm contracting to perform the invention development services, all names under which said person or firm is doing or has done business as an invention developer during the previous ten years, the names of all parent and subsidiary companies to the firm, and the name of all companies that have a contractual obligation to the firm to perform invention development services.
12. The contract must state the invention developer's principal business address and the name and address of its agent in this state authorized to receive service of process in this state.

SECTION 5. Disclosures made prior to contract.

1. In either the first written communication from the invention developer to a specific customer or at the first personal meeting between the invention developer and a customer, whichever occurs first, the invention developer shall make a written disclosure to the customer of the information required in this section.
2. The disclosure must state the median fee charged to all of the invention developers' customers who have signed contracts with the developer in the preceding six months,

Similar

excluding customers who have signed in the preceding thirty days.

3. The disclosure must include a single statement setting forth the total number of customers who have contracted with the invention developer, except that the number need not reflect those customers who have contracted within the preceding thirty days, and the number of customers who have received by virtue of the invention developer's performance of invention development services an amount of money in excess of the amount of money paid by those customers to the invention developer pursuant to a contract for invention development services.
4. The disclosure must include a single statement setting forth the names of all individuals and entities that possess an ownership interest in the invention developer and have held or presently hold more than a ten percent ownership interest in any other invention developer. The statement must include for each individual and entity the information required to be disclosed by subsection 3.
5. The disclosure must contain the following statement:

Unless the invention developer is an attorney or patent agent registered with the United States patent office, the invention developer is not permitted to give you legal advice concerning patent, copyright, or trademark law or to advise you of whether your idea or invention may be patentable or may be protected under the patent rights, copyright, or trademark laws of the United States or any other law.

No patent, copyright, or trademark protection will be acquired for you by the invention developer. Your failure to inquire into the law governing patent, copyright, or trademark matters may jeopardize your rights in your idea or invention, both in the United States and in foreign countries. Your failure to identify and investigate existing patents, trademarks, or registered copyrights may place you in jeopardy of infringing the copyrights, patent rights, or trademark rights of other persons if you proceed to make, use, distribute, or sell your idea or invention.

6. If the invention developer provides invention development services involving the evaluation of inventions, the disclosure must include a statement setting forth the percentage of evaluated inventions that have been successfully marketed or licensed by the invention developer. If the invention developer does not provide invention development services involving the evaluation of inventions, the disclosure must inform the customer that there is considerable risk involved in proceeding with the

development and promotion of the invention without an evaluation and must further recommend that the customer obtain an evaluation of the invention by an evaluation source. The disclosure must contain the following statement:

It is likely that no more than two percent and probably less than one percent of all inventions are successfully developed and promoted. You should evaluate your chances of success accordingly and not rely solely on the opinion of an invention developer.

SECTION 6. Financial requirements.

1. Every invention developer rendering or offering to render invention development services in this state shall maintain a bond issued by a surety company authorized to do business in this state, and equal to either ten percent of the invention developer's gross income from the invention development business in this state during the invention developer's preceding fiscal year, or twenty-five thousand dollars, whichever is larger. A copy of the bond must be approved by the attorney general and filed with the secretary of state before the invention developer renders or offers to render invention development services in this state. The invention developer has ninety days after the end of each fiscal year within which to change the bond as may be necessary to conform to the requirements of this subsection.

2. The bond required by subsection 1 must be in favor of the state of North Dakota for the benefit of any person who, after entering into a contract for invention development services with an invention developer, is damaged by fraud or dishonesty of the invention developer in performance of the contract, by the insolvency or the cessation of business by the invention developer, or by the intentional violation of this Act by the invention developer. Any person claiming against the bond may maintain a claim for relief against the invention developer and the surety company.

The aggregate liability of the surety company to all persons for all breaches of conditions of the bond may not exceed the amount of the bond.

3. In lieu of the bond required by subsection 1, the invention developer may deposit with the Bank of North Dakota a cash deposit in the like amount. The Bank of North Dakota may not refund a deposit until sixty days after either the invention developer has ceased doing business in the state or a bond has been filed which complies with subsections 1 and 2.

SECTION 7. Restriction on use of negotiable instruments. In connection with a contract for invention development services, the invention developer may not take from a customer a negotiable instrument other than a check as evidence of the obligation of the customer. A holder is not a holder in due course if the holder takes a negotiable instrument taken from a customer in violation of this section.

SECTION 8. Records. Every invention developer shall maintain all records and correspondence relating to performance of each invention development contract for a period of not less than three years after expiration of the term of the contract.

SECTION 9. Remedies and enforcement.

1. The provisions of this Act are not exclusive and do not relieve the parties or the contract from compliance with all other applicable laws.
2. Any contract for invention development services that does not comply with the applicable provisions of this Act is unenforceable against the customer as contrary to public policy; provided, that no contract is unenforceable if the invention developer proves that noncompliance was unintentional and resulted from a bona fide error in spite of the developer's use of reasonable procedures adopted to avoid any such errors, and if the developer makes an appropriate correction.
3. Any contract for invention development services entered into by a customer with an invention developer who has used any fraud, false pretense, false promise, misrepresentation, misleading statement, or deceptive practice in respect to that customer with the intent that the customer rely thereon, whether or not the customer was in fact misled, deceived, or damaged, is unenforceable against the customer.
4. Any waiver by the customer of the provisions of this Act is contrary to public policy and is void and unenforceable.
5. Any person who has been injured by a violation of this Act by an invention developer, by any false or fraudulent statement, representation, or omission of material fact by an invention developer or by failure of an invention developer to make all the disclosures required by this Act may bring a civil action against the invention developer for the damages sustained together with costs and disbursements, including reasonable attorney's fees. The court in its discretion may increase the award of damages to an amount not to exceed three times the damages sustained.

6. Failure to make the disclosures required by section 5 of this Act renders any contract subsequently entered into between the customer and the invention developer voidable by the customer.

President of the Senate

Secretary of the Senate

Speaker of the House

Chief Clerk of the House

This certifies that the within bill originated in the Senate of the Fiftieth Legislative Assembly of the State of North Dakota and is known on the records of that body as Senate Bill No. 2465.

Vote:	Ayes	50	Nays	0	Absent	3
Vote:	Ayes	100	Nays	0	Absent	6

Secretary of the Senate

Received by the Governor at _____ M. on _____, 1987.

Approved at _____ M. on _____, 1987.

Governor

Filed in this office this _____ day of _____, 1987, at _____ o'clock __M.

Secretary of State

A-1-29
2/13/90

7022 Elk Canyon Ct.
Okla. City, Okla. 73162

Clayton Williamson, President
Kansas Association of Inventors
2015 Lakin
Great Bend, Kansas 67530

Dear Mr. Williamson:

I want to "thank you" for the undivided attention and genuine concern you expressed in answering my many questions as a novice inventor.

Yours very truly,



Carolyn Knight

A-1-30
2/13/90



STATE OF KANSAS
 OFFICE OF THE ATTORNEY
 Consumer Protection Division
 301 W. 10th Street
 Topeka, Kansas 66612
 (913) 296-3751

COMPLETE
 REFUND

2-13-89

Robert T. Stephan
 ATTORNEY GENERAL

CONSUMER COMPL
 (Please type or print in dark ink)

Date Oct. 22, 1988

Your Name DIANA JEAN CLAUSSE

Your Address 2331 S. Cedar Rd.
Street

Ottawa Kansas Franklin 66067
City State County Zip

Phone Number Where You Can be Reached During the Day 913-242-3400
Area Code/Number

Home Phone 913-242-3400 Social Security # _____
Area Code/Number

Are You Filing this Complaint as an:

Individual Sole Proprietor _____ Corporation _____ Partnership _____

Name of Company Complained About American Patent • Research + Development
INNOVATION BUILDING

Complete Company Address 2155 Queens Chapel Rd. N.E. Washington, D.C.
Street City State Zip 20018

Name of Company Contact Person Tom Allen

Date Contract Signed 2/10/87 Place Contract Signed my home

What Kind of Product or Service are You Complaining About? Patent search, development, and marketing of product I contacted them about.

Was Product or Service Advertised? Provide Name and Date of Publication Television in January 1987 (around this time)
could have been December of 1986.

Have You Filed This Complaint With any Other Agency(ies)? No.

Name of Agency(ies) _____

Results: _____

a-1-31
 2/13/90

The attached list of companies were sent to Cheryl Stauffer, Ottawa, KS as companies that American Idea Marketing (AIM) had submitted her stuffed toy idea to. A random sampling has shown that of the eight listed, six are pure fiction.

A-1-32
2/13/90

Submission Report
merican Idea Marketing

BNT1876 -- PLAYPEN TOY HOLDER

Bear Factory
2627 Colibri Lane
Carlsbad CA 92008

Line of Business: MFG STUFFED TOYS

Total Employees: 20

Secondary Name: Designer Stuffed Stuff*

Standard Industrial Classification Codes
3942

Bdj Inc.
3112 Midland Dr
Pine Bluff AR 71603

*ADDRESS HAS BEEN CIRCLE "B" TRANSPORTATION
SINCE 1965 PER CHAMBER OF COMMERCE*

Line of Business: MFG STUFFED ANIMALS

Total Employees: 40

Secondary Name:

Standard Industrial Classification Codes
3942

10,404 TOTAL

Submission Report
American Idea Marketing

ENT1876 -- PLAYPEN TOY HOLDER

American Hairfuss Club Inc.
324 Greenup St.
Covington KY 41011

no
Dental Visions
502
606-341-9500
- 497 0702

DENTAL OFFICE
PER CHAMBER & Comm

Line of Business: MFG WHOL STUFFED

Total Employees: 60

Secondary Name:

Standard Industrial Classification Codes
3942 5042

Q13 - no name per address

Bear B Rump Inc.
10315 Eby
Shawnee Mission KS 66212

Line of Business: MFG TEDDY BEARS

Total Employees: 2

Secondary Name:

Standard Industrial Classification Codes
3942

a-1-34
2/13/90

Submission Report
American Idea Marketing

BNF1876 -- PLAYPEN TOY HOLDER

Grannys Fan Inc.
734 E Lakeside
P.O. Box 1442
Fayetteville AR 72702

1A
501-521-1710 CC
no name
Residence
TALKED W/CHAMBER of COMMERCE
ADDRESS IS A RESIDENCE

Line of Business: MFG STUFFED ANIMALS

Total Employees: 170

Secondary Name:

Standard Industrial Classification Codes
3942

Dells Originals
3210 W Dailey
P.O. Box 41951
Phoenix AZ 85080

602 - no such company
c-c - 254-5521

Line of Business: MFG STUFFED ANIMALS

Total Employees: 60

Secondary Name:

Standard Industrial Classification Codes
3942 2392

A-1-35
2/13/90

Submission Report
American Idea Marketing

BNT1876 -- PLAYPEN TOY HOLDER

AC 602
NO PHONE LISTED

Charming Creations
3910 W Northern
Phoenix AZ 85051

Line of Business: MFG STUFFED ANIMALS

Total Employees: 20

Secondary Name:

Standard Industrial Classification Codes
3942 3999

A B C Baby Furniture Outlet
430 Green Spring
Birmingham AL 35209

205-911-1725

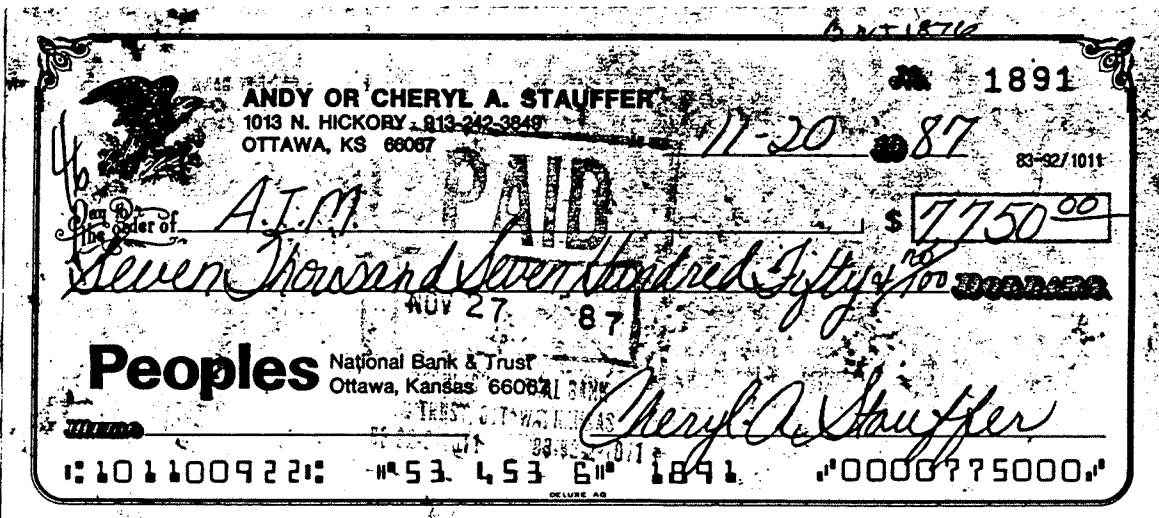
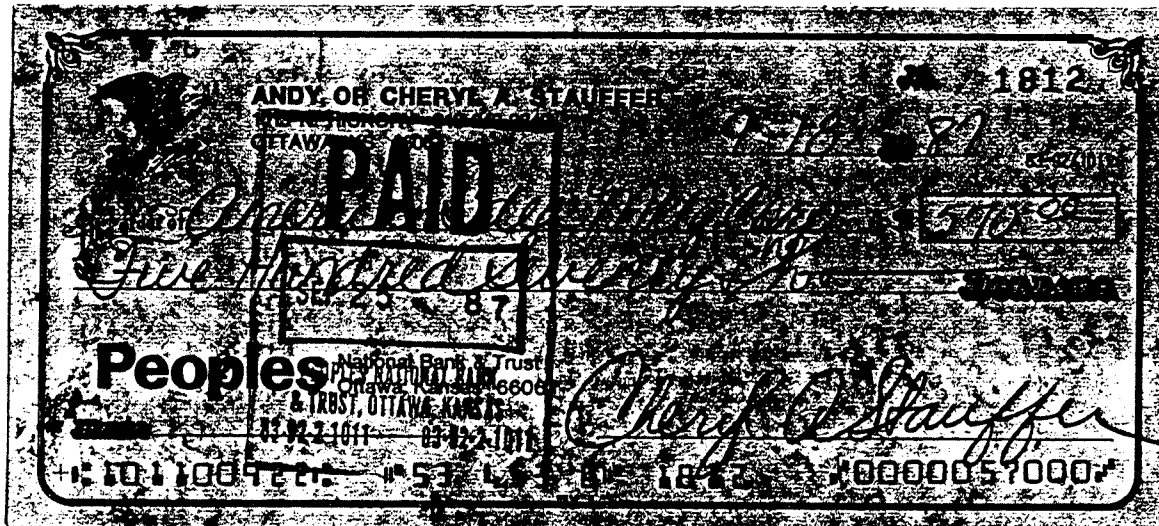
Line of Business: MFG BABY CARRIAGES

Total Employees:

Secondary Name: Welsh Company*

Standard Industrial Classification Codes
3944 2511

3
170
1052
62
40
60
1404



0-1-37
2/13/90

12-5-88

TO MR CLAYTON WILLIAMSON:

WE HAVE BEEN INVOLVED WITH AIM SINCE SEPT. '87. WE THOUGHT WE HAD A GOOD IDEA SO WE SENT FOR THE AIM INFORMATION KIT. WE FILLED OUT THEIR FORMS AND SENT THEM BACK. TO OUR SURPRISE THEY LIKED OUR IDEA AND WANTED US TO INVEST IN A RESEARCH REPORT TO SEE HOW FEASIBLE IT WAS.

BEFORE WE SENT MONEY WE CALLED BETTER BUSINESS BUREAU, CHAMBER OF COMMERCE OF STONEHAM, MASSACHUSETTS AND BOSTON, MASSACHUSETTS TO CHECK OUT THE COMPANY. THEY SAID THERE WERE NO OUTSTANDING COMPLAINTS AND THAT THEY FOLLOWED BETTER BUSINESS GUIDELINES.

SO WE DECIDED IF THE COMPANY WAS WHAT IT SAID, IT MUST BE GOOD, SO WE SENT OUR FIRST \$570⁰⁰ FOR THE RESEARCH REPORT.

THEY SENT IT BACK SAYING ALL THEY GOT WERE GOOD RESPONSES, CONGRATULATING US ON SUCH A GREAT IDEA, THAT THEY BELIEVED MANUFACTURERS WOULD REALLY BE RECEPTIVE TO OUR IDEA AND THAT THEY WANTED US TO BECOME A CLIENT, SO THEY COULD REPRESENT US. THIS IS WHEN THEY TOLD US THEIR FEE FOR OUR PARTICULAR PRODUCT WOULD BE \$7,750⁰⁰ IN ORDER FOR THEM TO PRESENT IT TO THE DIFFERENT MANUFACTURERS AND DO EVERYTHING NECESSARY TO SELL OUR PRODUCT. CS.

9-1-38
2/13/90

THEY MADE IT SOUND LIKE IT WAS GOING TO BE QUICK AND THAT THEIR MAIN OBJECTIVE WAS TO SELL OUR PRODUCT, BECAUSE THEY WOULD MAKE THEIR MONEY FROM THEIR COMMISSION ON OUR PRODUCT. IT ALL SOUNDED GOOD, BUT AS MANY DELAYS WE HAVE ENCOUNTERED AND EXCUSES SINCE WE AGREED TO GO THROUGH WITH THIS, IT DOESN'T SEEM AT ALL LIKE THAT IS THEIR MAIN OBJECTIVE.

THEY HAD A FLOWCHART AND TIMING CALENDAR THAT WE WERE SUPPOSE TO BE ABLE TO FOLLOW, BUT, NOTHING COINCIDED WITH IT. THEY HAVE EXCUSES FOR NOT SENDING THINGS BECAUSE "SOMEONE HAD BROKEN THEIR ARM." IF WE CALLED BECAUSE WE HADN'T HEARD FROM THEM THEY WOULD ALWAYS SEND SOMETHING RIGHT AFTER WE CALLED. THIS HAPPENED ALMOST WITH EVERY STEP. THINGS WEREN'T JUST A FEW DAYS OFF, THEY WERE WEEKS AND MONTHS OFF SCHEDULE.

THEY SAID THEY WORKED WITH LEADING MANUFACTURERS WHEN THEY WERE TRYING TO GET US TO BECOME THEIR CLIENT. WHEN THEY GOT READY TO SEND OUT THE PRODUCT REPORT THEY SENT US A MAILING LIST AND THERE WAS NO "FISHER PRICE OR MATTEL OR COLECO" OR

ANY OTHER COMPANY THEY HAD TOLD US THEY WORKED WITH ON THAT LIST. I ASKED THEM WHY, THEY SAID THOSE COMPANIES HAVE PEOPLE INSIDE THEIR COMPANY THAT COME UP WITH IDEAS, THAT THEY DIDN'T WISH TO WORK WITH AIM AND WHOEVER HAD TOLD US THAT MUST NOT OF KNOWN THAT!! BUT IT WASN'T IN WRITING SO WE COULDN'T SAY MUCH.

WE SIGNED THE AGREEMENT TO LAST TWO YEARS IF WE DON'T TERMINATE IT WITHIN A ^{CERTAIN} PERIOD OF TIME BEFORE THE TWO YEARS IS UP, WE AUTOMATICALLY GET THEIR SERVICES EXTENDED AN ADDITIONAL YEAR. THEY HAVE FINISHED ALL OF THE STEPS THEY OUTLINED AND NOW ALL THEY ARE DOING IS ATTENDING TRADE SHOWS. THEY DON'T INFORM US OF ANY OF THEIR SO-CALLED EFFORTS AND WE DON'T REALLY KNOW IF WE WILL HEAR ANYTHING FROM THEM AGAIN. WE ARE VERY UNHAPPY AND DISSATISFIED WITH THIS COMPANY.

RECENTLY AN ARTICLE IN THE PAPER DESCRIBED THIS COMPANY PERFECTLY, IT WAS WRITTEN BY KANSAS ASSOCIATION OF INVENTORS, PRESIDENT, TALKING ABOUT HOW THESE COMPANIES SUCKER PEOPLE INTO THEIR SCHEMES. IF THERE IS ANY WAY FOR

CS-

YOU TO HELP US GET OUR MONEY BACK AND
KEEP THESE COMPANIES FROM HURTING OTHERS,
PLEASE HELP.

THANK YOU. SINCERELY,

Cheryl A. Stuyff

P.S. I SENT THE SAME TO THE
ATTORNEY GENERAL AS I SENT YOU.
I TRIED TO PUT THINGS IN
SEQUENCE. THANKS.

CS.

a-1-41
2/13/90

Mr. Clayton Williamson, President
Kansas Association of Inventors
2015 Lakin
Great Bend, KS 67530

Dear Mr. Williamson,

I recently received a complimentary issue of Inventor's Digest from Affiliated Inventors Foundation and I read your article "A Word to the Wise - From One Who Knows", which thank God, was none to soon! I have an idea and a prototype for an invention that I feel has great potential and not knowing where to start, I sent and telephoned for information as to how to get my idea off the ground. I received numerous packages and 1 telephone call from a person who said his company helps people like myself get started with a new idea. I had an appointment for tomorrow, until of course I read your article. This company said it will research my idea and only after making sure they would be interested would I have to pay.

Mr. Williamson, where does an honest person get help? I know nothing on how to start my project and I surely do not want to be lured into an offer where I not only may loose my idea, but almost as important, help to finance a company that has no interest in an invention other to make money for themselves!

I have written to an Inventors Association in Florida but they only help you if you are a resident of that state. Does you association help inventors in states other than Kansas? I am more than willing to join your association if it will help me to honestly get my idea off the ground.

Respectfully Yours,
Ernie Thompson
60 Byers Drive
Quarryville, Pa. 17566

considered
4-8-89
ew

a-1-42
2/13/90



STATE OF KANSAS
 OFFICE OF THE ATTORNEY GENERAL
 Consumer Protection Division
 301 W. 10th Street
 Topeka, Kansas 66612-1597
 (913) 296-3751

Agent _____

Robert T. Stephan
 ATTORNEY GENERAL

CONSUMER COMPLAINT
 (Please type or print in dark ink)

COMPLETE
 REFUND
 \$995⁰⁰

Date 10-21-88

Your Name PAUL PACK

Your Address P.O. Box 1757
 Street

Great Bend KS Barton 67530
 City State County Office Zip

Phone Number Where You Can be Reached During the Day (316) 793-8887
 Area Code/Number

Home Phone 316-292-7426 Social Security # _____
 Area Code/Number

Are You Filing this Complaint as an:

Individual Sole Proprietor _____ Corporation _____ Partnership _____

Name of Company Complained About National Iedea center

Complete Company Address 401 New York Ave N Washington D.C 20002
 Street City State Zip

Name of Company Contact Person Ryland Pine or John Battin

Date Contract Signed 3-19-88 Place Contract Signed Home

What Kind of Product or Service are You Complaining About? _____

Incomplete and late

Was Product or Service Advertised? _____ Provide Name and Date of

Publication T.K. But could have been magazine

Have You Filed This Complaint With any Other Agency(ies)? NO

Name of Agency(ies) _____

Results: _____

(Continue on Back)

9-1-43
 2/13/90

Detail of Circumstances of my Complaint

On April 23, 1986 I conceived the idea of the " TELESCOPING TRAY." Not long after this date I was looking through some magazine adds in the back of the April issue of HOT ROD MAGAZINE and saw the add for " AMERICAN PATENT RESEARCH and DEVELOPMENT " , (which is the first encloser). It listed an 800 number to call for a free kit and in the add you (GET RESULTS!) I called the number and they sent me DISCLOSUER AGREEMENT. (the second encloser).

A few days after I received this kit I received when I was going to return the Discloser Agreement. they were having an evaluation committee meeting in new ideas and that I should rush to get it there in In this document I outlined a discription and sketch returned it to them on June 17, 1986, (see second en after I sent my idea to them, American Patent Resear me and said that in their evaluation meeting my idea marketing possibilities. Then they proceeded to say a patent search and a market study to further my idea and this would cost me \$775.00.

I then received the contract (third encloser) outlining what this research report would consist of, plus the cost. When I didn't reply quickly, within a few days a consultant from American Patent Research and Development called me asking if I had a problem with the contract. I replied saying, that I wasn't financially able at that time to cover the \$775.00. A few days later American Patent Research and Development called me and told me that they felt so positive toward my idea that they would absorb some of the cost for the marketing research report and now it would only cost me \$500.00. I was then authorized to cross out the initial amount of \$775.00 and enter the amount of \$500.00 and put my initials beside the amount.

Not long after I returned the contract I received a marketing research report which was rather impressive for me not knowing anything about marketing strategies or patent searches. Later I was contacted to see if I approved of the report and to inform me of the next phase of the process.

COMPLETE
REFUND
\$ 4655.00
10-23-89

June 20, 1989

Workye D. Zekarge
39 Central Ave.#306
Dayton, Ohio 45406

Mr. Clayton Williamson
President
Kansas Association of Inventors
Kansas

Dear Mr. Williamson,

Thank you for sending me a membership application. Before I fill it out and send to you, I would like you to share my problems and hoping you will help me.

If you remember me, two or three months ago, I called you and talked about my new idea that I submitted to a company (which at present, I don't want to mention their names.) At first, they sent me a form to be filled by me which I did. After they observed the idea, they told me that they were happy to work with it. I thought they were honest people and agreed to work with them. Later on, they charged me \$485.00 for the researched report. At that time I had decided to pay them because if I refused, I knew they will take the idea from me. After two months they send me the report. I read it from the beginning to the end. Even though the report doesn't worth much for what I paid, it was something good than nothing.

The next hard step came. For the marketing report, they charged me \$7850.00 which I cannot afford to pay them. My idea was not patented. I called and talked to U.S. Patent and Trade mark Office in regard to patent the idea. They told me that it would take more than two years.

About a month ago, they called me to enquire whether I was in a position to pay them or not. I asked them to give me time. After two weeks, they called me again. If I don't pay them with in this month, they told me that they would not be responsible for the idea if it is stolen. At last, they suggested to me that they could easily sell it to a manufacturer at a lower price if I signed for them as the idea have not been patented.

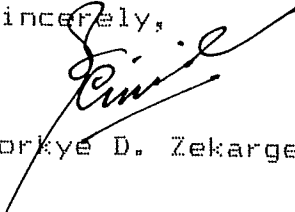
If you were in my place, what would you do?---Would you wait and see when unreliable companies rip you off?---Please drop me a line as what to do.

When I think of these type of companies, whom can I trust to work with on my second invention?

9-1-45
2/13/90

Thank you for taking your time in sharing my problems. I would be waiting to hear from you soon. Please keep this matter as confidential.

Sincerely,



Workye D. Zekarge

A-1-46
2/13/90

Mr. Clayton Williamson;

October 12, 1988

I read your article in the Frays Daily News concerning companies that rip people off on their invention ideas. My hopes were completely shattered when I read this, because every thing happened just as you stated in the paper. I'm writing this letter hoping you or someone you know can put a stop to these companies ripping me & others off.

I thought of an invention idea around October 15th 1987. I didn't know what to do with it, until one day I was working in the oilfield down @ St. Bend Kansas. I then heard this company called AIM (American Idea Marketing) advertising on the radio wanting new ideas or inventions.

I called a toll free number (1-800-337-5578) for more information. They sent me letters & information on how they could help. Being a working man, this sounded great because I didn't have the time or the know how on what to do.

On January 15th 1988 I filled out a record of Invention & Guarantee of Confidentiality and Statement of Disclosure.

On Feb. 8th 1988 I sent AIM \$570⁰⁰ to do a research report. Of course it came back sounding great.

On April 7th 1988 I entered into a service agreement with AIM costing me \$4,950⁰⁰. Since then I get mail about every month from AIM and every step sounds better than the last one.

4-1-47
2/13/90

They also wanted \$1,000⁰⁰ to have it patented, but said we could wait and do it down the road or let the manufacturer buy it from ~~me~~ me.

Any way, I know now that I have been taken. If I can be any help to you or any one else or you can help me in any way, please feel free to write or call.

Thanks Kohn
Edward L. Kohn
1283 Krug
Russell, Kan. 67665
913-483-4214

P.S. I have all the paper work & records for myself, ~~and~~ concerning AIM. Feel free to ask for them if you think you can use them.

I also talked to another guy ripped off from AIM for about \$8,000⁰⁰. I gave him your name & address, he said he would write you also.

Thanks again
EK

Clayton Williamson

When I contacted J.C.S. I was told they had Brooke Shields promote an invention they had taken on. It was on the Johnny Carson Show. I spent 365⁰⁰ not including the interest for them to search the market + make sure there wasn't another product like mine on the market, included in the fee was a document on my idea. After this they told me they would make my product and take it to market + introduce it to baby stores and places like Sears. The person I dealt with was Gill Hast. She phoned my home several times for the money in which I couldn't afford. They offered to finance the 4000 dollars but I couldn't make the payments. When I told them that it was the last time I heard from them.



Shelly Cruz

~~October~~

November 9, 1988

Dear KAI.

My name is Dan Means, I'm from Goddard, Kansas. I don't know anything about your organization, but I heard about you from a friend of a friend. He said you help inventors who don't really know what they're doing starting out. So I thought I'd drop a letter and maybe be able to get some information about companies who represent inventors.

Here is my situation: I came up with an invention recently, (A device used to aid in the threading of gas, galvanized, etc. pipe.) I checked with some tool manufacturing catalogs and found nothing like it. Not knowing what to do, I looked through the yellow pages and came across AMERICAN INVENTORS CORP. I called and asked for information on their services. They sent me some forms & information and asked for a drawing along with details about how it works and its advantages. Everything looked very professional and confidential. I ~~sent~~ mailed everything to them for my free analysis. About 1/2 weeks later, I received a call from a representative of A.I.C. stating that their company believed my idea could be patentable and marketable, which I believe it is! They wanted to conduct a patent search using their hired patent attorneys, which would cost \$195. I agreed and mailed them my money along with disclosure forms for the U.S. Patent & Trademark office.

a-1-50
2/13/90

About 5 weeks later I received a call from another A.I.C. representative stating that Utility Patent Protection might be available for my invention. They also wanted to meet with me in person at their St. Louis, Missouri office. The representative, Dan Bogan, flew from Westfield, Mass. (Their home office) and I drove from Wichita, to St. Louis to meet.

Their offer is to file a patent application for me and to do all the necessary requirements for the application, (Prototype, Patent Attorneys, Etc.) and to market the Idea. All forms, letters, paperwork pertaining to marketing, offers, etc. will be mailed to me. Everything will be done in my name. They worked out a schedule for royalty cash advances, percentage, performance by Industry, length of time of contracts, etc. pertaining to licensing of my invention.

Their fees range from \$7,490.00 for no percentage to company, to \$3,990.00 for a 30% cut.

Since I've returned from St. Louis, I've received much advice from everyone. Before I sign anything, I want to know exactly who I'm dealing with, so this is why I'm writing.

I contacted the Better Business Bureau in Wichita about this company, but they kept no files on them. They referred me to the B.B.B. of Western Mass., but I called for three days straight

a-1-51
2/13/90

and got nothing but busy signals. I just wrote them a letter today asking for information on any complaints or lawsuits pertaining to AMERICAN INVENTORS CORP.

I also was wanting to ask you for any information on this company, and what you might think of their services and fees. I've never done anything like this before and I'm learning a great deal as I go along. Also, could you give me more information on your organization?

I'm enclosing a stamped self-addressed envelope. If ~~you~~ someone would like to call, my number in the evenings is (316) ~~794-8149~~. My work number is (316) 945-8326 but I'm usually never there because I'm out on job sites.

Thank you very much

Danny D. Meema

Miami Beach, March 13-1989-7:20 P.M.

Mr. Clayton Williamson
President
Kansas
Association
of Inventors
Hoisington, Kansas

Mr. Williamson:

Soy latino, mi idioma es el Español, pero no creo en su compañía eso será obstáculo para poder comunicarnos, ya que tendrá además de profesionales en asuntos de inventos, nuevos productos, patentes etc., quién o quienes dominen mi idioma al igual que otros idiomas necesarios para muchos tipos de negocios, de otra forma sería muy difícil establecer diálogos, discutir proyectos, aconsejar, en fin, orientar una real comunicación con individuos que hablen una sola lengua o idioma y creo hay bastantes que no saben de Inglés....

Anyway, I can do some about this second language for our communication, not very much; but more than nothing. So please forgive my mistakes.

Well, let's point out to the matter. I sent a new product to a company in Washington D.C., (The Innovation Center) what was called A.P.R.D., and now all I've sent has been transferred to (The National Idea Center). They say is another building that belongs to the A.P.R.D. I signed a contract + sent a money order for \$425.00 in last year (August), they call me every once in a while, send me papers, some called New Product Review, (came wrong twice and I'm still waiting for the new one with corrections been made), but still NOTHING. Just my money like floating in a Limbo, (more than 6 month ago). I'm hopeful but, it's a little weird....

Please, what you recomend me to do? Because let me tell you, I trust my project, logical and seriously. Promises don't convince me, times fly, more than 6 month waiting without results, is sad and not the way to go; am I right? I'd like to think I'm wrong about my thoughts, this is my first time in matters like these and everything was great, until sent the contract signed + my money together. Now I have debts, I'm disabled, sometimes thinking I've been swindled. We're a poor and honest family and never have cheated anyone to take money or position from.... Your experience will be helpful, and your advices. Please, help me and God be with you. I have to do something. I keep copies and everything with me since the beginning.

Thank You all in advance for your time and cooperation and anxiously and looking forward for your answers.

Grateful, Sincere and Respectfully,
Leon de Vera
LEON de VERA.
1242 Drexel Ave.
Apt. 19
Miami Beach,
Fl., 33139

a-1-53
2/13/90



6707 W. Goshen Ave. • Visalia, CA 93291 • 209/733-1700
PLASTICS ENGINEERING CORPORATION

January 3, 1989

Mr. Clayton Williamson
Kansas Association of Inventors
2015 Lakin
Great Bend, KS 67530

Dear Mr. Williamson,,

I am sorry to hear that you are having a problem with
"Invention Marketing Companies".

As far as I can determine, our salesman requested some
additional information on one of AIM's projects. We signed a
disclosure statement to obtain the additional information. We
have not executed a "no fee option agreement" nor are we
interested in pursuing the project any further with AIM.

I don't know if there are any reputable invention marketing
companies doing business. From what I have seen from AIM I have
not been impressed.

I have not had any other dealings with this sort of company
but I have worked with numerous inventors.

My suggestion to your group or any other inventor is to work
on their ideas themselves and talk to reputable manufacturers
themselves. This may take a lot of time and effort but if the
invention has merit, the results will be very rewarding. Any
time a "middleperson" is used, there are many opportunities for
the project to go sour.

Sincerely,
SUNSTAR PLASTICS ENGINEERING CORP.

James P. Caviglia III
President

JC:sb

A-1-54
2/13/90



INNOVATION BUILDING

2155 Queens Chapel Road, N.E.

Washington, D.C. 20018

(202) 636-IDEA

May 11, 1989

Ms. Frankie D. Meek
229 Meek Street
P.O. Box 36
Arkansas City, KS 67005

Dear Frankie,

Needless to say, I was truly disappointed when we got off the phone last evening.

For over two months, I have tried to contact you so we could talk and, hopefully, alleviate the concerns you had. I stayed late and came in on weekends to contact you. I had hoped after we did finally talk, that you knew we weren't the scam operation that the Kansas Association of Inventors thinks we are. If we were a scam and we didn't care, your complaint would have fallen on deaf ears. Because we do care and because our clients are so important to us, we try our hardest to keep everyone satisfied.

Obviously, Mr. Russell and Mr. Williamson have convinced you otherwise, and your mind is made up. I am sincerely sorry.

Enclosed is the Agreement I said I would send to you. It is self explanatory; however, if you have any questions, please call. Once we receive the fully executed agreement, all of your materials, and a copy of the letter you sent to the Attorney General in Kansas withdrawing your complaint, we will send you a check for \$938.00.

Very truly yours,

Regina A. Boltrek
Assistant to the Director
Client Communications

RAB:yvt
Enclosure

9525

WRITTEN TESTIMONY
IN SUPPORT OF
THE INVENTION DEVELOPMENT SERVICES BILL

Submitted to:

House Committee on Economic Development
Kansas State Legislature
February 13, 1990

Submitted by:

Gerald G. Udell, Ph.D.

Professor of Marketing and
Director, Center for Business Research and Development
Southwest Missouri State University
Springfield MO 65804

and

Senior Partner,
Innovation Institute
Rt. 2, Box 184
Everton, MO 65646

House Eco. Dev. Committee

For the record, I am Gerald G. Udell. I am a Professor of Marketing and Director of the Center for Business Research and Development at Southwest Missouri State University in Springfield, Missouri. I am also a partner in a small business, the Innovation Institute, which has for ten years provided invention evaluation services to independent inventors. I also serve as an ex officio member of the board of directors of the Kansas Association of Inventors.

I was previously the director of the National Science Foundation Innovation Center at the University of Oregon. The Oregon center was one of the first three Innovation Centers in the United States and is best known for its work with independent inventors. Since the completion of the Oregon Experiment in 1979, the research and service functions of the Center have been continued in the private sector through the Innovation Institute.

Thus, since 1974 I have been involved in an effort to monitor the activities of invention promotion firms. During the period 1975-1977 I provided input to the Federal Trade Commission in its investigation of invention development firms. In 1976, I served as an expert witness for the FTC in its case against the Raymond Lee Organization, which was subsequently found guilty of unfair and deceptive acts and practices under Section Five of the FTC Act.

Since the FTC action, the inventors problems with ineffectual invention development services has gotten worse,

rather than better. Invention development firms have gotten much more sophisticated and their fees have more than tripled. There is no evidence to indicate that their has been any substantive increase in the effectiveness of many of the firms in this industry.

During the past fifteen years I have been gathering information about the practices of invention development firms. The results of that study will appear in the September 1990 issue of the JOURNAL OF PRODUCT INNOVATION MANAGEMENT. A draft of that article is included with this testimony.

Clayton Williamson, of the Kansas Association of Inventors, has asked me to comment on the legislation being introduced today by Representative Mead to regulate invention development services. As a part of my research, I have reviewed relevant legislation in other states and have made input to several bills now enacted or pending.

The bill before you is the best legislation proposed thus far to regulate the invention development service industry. This bill should be considered as model legislation for other states to follow. The bill has been well thought out and provides independent inventors with the information they need to make informed decisions in selecting invention development services. Furthermore, the bill provides inventors with civil remedies in the event their rights under the bill are violated.

It has been my experience that civil and other remedies

are vital to insuring that the disclosure provisions are complied with. In recent months I have received information from inventors in states which regulate invention development services which indicates that these firms are not complying with the disclosure requirements of state law. It would appear that invention developers are simply ignoring the law because the regulations in those states have no teeth.

To my knowledge, only North Dakota currently has a treble damages provision for dealing with violators. In other states regulations may assist the inventor to get his or her money back, but there are no penalties or economic disincentives for violators. Thus, the real protection for inventors is scanty as the worst that is likely to happen to the invention development firm is that they may occasionally have to give an inventor his or her money back.

In the North Dakota law, the attorney general is responsible for enforcing the invention development services law. In the two years that the North Dakota law has been in effect, not one invention development service company has filed the required disclosure information with the State. The attorney general has used the law to help inventors to get their money back. However, to date he has not attempted to collect treble damages for violations of the law.

Section (9)(d) of the legislation before you corrects this potential problem by permitting injured parties to file for treble damages in civil court. This remedy is most appropriate in that it provides those who are injured by

invention developers with an equitable remedy.

Section (9)(f), which directs the attorney general to enforce the act and allows the recovery of \$25,000 for each violation, provides the attorney general with an effective means of insuring that invention development firms will think twice before violating Kansas law.

I have examined the other provisions of the proposed legislation. I find nothing therein which would impose undue regulation on this industry or which would discourage legitimate businesses and consultants from providing their services to Kansas inventors.

The United States simply must regain its position of technological leadership. It is becoming increasingly clear that those states which provide a positive environment for innovation will be the leaders in this quest for renewed technological leadership. These states will also enjoy the benefits of innovation in the form of increased economic activity, new jobs and the wherewithal to provide better services to all their citizens.

Independent inventors will, as they have done in the past, play a major role in providing the inventions and new product ideas upon which the new industries and businesses of the 1990s will be built. Passage of the bill before you will help insure that inventors will have the opportunity to play that role.

IT'S STILL CAVEAT, INVENTOR

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*House Eco. Dev. Committee
Attachment 3 2/13/90*

IT'S STILL CAVEAT, INVENTOR

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ITS STILL CAVEAT, INVENTOR

Independent inventors are still major contributors to industrial innovation and an important source of new products for industry. However, they are more often abused than appreciated by the marketplace. This article describes the growing problem of ineffectual and perhaps fraudulent invention marketing and promotion in the United States and Canada. Although the firms promoting their services to inventors have added to their claimed services and increased their prices, there is no indication that the industry is any more effective in helping inventors to license their devices to industry than in the past when the FTC disclosed that only 6 of some 35,000 inventors had earned a profit of \$1 or more from dealing with an invention promotion firm.

IT'S STILL CAVEAT, INVENTOR

INTRODUCTION

In recent years the independent inventor has been all but ignored by public policy and corporate new product developers as a source of industrial innovation in the United States. Often regarded as eccentric and the technologically illiterate champion of the perpetual motion machine, inventors have not experienced the resurgence of respect enjoyed by the small business person.

To be sure, the majority of inventions generated by independent inventors are either re-inventions of the wheel, gimmickry, unworkable or otherwise of low commercial potential. Such is the nature of the industrial innovation process. Outside of the realm of incremental improvements, all contributors to industrial innovation face high odds. For example, of the 1600 discoveries and inventions submitted to the Wisconsin Alumni Research Foundation (WARF) by University of Wisconsin faculty, 65 were licensed to industry and 36 generated sufficient revenues to cover WARF's costs.¹

However, like small business, independent inventors continue to have a noticeable, if not profound, effect on our lives. The literature credits such inventors for having given birth to as much as two-thirds of the major industrial innovations.² Recent innovations spawned by noncorporate inventors include robotics and the now ubiquitous running shoe.

Whatever the source, hidden among the numerous nonfeasible are the rare gems that make inventors of all types a valuable natural resource worthy of recognition and protection. Given the high cost of innovation in a corporate environment, the importance of the independent inventor is likely to continue if not increase.

In addition to being a potentially large source of new products for corporations, many of the noteworthy entrepreneurs of recent times started as independent inventors. For example, Bill Bowerman, inventor of the running shoe and founder of the Nike Corporation, started in his garage in Eugene, Oregon. Whatever the route new product development may take, one should not lose sight of the importance of providing an environment that supports and encourages creativity for all inventors.

THE INVENTION PROMOTION BUSINESS

In the case of the independent inventor, such an environment is at best very inconsistent. Aside from a few programs at the federal and state levels, inventors are largely left to their own devices to thread their way through the innovation process.

Independent inventors have long been a favorite target for firms and individuals with questionable business practices. Allegations of unkept promises, misleading statements and advertising, phoney evaluations, the lack of results and claims of downright fraud have clouded the reputation of the invention promotion industry for years.³

This paper examines the practices of this industry and is based on a 15 year (1974-1989) study of firms offering various invention marketing services to independent inventors. Specifically excluded from the study were nonprofit organizations such as inventor groups, university based innovation centers, patent attorneys and agents, professional engineering firms and licensing specialists who work on a commission bases. Included were those firms which charge substantial fees for invention promotion services and who are generally subject to regulation in those states such as North Dakota, which have invention promotion laws.

The nature of this problem rules out any effort for anyone without subpoena power to gather data in a statistically reliable manner. Despite this an attempt to do so was made. However, all of the companies alleged to employ the questionable business practices described herein, did not respond to requests for information. Consequently, the data was obtained from inventor clients of such firms, inventor groups, patent attorneys, state and federal regulatory agencies and other relevant professionals.

The profile described below was subsequently reviewed by knowledgeable persons including patent attorneys, regulators, relevant professionals and by representatives of inventor organizations. Their responses indicate that the problem may be worse than pictured below.

FEDERAL PROTECTION FOR INVENTORS

During the early 1970's invention promotion firms operated in a manner reminiscent of the medicine man of nearly a century earlier. Their claims were blatant and the promises were grandiose. For example, at the time one invention promotion firm grandly promised success by advertising, "Want to make a million with your idea? Contact" During this period idea brokers operated without check and frequently with Better Business Bureau blessing.

Finally, in 1977, the Federal Trade Commission hauled the then largest invention promotion firm, the Raymond Lee Organization, into court alleging that the firm had violated Section 5 of the FTC Act.⁴ The Government paraded witness after witness to establish its claim that the firm had in fact engaged in unfair and deceptive acts or practices.

In the Synopsis of Determinations it was declared to be an:

... unfair and deceptive act or practice for a seller of idea or invention promotion or development services to misrepresent directly or indirectly...

1 ...that potential purchasers will be provided with evaluations or appraisals of the patentability, merit, or marketability of ideas or inventions.

4 ...the scope, nature or quality of the services performed to introduce or promote ideas or inventions to industry.

5 ... (the firm) has special access to manufacturers or has been retained to locate new product ideas unless such is a fact.

7 ... to fail to disclose ... all significant fees or charges....

8 ... the background, qualifications, or experience or expertise of a seller or provider of services.

9 ... to induce through misleading or deceptive representations the purchase of services that have little or no inherent value, or to provide services that grossly exceed the value of the services actually provided. It is also an unfair or deceptive act or practice to retain money from the sale of such services.

The firm was ordered to cease and desist from directly or indirectly misrepresenting, "... the nature or value of ... (its') service or program ... the earnings potential ... (or that) any person, firm, organization, government agency, or official has endorsed ... unless such is a fact." The firm was also ordered to use a disclosure statement containing the following:

We do not evaluate the potential of your idea or tell you whether it can be patented or marketed; In (date) we sold our complete service to (total number) customers. Of these, (number) received more money from our services than they paid us; In addition to the money you pay us, you may have to pay attorney's fees, Patent Office fees, and other charges in connection with our program. Ask us for complete price information.

Saddled with these restrictions and requirements, the company went out of business, but not before it managed to glean perhaps as much as \$35-50 million from hopeful inventors.

In addition to the fact that they had been convicted of violating Federal Law, the organization apparently accomplished very little. Only 6 of the more than 35,000 clients that retained the company to market their inventions ever made a profit of \$1 or more.⁵ Their passing was mourned by few. The hope was that the

FTC had sent a very clear message to the marketplace, and that inventors could look forward to better and less hazardous days ahead.

ITS STILL CAVEAT, INVENTOR

Unfortunately, that hope has not materialized. It's still caveat, Inventor. In fact, perhaps even more so. The ante is up as "fees" have increased substantially. The prices charged by invention firms have increased from \$800-\$1,500 of the early to middle 1970's to \$12,000 and more in 1989;⁶ with the highest fee cited during this investigation being in excess of \$57,000.

Using the FTC estimate as a base, the author contacted a number of persons previously interviewed during the course of this study and asked them for their estimate of the current level of invention promotion activity. All respondents agreed that the level of activity has increased and that fees charged are considerably higher than in the 1970's. Estimates of the current size of the invention promotion business ranged from \$400 million to over \$800 million annually. There is no way of validating these estimates. However, the respondents were all persons knowledgeable in the area.

Resources that are invested with such firms cannot be put to more productive work elsewhere. The presence of such firms therefore drains investment capital or seed money away from productive uses where it is most critical--at the early stages of the innovation process.

Another problem is that the approach used by invention promotion firms has become much more sophisticated. Gone are the blatant claims mentioned earlier. They have been replaced with carefully worded statements like, "very few inventions ever make it." Unlike their predecessors, the new breed of invention promoter typically no longer promises the moon.

Like their predecessors, they appear to continue to fail to deliver it.

According to the Minnesota attorney general, one inventor service firm had 9,184 inventor clients, of which 14 had by 1984 made a profit of \$1 or more.⁷ Another such firm in 1984 alone charged inventors fees of \$1.4 million, while its licensing fees for the 7 years of its operation totaled only \$150.⁸

The level of claimed "services" provided by invention promoters has expanded. In addition to invention promotion, patent searches and patent application services, some firms provide invention evaluation and marketing research assistance. There are numerous legitimate firms and individuals which offer those services. Hence, one must be careful not to generalize. Indeed, the number of businesses offering value for each dollar received by far outweigh those who do not. The purpose here is not to give those who serve inventors a "black eye."

However, those who engage in questionable acts and practices do cast a shadow over the entire industry. More importantly, they have a negative effect upon the rate of innovation. In addition to diverting investment capital, invention promoters discourage many inventors who then withdraw from the innovation process. Others, wary of being ill served, and trusting no one, attempt to enter the marketplace on their own and fail. In many cases their mistakes could have been avoided with proper advice.

A 1978 survey of its clients by the Oregon Innovation Center indicated that these operators have been very effective in persuading independent inventors to use their "services." Of the 130 clients responding to a survey of their experiences with idea brokers:

59 (45.2%) had contacted an idea broker.

64 (49.2%) were aware of them but had not made contact.

7 (5.6%) were unaware of them.

Of those (59) who had contacted idea brokers:

28 (47.5%) had used their services.

31 (52.5%) did not use their services.

Thus, of the total number of clients responding to the survey, 21.5% had used their services.⁹ Given the increase in the sophistication of the promotions aimed at inventors it seems reasonable to conclude that these firms may be even more successful today.

CURRENT INVENTION PROMOTION ABUSES

Since the FTC decision the author has conducted a longitudinal study of the invention promotion business and its practices. During the last ten years interviews were conducted with over 300 independent inventors who had been contacted by an invention promotion business. Of these, slightly over 100 had utilized the services of such a firm. In half of the cases some sort of a tangible in the form of a evaluation report, patent search, or marketing study was available for analysis. There were no instances of a successful licensing arrangement or even a corporate inquiry generated by an invention marketing firm reported by the respondents.

Before proceeding further, a caveat is in order. The study also uncovered information about legitimate consultants and technology transfer specialists serving inventors. Included in this group were university-based groups, several nonprofit groups and a variety of for-profit enterprises. Their existence and contributions are hereby recognized. However, these firms and groups typically do not employ the questionable practices associated with so-called invention brokers.

Among the practices that seem to set the two groups apart are the following:

1. Pursuit of questionable patents, even when patent searches indicate that prior art exists.
2. Invention marketing efforts which consist of poorly prepared brochures which are mass mailed to corporations.
3. Evaluations giving glowing reports and exaggerated claims of market potential even when the chances of any market success are exceedingly remote.
4. Market research reports which are filled with non-relevant or useless information. Much of this information is gleaned from the inventor. There is typically very little in the way of defensible research.

Each of these practices is worthy of closer examination.

INADEQUATE AND MISLEADING INVENTION EVALUATION

Some idea brokers offer invention evaluation services which it is alleged are intended to assist inventors to determining the worth of their invention. In some instances the promotional copy examined during the study appeared to be patterned after that of the National Science Foundation-funded Oregon Innovation Center and its private sector successor, the Innovation Institute. The promotional copy examined typically talked tough evaluation. However, all attempts to determine how tough failed. That is, with the cooperation of inventors firms offering evaluation services were asked to supply information about the percentage of inventions receiving passing evaluations. The only response received to this question was, "We can't tell you this because it would violate our clients confidentially." In most instances the request was simply ignored.

However, the results of evaluations reviewed indicated that the firms involved functioned much differently. All of the evaluation reports examined were highly favorable. In contrast, only one invention out of some sixty inventions re-evaluated by the author using the PIES IV format received a passing score.¹⁰ Typical of the evaluations examined was the case of the inventor who, after reading that, "only a very few ideas make it" paid over \$200 for an initial evaluation.

Apparently he was one of the "few," for he received a glowing report stating, "we like your invention" and an urgent follow-up call suggesting that he "fly to their regional office so that they could discuss the next step" (at an additional cost of \$3,000-\$5,000). There is nothing inherently wrong with this approach. However, in this case there is. The inventor's idea was to build a frame embodying two small jet engines that would clamp on to the top of the family car permitting the driver to blast off and fly over traffic.

The "evaluation" in the preceding example was based on nonspecific criteria. That is, the evaluation report, like many others examined, did not contain any specific reasons for accepting the idea. In those instances where specific criteria are mentioned they tended to be limited to fairly superficial technical revisions (in terms of production feasibility or perpetual motion), or unlikely events such as having a name identical to a product already in the market. Everything else is offered to the marketplace. When these criteria were applied to the inventions in question, not one failed to meet them. Even a competent technical review will eliminate only a few of the inventions of the type normally submitted to invention promotion firms. Although considerably more high tech oriented than the typical idea broker, about 85 percent of the inventions submitted to the Oregon Innovation Center and its successor, the Innovation Institute, have been nontechnical in nature. Only a small fraction failed because of lack of production feasibility, and surprisingly few were perpetual motion machines. While some were inefficient and others would not work, they would not be classed as perpetual motion. Furthermore, inventors on the cutting edge of their technologies are not likely to seek help from these sources. Hence, the risk of screening out the typical invention borders on the minuscule. Such superficial evaluations are, at best, misleading.

More recently some firms have taken the position that they do not prescreen inventions, i.e., all inventors are welcome. One such firm states flatly "there are too many variables to consider." This is nonsense. The marketplace will consider them. Any firm alleging to provide professional services cannot duck the issue of commercial feasibility. To do so is about as professional as a patent attorney who routinely fails to perform a patent search. Either strategy—superficial or no evaluation—gives rise to an interesting possibility. Namely, are such practices, when used by a firm alleging to have professional expertise, a misleading act or practice as defined by the FTC Act?

INADEQUATE MARKETING RESEARCH

While marketing research can play a very important role in the innovation process, some of the work performed for independent inventors is virtually worthless. For example, the "inventor" of a colored embossed paper clip received a very substantial report about the market for his invention. The bulk of the report—about three-fourths was devoted to standardized double digit SIC code information about the office paper processing industry, IBM, and Xerox. The few pages devoted to the idea extolled its "superior paper holding qualities" and the "convenience of color-coded paper clips." At no point did the report mention that both colored and embossed paper clips were readily available in the marketplace and had been so for some time. The report then recommended the further development and marketing of the invention. In this instance the research was inadequate, and the advice incorrect. Even a cursory glance at the market place would have revealed the presence of prior art, which being in the public domain, would dim the prospect of technology transfer.

This does not appear to be an isolated case. In 1980, at the request of state officials in Oregon and Washington, the Oregon Innovation Center analyzed six so-

called "market potential studies" compiled by a West Coast firm.¹¹ Since these "studies" are similar to others sent to the Center by inventors from elsewhere in the United States, they provide a useful picture of this approach to bilking, if not defrauding, independent inventors.

In the cases studied by the Center in the late 1970's the average fee was approximately \$3,000. However, by the end of the study in 1989, the fees had, as reported earlier, increased even more for very similar services. Inventors are getting less in the sense that all of reports studied gave highly favorable evaluations and urged the inventor to pursue further development, which in the opinion of the Center, was not warranted in any of the cases.

The "reports" averaged about 80 pages in length. Most of the material—about three fourths—was computerized double digit SIC code information, much of which is easily collected at a public library or found in basic small business or marketing texts. The data appeared to have been canned and to have been called up for any product falling into that double digit SIC code. Much of this information was viewed by the Center to be worthless in that it did not contribute to an understanding for the particular potential products under "study."

The pattern of the remaining pages was nearly identical and can be summarized as follows:

Product Definition

Promotional material was very elementary and contributed little in the way of description and definition. As a sales aid, the material was impotent and the claims were frequently unrealistic or unsupported. Cost estimates were based on vague and questionable assumptions. In most cases no selling price was projected.

Market Evaluation

Some information in the reports studied was canned, non-relevant,

instructional material on a junior high level. The material was too brief to have any instructional value and was inappropriate in a product analysis. The research was uniformly of doubtful value. All of the reports could have been written in a short period of time with no experience in marketing and with no research. There was no mention of the methodology utilized or the scope of the research effort. No attempt was made in any of the reports to assess the risk involved or to project a reasonable market size.

All of the research was alleged to have been done in a coastal Southern California city. It is interesting to note that one of the potential products analyzed was a recreational vehicle for use in snow country. As noted previously, the recommendations were not warranted and were dangerous in that they uniformly encouraged clients to invest relatively large sums of money on very skimpy evidence.

Market Scope and Size

Most of the material was generalized, irrelevant "puffery" that was in each case padded and failed to define markets specifically and relevantly. Market scope and size were ignored.

In brief, the reports were universally worthless in the judgment of the Center staff and the other marketing experts who reviewed them. The "reports" avoided the old excesses of idea brokers—indiscriminate patent filling and weak promotional efforts—but pursued a new, but still crooked path of bogus marketing research. The end result is still the same—no meaningful assistance for the inventor. Again, the possibility of Section 5 relevancy raises some interesting questions.

Subsequent to this analysis over twenty additional similar reports by other idea brokers have been reviewed. Although some firms had added additional

services such as patent searches and fees had increased substantially as reported earlier, the reports paralleled the earlier group in format, content and value.

QUESTIONABLE PATENT ASSISTANCE

While some firms appear to focus on providing marketing research reports, the practice of providing questionable patent assistance has not disappeared. One of the bits of conventional wisdom that has been passed down to inventors is that the first step towards commercializing an invention is to obtain patent protection although Donald J. Quigg, Commissioner of the U.S. Patent and Trademark Office has advised inventors to obtain a competent and legitimate commercial and/or technical evaluation before contacting the patent office.¹² However, the wisdom persists. As a result, many invention promotion firms have incorporated patent services in their mix of service offerings.

While there is nothing wrong per se with this practice, patent attorneys frequently complain of high fees, poorly done work, and inappropriately filed applications. A classic example is provided by a California "inventor" who paid an East Coast firm \$750 for a patent search of a very old and inactive art. The search revealed five patents of a pre-1925 vintage. The art in this case was simply a doll-clown face. In addition to being a very typical clown face, it was a virtual clone of a 1919 patent. In spite of the fact that the examiner advised that the idea presented nothing new and that "... favorable action ... (was) questionable," the firm recommended to the client that he retain them to, among other things, file a patent application. The intended client in this case was a retired couple living on Social Security. The proposed fee was \$6500.

In this instance, the company represented itself as having expertise, upon which it proposed that the client rely. Again, the relevancy of Section 5 is an interesting possibility. That is, if a firm holds itself out as providing patent

assistance, is it not a potential unfair or deceptive act or practice to propose to file an application in cases such as the one outlined above?

In addition, inventors are now solicited for disclosure document submission services at a cost of \$2-300. Disclosure documents can easily be filed by any inventor by following the very simple instructions contained in a single paragraph in a publication supplied at no cost by the Patent Office. There are no forms to be filled out or detailed procedures to follow in making a disclosure to the Patent Office. The total cost of the do-it-yourself approach is \$6 plus postage.¹³

Another new service is copyright searches for fees of \$6-700. Typically such copyright searches would not be relevant for inventors since they involve copyrighted materials. According to Page Miller, a copyright information specialist at the U.S. Copyright Office, that office will perform searches upon request at the rate of \$10 per hour. Most searches take from two minutes to a couple of hours.¹⁴

IMPOTENT INVENTION PROMOTION

For a brief season invention promotion seemed to take a back seat. However, invention marketing, or invention submission, as it is sometimes called, is now back in vogue, but with a few changes. First, charges are up considerably. As noted earlier, during the past few years the fees charged inventors have increased eight to ten-fold and perhaps more. Second, some firms appear to be attempting to "market" their client's inventions. In one instance, the company routinely mails out copies of product-related advertisements with its promotional literature. In some cases, the ads are typed and contain rather crude hand drawings. Others are adequate. However, in the materials examined to date, there has been no reference to sales efforts or sales levels. One cannot help but wonder if the major marketing effort is to other inventors.

However, the basic service offered by invention promotion firms is still the promotion of new product ideas and inventions to third parties. Most inventors—perhaps as high as 90 percent—have little or not entrepreneurial aspiration. Most of this group, including many technically sophisticated inventors, has had little experience in licensing. A high level of felt need coupled with a lack of knowledge has made many inventors into easy targets for those who purport to understand the process.

Virtually all of the invention offerings and promotional efforts of invention promotion firms examined during the course of this study followed the same pattern. First, the invention offerings or prospectuses consisted of a basic description of the device, perhaps a drawing or picture or two, and some promotional language which typically over promotes the market for and/or advantages of the invention. Unfounded claims and the lack of any empirical research or testing was a near norm.

During the course of this study information concerning the marketing efforts of invention marketing firms was difficult to obtain. Examination of promotional literature and telephone interviews with representatives of such firms yielded only vague information. However, interviews with patent attorneys and corporate technology licensing executives produced a consistent picture.

Although some firms attend a variety of technology fairs, most marketing appears to be done through the mail. Product offerings or descriptions, along with a form letter, are mailed to the president, new product manager or R&D manager. That is, the mail was typically addressed to a position, rather than the individual person in that position. Throughout the study it was alleged that mailing lists are drawn from such basic sources of information as "Moody's" and "Standard and Poors"—sources readily available to inventors.

All of the corporate licensing executives interviewed during the study described these promotional efforts as weak and ineffectual. The overwhelming majority of licensing executives interviewed either instructed their secretaries to throw away any new product submittals or did so as soon as they realized the submission was from an invention promotion firm.

Some invention promotion firms charge fees for specific services rendered, such as \$8,500 for developing a product portfolio or \$3,600 for identifying approximately 40 prospects and mailing form letter solicitations to them. Others list a variety of services which may be performed in exchange for an agreed upon fee. As noted below, in some cases, there is no guarantee that these services will be performed.

Some firms tout their membership in legitimate business and professional organizations, (which anyone with the membership fee can join), and their attendance at technology transfer fairs. While both are reasonable things to do, neither validates the honesty, competency, nor effectiveness of the firm. These proofs come from performance. None of the material examined thus far has contained any reference to output or any form of disclosure that would aid an inventor in making an informed decision. This includes material sent to inventors in states which now regulate the invention promotion industry and require that disclosure statements be furnished to inventors.¹⁵

From a marketing perspective, the approach used by most invention promotion firms is not compatible with the attitudes and buying behavior of most technology licensing agents. That is, invention promotion firms tend to treat new product ideas/inventions as convenience goods to be mass merchandized. Consequently, they use impersonal selling techniques and intensive market

coverage by broadcasting their offerings to firms whose product lines are only remotely related to the idea or device being promoted.

In contrast, buyers of new technology tend to treat outside new product ideas as shopping goods. As a result, buyers expect sellers to employ selective distribution techniques, personal selling and to be very knowledgeable about their firm, its product line and needs. Applying the logic of Bucklin's application of the classification of goods concept to this situation, there is an obvious mismatch.¹⁶ That is, the channel(s) used by invention promotion firms to distribute inventions and new product ideas frequently does not line up with the channels used by potential corporate buyers. Correcting this problem is the responsibility of the seller. The failure to do so gives support to the claim that many invention promotion firms are more interested in collecting fees than in licensing technology.

None of these practices are illegal. However, again Section 5 of the FTC Act appears to be relevant. Even if a firm makes no misrepresentations as to the chances for success, the offering of a service which has demonstrated through long term usage to have little or no chance of success without disclosing that fact, many constitute an unfair or deceptive act or practice.

The contracts utilized by at least some firms do not differ materially from those used by the earlier generation of invention promoters. Still present is language such as:

To secure the services and conditions furnished by the company, as outlined in the agreement, the Inventor agrees to pay the sum of ... in advance to the company it is specifically understood that the company is not required to provide any of the services enumerated ...

Although the right hand does not give, in this case the left hand takes away, permitting the firm to collect its fee, but obligating it to do little or nothing on its client's behalf.

Objectionable as such terms may be, the primary objection to the marketing efforts of the invention promoter may well be that even if these firms did make a sincere effort, the overwhelming majority of their offerings may be so seriously deficient in terms of commercial feasibility that the net result would not be much different.

CONCLUSION

Invention promoters are back—this time with an expanded list of claimed services and more professional appearing promotions, but with no greater evidence of impact. The allegations of fraud, incompetence and ineffectiveness directed at invention promotions are significant in their own right. However, the most serious problem with the current practices of invention promotion firms may well be the potential for negative impact on the rate of industrial innovation in the United States and Canada. First, resources spent unproductively on invention promotion services can not be invested elsewhere. Second, inventors tend to become discouraged and withdraw from the innovation process after recognizing their trust and investment with an invention promoter may have been misplaced. Finally, uncertainty over who is legitimate and effective causes some inventors not to seek needed assistance and keeps others from even trying. Thus far, the FTC hasn't renewed the battle, and the Justice Department has not chosen to pursue those who use questionable business practices.. Some of the states have acted, but in most states inventors are still fair game. Until such time that state action spreads or the Federal Government acts, it's still caveat, Inventor.

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TESTIMONY GIVEN TO THE HOUSE OF REPRESENTATIVES
HB 2792

February 13, 1990

Clyde Engert, Director Intellectual Property
Kansas Technology Enterprise Corporation

*House Eco. Dev. Committee
Attachment 4 2/13/90*

The U.S. patent laws were established for the purpose of (1) giving the inventor a monopoly for a period of time to recover the cost of developing his idea and (2) fostering technology by making the invention public knowledgable. Until a patent is issued, the inventors intellectual property is very fragile. For the past several years, the number of patents issued to american inventors have steadily decreased, while the number issued to foreign inventors has steadily increased. Almost all inventors I have met express some fear about losing their ideas, and many inventors never have the opportunity to develop their invention and the idea dies with them.

Most inventors are of limited means and can ill financial losses. Most have borrowed from savings, friends, have mortgaged their houses, and almost all during the early stage of development are deeply in debt. These people, in my opinion, suffer losses of greater importance than the financial in the loss of their intellectual property and missed opportunities when dealing with unscrupulous invention promotors.

On the average only approximately 2 inventions in 100 become financially successful. Most inventors are invention development illiterate. They don't know where to go, who to trust or what to do. With the idea burning bright and the challenges seeming unsurmountable, they become easy prey for smooth and sophisticated invention promotors that have been searching for ideas just like theirs. Upon hearing this, the thought of success burns brighter. Armed with word processors, fine stationary and a flair for words, the promotors quickly gain the upper hand. After the memory flow stops the relationship cools and the projects slowly folded up.

It is under the best conditions, difficult for an individual to develop an invention, in fact it is often difficult for a large company to develop an invention. As an example, the Ford Motor Company lost million of dollars developing marketing for the Edsel, yet Ford Motor Company knows as much about developing and marketing cars as any company in the world.

House Bill #2792 as it presently stands, has in my opinion, one element that needs to be changed. The bill addresses the "Inventor Developer" (Section 1) (e) and I suggest this be changed to mean "Inventor Promoter". My reason for recommending this change is to exempt legitamite consulting engineers and technical people that provide help in developing an invention that may charge in excess of \$200 for their services and do not meet the requirements of section 501 (c) (3) in section 170 (h) (i) (a) of the Internal Revenue Code of 1986 as amended. Under the bill as it currently stands, these specialty services would be reluctant to provide help the inventor needs.

The bill, when changed to prevent discouraging business providing professional services from wanting to deal with inventors will be of great help for all inventors. In summary, I believe this bill when passed will solve these problems:

1. Inform the inventor of the hazards that lay ahead.
2. Force the invention promoter to report success or the lack of success from previous efforts.
3. Require that the invention promoter to commit promises in writing.
4. Hold the invention promoter responsible for his decision.
5. Help protect the inventor's intellectual property.

The mathematical odds are that the invention and promoter will fail but both should be given the chance to try with neither having the advantage over the other. Passage of this bill will have an impact on the inventors and will encourage and support creative thinking.

TESTIMONY

TO"-----MEMBER OF HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

FROM"---DALE A. RUSSELL

DATE"---FEBRUARY 13, 1990

Honorable Chairperson Baker, Member of Committee and Staff, good afternoon.
I am Dale Russell.

In the fall of 1988 while watching television late one night, a television commercial came over the screen which caught my interest immediately. Over the course of the evening, the same commercial was aired many times. It was a dream come true, or so I thought, that someone out there knew that people such as myself, needed help to fulfill their dreams. You see, I had an invention and had spent many sleepless nights trying to figure out what to do to get it on the market. I knew that if I just had help, I would make it and here was a man on television that knew exactly what to do!

The next day, I made the first telephone call (800 number), excited that I could just pick up the phone, at no cost, and ask for a free sample kit and advise on how to get started on the road to success. I was talking to a representative of American Patent Research and Development. This person told me that "they" knew that the road the inventor takes is a long and discouraging one and that "they" were in Washington, D.C. by the patent office thus they knew everything about such. This person then said that for no charge whatsoever, they would send me a sample kit with all of the information that I would ever need on patenting, manufacturing, etc..

I recieved the kit and immediately became excited and just knew that I had a marketable product. I started receiving calls daily from John W. Thomas, a consultant from American Patent Research and Development. We talked extensively about what is involved in the invention road. He then

*House Eco. Dev. Committee
Attachment 5 2/13/90*

began interrogating me concerning exactly what I had done thus far with my invention and exactly what it was. Over the course of a few weeks, we talked almost daily about such and the more we talked, the more excited I became. It was a dream come true! You need to understand that the inventor's role is not like that of changing jobs or careers, it is your dream and your invention is like that of your "baby". You are very vulnerable and are in fact willing to do anything possible to make that dream reality. I say this hoping that you understand why I and many others have been vulnerable enough to "fall under the spell" of these unethical companies and their practices. I now know that they are thieves and scoundrels that literally prey on your emotions. To explain these facts and my reason for knowing so, let me tell of what happened with American Patent Research and Development.

Over the course of my conversing with Mr. Thomas and my telling him of my invention, he would use such tactics as talking to me for an hour, then after hanging up, he would call me right back to talk more and to tell me how excited HE was, that he just knew that I had a unique product. He told me that what I needed was to have a product strategy report done on my invention. He said that if I would send him all of my notes, reports, drawings etc., that his company could do the product strategy report for me for only \$800.00, which would save me months of work and thousands of dollars. He hyped this up and tried to pressure me to do so, saying that time was of the essence, that we needed to get everything done as soon as possible for patenting reasons. I told him that I would have to discuss doing so with my wife and explain it to her. I and my wife decided to check with the Washington, D.C. Better Business Bureau. They had nothing bad to say about the company, thus we decided to go ahead and invest the \$800.00.

The next day, Mr. Thomas called and I told him that I had decided to send the money and all of my information that I had compiled, which I did.

In a few weeks, I received the product strategy report. It seemed impressive, but all that it was, in fact, was a regurgitation of my own words, drawings, and my own marketing strategy. They had just moved and reworded.

Mr. Thomas continued to call and encourage me to take the next step. I told him that I was concerned because of the fact that the product strategy report consisted of my own words and ideas. He praised me saying that I had layed down such wonderful information for them to use, that it just seemed to be that way. He told me that they were prepared to patent, manufacture and market my invention. That was my dream! Someone other than myself believed in my invention, my baby! Mr. Thomas explained that there were three courses that I could take. I could use step A (which would cost me \$3,000.00), step B (which would cost me \$5,000.00) or step C (which would cost me \$6,500.00). My dream shattered, I did not have that kind of money. I explained this to Mr. Thomas, he asked if I could borrow it from family and friends, explaining that banks do not loan people money for things like this. I said that I would see what I could do. He continued to call me practically every day, assuring me that by taking one of the steps, that I would be on the road to success. To be honest with the committee, I began stalling Mr. Thomas in order to either save the money to send them to be able to continue or to persue other avenues.

Thankfully, this is when I heard of and found KAI and learned of the organization. I talked to Mr. Clayton Williamson and told him of American Patent Research and Development. He told me that he was familiar with them and that they were very unethical and had no proven track record. He said that he would give me the names of other individuals that had been taken by them. I was advised that in order to retrieve my money that I

had given them, that I needed to file a complaint with the Kansas Attorney Generals Office. I immediately did so. In a few days, many people from American Patent Research and Development began calling me to inquire as to what the problem was. Telling them that they had charged me \$800.00 for my own information, I demanded my money back. They offered my half (\$400) to which I said no. In a matter of a week, they contacted me and said that if I would withdraw my complaint with the Attorney Generals Office, that they would give me a full refund. Point proven!

Another example of such, is a large U.S. corporation with an individual based in Wichita that has misrepresented me as well as others. This particular individual, or corporation, of which I won't mention names at this time, has literally lied, assumed, etc., in relation to my attempts to license and market my invention. Fortunately, thanks to Clayton Williamson of KAI as well as Clyde Engert of KTEC, we are in the process of obtaining answers as to why this was done. I, as an individual as well as a member of KAI and persons mentioned, are very anxious for these questions to be answered very soon.

I have joined KAI and through my membership the last year and a half, I am now back on the road to success.

I would strongly urge and sincerely hope that this committee will be of assistance as to not allow this type of unethical practice to continue to take place in the State of Kansas. Doing so could as well serve as a role model for other states to follow suit and not let these scoundrels take advantage of peoples hopes and dreams.

Respectfully Submitted

Dale A. Russell

Dale A. Russell

February 13, 1990

Approximately 3 1/2 years ago I had a idea on a product that many people said I should patent and sell. I then talked to a lawyer friend and asked him how to go about doing this.

He informed me of this company called A.I.M. I contacted them and told them of my invention. They in turn sent me a guarantee of confidentiality and statement of disclosure. I filled it out and returned it to A.I.M.

They in turn took the ball and ran with it. First they needed to do a research report. That would cost about \$400.00. Then after the research was done, the information sent to me was really great. I then sent them about \$7,800.00.

Nothing really has happened but information bulletin and correspondence stating that it takes time to get a new invention off the ground.

The whole program is a bait type situation. They send you show dates that they say they attend and interested parties, however, no other correspondence from a manufacturer or interested party. Only communication from them.

This program looks good at first. After a period of time, mimeograph or poor copies of who is interested or where they are going to tell about product is of poor quality.

Overall, it is a real scam.

I am enclosing copies of two brochures and a letter for your information and review.

Dan Dister

House Eco. Dev. Committee
Attachment 6 2/13/90



September 10, 1987

Mr. Daniel S. Dister, Sr.
4301 North West 37th
Topeka, Kansas 66618

Subject: "WINTER VENT COVER"

Dear Mr. Dister,

Based upon the information you submitted to us, American Idea Management Corporation recommends we conduct a Research Report on your new product concept. This Report addresses the following factors we feel would be determined before proceeding further.

- We will request a Preliminary Patent Search and an Opinion of Patentability from a Registered Patent Attorney.

- A summary of the historical background and development status of your idea will be prepared.

- Production factors such as: material selection and product variations and potential research and development activity will be considered.

- A preliminary estimate will be made based upon suggested material selection to determine manufacturing cost, wholesale and retail pricing.

- The general use of packaging will be discussed addressing advantages, complexities and variables.

- A four-digit SIC Code will be assigned to help determine manufacturer selection.

- Potential market targets and channels of distribution will be indicated based upon the nature of your idea and the classifications concerning: "Who are the potential users?" and "What outlets are available?"

- Conclusions and recommendations will be made for your further guidance.

(continued)



James L. Lawson
Senior Consultant

American Idea Management • American Idea Marketing

Convention Tower, Suite 200, 960 Penn Avenue
Pittsburgh, Pennsylvania 15222
Telephone: 412/261-4915 • Telex: 710-110-3006

American Idea Management • American Idea Marketing

Convention Tower, Suite 200 • 960 Penn Avenue • Pittsburgh, PA 15222
Telephone: (412) 261-4915 Telex: 710-110-3006

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2/13/90

Mr. Daniel S. Dister, Sr.
1987

-2-

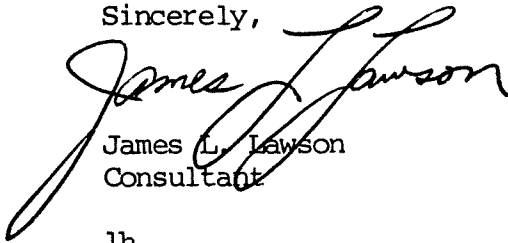
September 10,

Please sign the enclosed Research Report Request (retaining one copy for your records) and attach your check for the fee, or complete the information required to charge with Visa or Master Card or American Express. Also, please complete and return the "Idea, New Product Questionnaire" along with the Request Form.

We will require approximately three to five weeks from the date we receive this information to complete our work, and we will begin our efforts on your behalf upon receipt of the above items.

We have enclosed a self-addressed envelope for your convenience in replying and we will be in contact with you as soon as your Research Report is complete.

Sincerely,



James L. Lawson
Consultant

lh

Enclosures

P. S. Enclosed is a Product Sheet describing one of the products now being marketed by AIM.

a-6-3
2/13/90

Patents

Almost two hundred years ago, President George Washington recognized that invention and innovation were fundamental to the welfare and strength of the United States. He successfully urged the First Congress to enact a patent statute as expressly authorized by the U.S. Constitution and wisely advised that "there is nothing which can better deserve your patronage than the promotion of science..." In 1790, the first patent statute initiated the transformation of the United States from an importer of technology to a world leader in technological innovation.

Today, just as in George Washington's day, inventors are the keystone of the technological progress that is so vital to the economic, environmental, and social well-being of this country. Individual ingenuity and perseverance, spurred by the incentives of the patent system, begin the process that results in improved standards of living, increased public and private productivity, creation of new industries, improved public services, and enhanced competitiveness of American products in world markets.

A patent is granted by the United States to an inventor giving the right to exclude others for a limited time from making, using or selling his invention in this country. It is a printed document in which the invention is fully disclosed and the rights of the inventor are defined. When an inventor secures a patent he has the opportunity to profit by manufacture, sale or use of the invention in a protected market or by charging others for making or using it.

A great deal of the progress of the United States has resulted from inventions made by inventors working independently of any large organization. It is believed that such people will continue to make many important inventions in the future. These inventors are often puzzled by such problems as whether to seek patent protection and what steps to take to obtain the benefit of the patent law. Here are three basic steps to follow if you are thinking about the possibilities of patenting your invention. However, you should seek professional advice at a very early stage in connection with any invention as you will need detailed professional advice in relation to your particular needs.

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American Idea Management • American Idea Marketing



American Idea Management
American Idea Marketing
Corporate Headquarters
2 Main Street
Stoneham, MA 02180

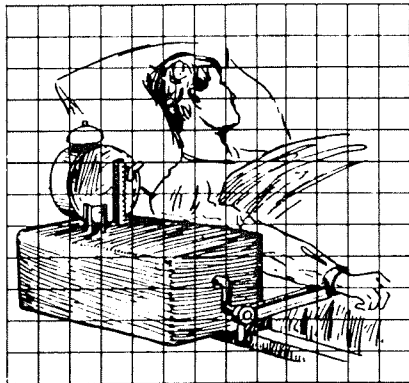
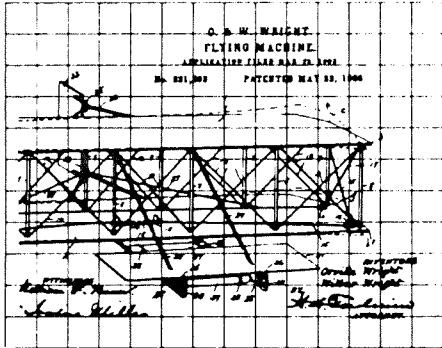
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Telex: 710-110-3006

2-6-4
2/13/90

Step 1

Is it practical?

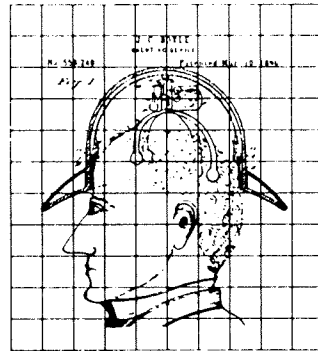
Many persons believe that they can profit from their inventions merely by patenting them. This is a mistake. No one can profit from a patent unless it covers some feature which provides an improvement for which people are willing to pay. Study your invention in relation to other available ways of doing the job, and decide whether the invention provides advantages that make it saleable.



Step 2

Witnesses and Records

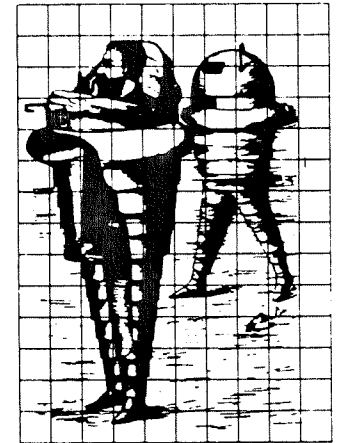
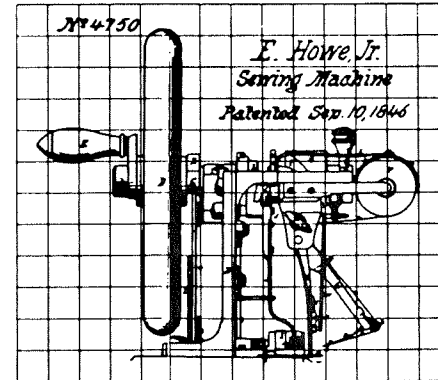
You should prepare a record in the form of a sketch, drawing or written description promptly after you first get the idea of your invention, and ask one or more of your friends to read, understand, sign and date this record as witness. You should also keep a carefully dated record of other steps you take in working on your invention, and get one or more of your friends to witness these steps. You should keep correspondence about the invention, sales slips of materials you buy for use in working on it and any models or drawings, so that these will be on hand if needed to help you prove the facts and dates of the steps you have taken.



Step 3

The Search

You cannot obtain a valid patent if your invention is preceded by any earlier printed publication or patent in any country, or by commercial use in the United States. If you decide that your invention is valuable enough to patent, your next step should be to make a careful search through patents already issued to find out if it is new as compared to these patents. This can be done for you by a patent practitioner.



62-6-4d

Capability

- Patent Review and Opinion of Patentability (By registered patent attorney)
- Patent Applications (By registered patent attorney)
- Consulting
- Drawings and Illustrations
- Graphic Design
- Engineering Drawings and Blueprints
- Prototypes
- Advertising and Public Relations
- Promotion and Publicity
- Standard Industrial Classification Coding
- Licensing Consultant Affiliates
- Trade Show and Convention Attendance Program
- U.S. and International Computer Data Bank Networks
- Licensing and Sales Negotiations

Reliability

Our Corporate and/or Officers' Memberships, Affiliations and Reference Credentials include:

- International Technology Institute
- Licensing Executives Society, Inc.
- Commercial Development Association, Inc.
- United Association of Manufacturers' Representatives
- Association of Iron and Steel Engineers
- American Institute of Mining, Metallurgical and Petroleum Engineers
- United States Chamber of Commerce
- Boston Chamber of Commerce
- Boston Computer Society
- New England Direct Marketing Association
- American Marketing Association
- Standard and Poor's Register of Corporations
- National Association of Female Executives



Responsibility

A United States Patent is your best legal protection. One of our principal responsibilities is maintaining confidentiality so as not to jeopardize any of these potential rights. We take this responsibility so seriously that we give you a guarantee in writing stating we will not use or publicize your idea without your prior written permission.

In the meantime, we strongly recommend that you treat your idea or product concept as a confidential matter to avoid losing any patent rights you may be able to acquire.

Since we have a confidential working relationship with our clientele, it is important for you to establish contact either in person or by telephone with AIM. A member of our Consulting Staff will discuss your idea or new product with you to determine if we can work together. We will clearly explain our procedures and answer any questions you may have.



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AIM

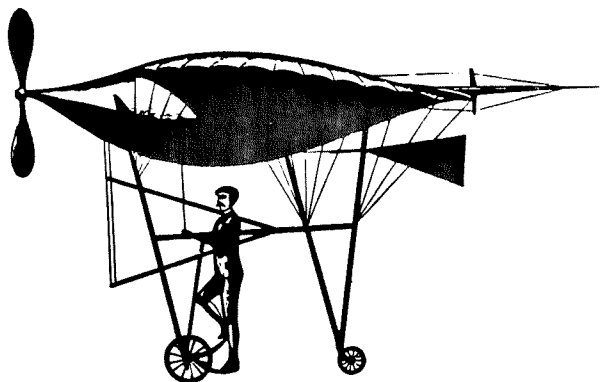


American Idea Management

American Idea Marketing

Capability • Reliability • Responsibility

2/13/90
A-6-5

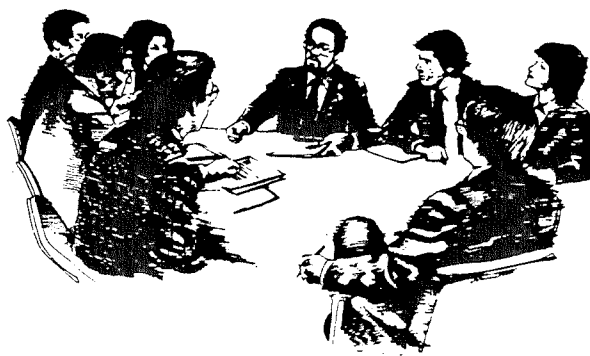


Although the history of individual creativity or inventing is fraught with pitfalls, it is equally true that individuals have been responsible for more major inventions during this century than have corporations. Virtually everything you can see and touch today was once someone's invention! The entire context of "inventing" is surrounded by misinformation and lack of information regarding what an individual should do and how he should proceed. Although we live in a great free enterprise society, the creative person receives little if any encouragement. We all reap daily benefits from the great inventions of the past and successful inventors have achieved immortality as a result of their inventions and in some cases, have become household words. We are all familiar with some of these successful inventors: Edison, the Wright Brothers, King Gillette, Alexander Graham Bell, Henry Ford, Samuel Morse, Robert Fulton, Cyrus McCormick and Clarence Birdseye.

Both George Washington and Thomas Jefferson invented drills which were used on their farms. Abraham Lincoln was issued patent No. 6469 for an invention which called for the use of adjustable buoyant air chambers which could be attached to a steamboat or other vessel to allow them to glide through shallow water without unloading their cargo. John Heinz, the brother of Henry J. Heinz, who founded the "57 Varieties Industry", patented a pickle sorter in 1879.

The first United States Patent granted by inventor's name, date and title, was issued to Samuel Hopkins of Pitsford, Vermont for an improvement in the making of potash and verlash by a new apparatus and process. To date, there have been well over 4,000,000 United States Patents granted.

The AIM Group was established to provide assistance, offer guidance and perform services for individuals with innovations and new product ideas. Manufacturers are constantly seeking new products to develop and market, and a great untapped source of creativity is represented by the individual. However, few individuals possess the skills and experience necessary to introduce their ideas to manufacturers. In addition, most individuals cannot devote the time required for such an effort.



The AIM Group consists of American Idea Management Corporation and its five functioning divisions. We act as a bridge between the creative individual and the prospective buyers or distributors. Our method of accomplishing this goal is a step-by-step, logical and efficiently designed program.

American Idea Management consults with the creators of ideas and new products. In many instances, a product is presented to us in an undeveloped stage — "just an idea." We may recommend conducting a Research Report reviewing and describing the new product or concept and/or a review prepared by a registered patent attorney.

When these preliminary steps have been completed, we again consult with our client and discuss an initial approach to manufacturers and marketers.

American Idea Marketing has the ability to follow-up industry interest resulting from presentations, data bank searches and other promotional activities. American Idea Marketing's capabilities include licensing and sales negotiations.

AIM Advertising offers creative guidance and advertising and design services on behalf of specific projects.

AIMtech is engaged in international high technology consulting and licensing activities. It is the North American representative for Dr. Kuttner GMBH & Co. of Essen, West Germany, an international engineering constructor and is affiliated with INTECO, Internationale Technische Beratung GMBH of Bruck, Austria, an international process, metallurgical, engineering and consulting firm as well as other international process engineering firms.

AIMark reviews finished new products and product lines and offers product promotion, market introduction, and direct marketing efforts to the new product producer on a selective basis.



2-6-74

SUMMARY OF TESTIMONY

The initial problem facing an individual who is a first time inventor is "where do I go with this idea?"

I was not aware that the Kansas Association of Inventors existed. Therefore, I asked several of my lawyer friends and discovered that they had no idea how to proceed either.

Finally, my brother, Mike Ireland, suggested American Idea Management (AIM). He had used them.

Initially, it sounded like AIM was quite professional and I believed they could help.

However, I am now convinced that all I received from AIM was a computer print-out of a prospectus and alot of double talk. Never was I provided with any catalog or brochure showing my product in it. The letter of July 14, 1989, attached, sums up the problems I have had in getting a real answer from AIM.

I am attaching to this summary a copy of a factual statement I prepared for Clyde Engert of the Kansas Association of Inventors.

House Eco. Devo. Committee
Attachment 7 *2/13/90*

Re: American Idea Management - American Idea Marketing

FACTUAL STATEMENT

On January 16, 1987, I entered into a service agreement with AIM. In exchange for what they were supposed to do for me I paid them the sum of \$3,550.00.

On or about March 25, 1987, I received a rough draft of a new product prospectus.

On May 12, 1987, I sent them a letter informing them that two letters I sent in April plus a copy of the rough draft had apparently been "lost". This delayed anything being done on my product for a period of one and a half to two months. There was nothing being done with my product at that time.

On May 28, 1987, I sent them a letter reminding them that they had not responded to my letters of April 6, 1987, April 29, 1987 or May 12, 1987.

On June 24, 1987, there was no response to my letter asking why the prospectus could not be in two colors. I never received any explanation nor a response to that letter.

On December 16, 1987, I received a letter telling me what all they were going to do for me. Frankly, I can't see that they did anything other than pop a prospectus out of a computer, and tell me that it was a part of their confidential AIM report which I have never seen, nor have I ever seen my product in any kind of a catalog or advertised or marketed in any fashion.

On March 9, 1988, I sent them my first letter informing them that I was not happy with their services.

On March 14, 1988, I received a letter which appeared to me to be alot of double talk about what they were doing for me.

On March 15, 1988 I received a letter explaining what they had done for me.

On June 20, 1989, I requested to see any catalog that included my product. As usual, I received nothing.

On June 20, 1989, I received a letter from them telling me how they could not show me a catalog or products which would include mine.

A-7-2
2/13/90

On July 10, 1989, I sent them another letter telling them that I would like to see one of their AIM reports with my product in it. I simply wanted to see something with my product listed in it which I never once saw during the entire period of time that the service agreement existed.

I finally received a letter on July 14, 1989, a copy of which is attached hereto. Frankly, it didn't tell me anything and I never did get any satisfactory answer as to why I couldn't see something with my product in it.

The last letter I received is one dated December 29, 1989 informing me that the service contract expired on January 22, 1990.

In conclusion, I can only say that in the three years I have been dealing with these people, I really can't see where they have done anything for me other than send me this prospectus which could have been kicked out of a computer with very little effort. I have no evidence whatsoever that they have ever done anything to try to market my product or to truly help me sell it. They have been evasive to my complaints and never responsive to my requests.



LAWRENCE P. IRELAND



JUL. 20 RECD

July 14, 1989

Lawrence P. Ireland, Esq.
420 W. 33rd Street
Topeka, KS 66611

Re: Service Agreement - P1352

Dear Mr. Ireland:

I am responding to your letter which was received by AIM on June 23, 1989.

In your letter, you comment that you are unclear about our efforts on your behalf. As your Account Executive, I am naturally concerned with the state of your account, and part of my responsibility is to address any problems which may exist. Therefore, I will make every attempt to determine the specific reasons for your dissatisfaction, and take whatever steps are necessary and reasonable to address your concerns.

A review of your account has indicated that, since January, your product has been submitted via our AIMfile registration program to 44 manufacturers. While, there is no active interest on your product at present, it is important for you to keep in mind that several of AIM's programs provide on-going exposure for your product. For example, your product is continually receiving exposure through the TECHNOTEC Technology Exchange and Dr. Dvorkovitz and Associates data base listings, and supplemental submissions made through our AIMfile registration program. In addition, trade show attendance, and licensing activities will continue to provide positive avenues of manufacturer contact.

In your letter you also requested "to see a catalog that includes my product". I assume that you are referring to our confidential AIMreport. The AIMreport is a valuable, internal tool that we use to record the products that we are currently representing as well as to generate interest from manufacturers by giving them the briefest possible descriptions of items in their area(s) of interest. Your product is listed among the others that are in your product category in this report.

These listings are written by our Marketing Personnel and

(continued)



Lawrence P. Ireland, Esq.

-2-

July 14, 1989

corporate policy mandates that little or no detail be included in the AIMreport product descriptions to comply with confidentiality requirements. Your New Product Prospectus is the tool that we use when interest is generated and more complete information is required for further review. The description below is for your files:

NUCLEAR HAND GRENADE
P1352

Novelty item. Plastic facsimile of a hand grenade comes with humorous booklet of instructions for use and description of "devastating" effects; "the gag gift to end all gag gifts." Content of booklet has been prepared.

I hope that this information is helpful to you. I will keep you informed of activity as appropriate. As always, I will be happy to answer any questions you may have.

Sincerely yours,

A handwritten signature in cursive script that reads "Mark C. Reed".

Mark C. Reed
Account Executive

Enclosure