

EXHIBIT 1

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer and Business Education

Spotting Sweet-Sounding Promises of Fraudulent Invention Promotion Firms

Think you've got a great idea for a new product or service? You're not alone. Every year, tens of thousands of people try to develop their ideas and market them commercially.

Some people try to sell their idea or invention to a manufacturer that would market it and pay them royalties. But finding a company to do that can be overwhelming. As an alternative, other people use the services of an invention or patent promotion firm. Indeed, many inventors pay thousands of dollars to firms that promise to evaluate, develop, patent, and market inventions. Unfortunately, many of these firms do little or nothing for their fee.

The Federal Trade Commission (FTC) has found that many invention promotion firms claim — falsely — that they can turn almost any idea into cash. But, the agency says, smart inventors can learn to spot the sweet-sounding promises of a fraudulent promotion firm. Here's how to follow up if you hear the following lines:

“We think your idea has great market potential.” Few ideas — however good — become commercially successful. If a company fails to disclose that investing in your idea is a high-risk venture, and that most ideas never make any money, beware.

“Our company has licensed a lot of invention ideas successfully.” If a company tells you it has a good track record, ask for a list of its successful clients. Confirm that these clients have had commercial success. If the company refuses to give you a list of their successful clients, it probably means they don't have any.

“You need to hurry and patent your idea before someone else does.” Be wary of high pressure sales tactics. Although some patents are valuable, simply patenting your idea does NOT mean you will ever make any money from it.

“Congratulations! We've done a patent search on your idea, and we have some great news. There's nothing like it out there.” Many invention promotion firms claim to perform patent searches on ideas. Patent searches by fraudulent invention promotion firms usually are incomplete, conducted in the wrong category, or unaccompanied by a legal opinion on the results of the search from a patent attorney. Because unscrupulous firms promote virtually any idea or invention without regard to its patentability, they may market an idea for which someone already has a valid, unexpired patent. In that case, you may be the subject of a patent infringement lawsuit — even if the promotional efforts on your invention are successful.

“Our research department, engineers, and patent attorneys have evaluated your idea. We definitely want to move forward.” This is a standard sales pitch. Many questionable firms do not perform any evaluation at all. In fact, many don't have the “professional” staff they claim.

“Our company has evaluated your idea, and now wants to prepare a more in-depth research report. It'll be several hundred dollars.” If the company's initial evaluation is “positive,” ask why the company isn't willing to cover the cost of researching your idea further.

“Our company makes most of its money from the royalties it gets from licensing its clients’ ideas. Of course, we need some money from you before we get started.” If a firm tells you this, but asks you to pay a large fee — up-front or to agree to make credit payments — ask why they’re not willing to help you on a contingency basis. Unscrupulous firms make almost all their money from advance fees.

Inventor Protections

The American Inventors Protection Act of 1999 gives you certain rights when dealing with invention promoters. Before an invention promoter can enter into a contract with you, it must disclose the following information about its business practices during the past five years:

- how many inventions it has evaluated,
- how many of those inventions got positive or negative evaluations,
- its total number of customers,
- how many of those customers received a net profit from the promoter’s services, and
- how many of those customers have licensed their inventions due to the promoter’s services.

This information can help you determine how selective the promoter has been in deciding which inventions it promotes and how successful the promoter has been.

Invention promoters also must give you the names and addresses of all invention promotion companies they have been affiliated with over the past 10 years. Use this information to determine whether the company you’re considering doing business with has been subject to complaints or legal action. Call the U.S. Patent and Trademark Office (USPTO) at 1-866-767-3848, and the Better Business Bureau, the consumer protection agency, and the Attorney General in your state or city, and in the state or city where the company is headquartered.

If a promoter causes you financial injury by failing to make the required disclosures, by making any false or fraudulent statements or representations, or by omitting any fact, you have the right to sue the promoter and recover the amount of your injury plus costs and attorneys’ fees.

In addition, although the USPTO has no civil authority to bring law enforcement actions against invention promoters, it will accept your complaint and post it online if you complete the form, **Complaint Regarding Invention Promoter**, at www.uspto.gov/web/forms/2048.pdf. The USPTO also will forward your complaint to the promoter, and publish its response online. To read complaints and responses, visit **Inventor Resources** at www.uspto.gov/web/offices/com/iip/index.htm.

To order a copy of the American Inventors Protection Act, call the USPTO toll-free at 1-800-PTO-9199, or visit www.uspto.gov/web/offices/com/speeches/s1948gb1.pdf.

For More Information

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. While the FTC generally does not intervene in individual disputes, the information you provide may indicate a pattern of violations requiring action by the Commission. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

