



Product Coach

Assisting Inventors, Entrepreneurs, and Everyday People with New Ideas

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Inventor's Guide to Invention Submission Companies

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An undercover news crew visited an invention company to get the scoop on possible scams. The news crew dreamed up the craziest idea they could imagine. The invention company representative took the bait and said their idea was great and could make a lot of money. The rep went on to say how the invention could be submitted to manufacturers and they would receive huge royalty payments.

Invention companies who make big promises, along with charging high fees, are luring unsuspecting inventors to part with their hard-earned money in the hopes of fulfilling a dream. What's interesting is that even though an invention company says your invention is great, they don't perform an evaluation.

For example, here's a section of a contract from a well known invention company. I've used the company name XYZ in place of the actual company.

"We do not evaluate or appraise the merit or marketability of your idea, or invention. Therefore, if we or our sales consultants tell you, for example, that your idea is 'good,' is 'potentially marketable,' is 'commercially feasible,' or that it is 'promotable,' such statements represent only the opinion of XYZ, or its



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sales consultants, and in no way imply that a competent and objective appraisal or evaluation of the merit or marketability of your idea or product has been conducted."

In other words, just because they say your idea is good, they won't back it up with research. It's just a way to get you excited and take your money.

Invention companies rake in millions of dollars from unsuspecting inventors. They have been sued, complaints have been filed, and yet they continue to be predators of trusting inventors. My objective is to give you information so that you can make an informed decision as to using an invention company or not. In this report, I offer the personal experiences rendered to me by inventors and from news stories. Since I'm not an attorney, do not take this information as legal advice.

The \$10,000 Contract

People with ideas typically spend \$8,000 to \$12,000 with an invention company. Then after getting no results, they call or email me for help. By this time, it's too late. They have no money left to hire a product consultant or do their own product development.

In fact here's a statement from a contract that describes an invention company's poor performance.

"From 1997-1999 we signed agreements with 5,324 clients. As a result of our services, 52 clients have received license agreements for their products, and 11 clients have received more money than they paid us for these services.

We charge \$795 for a report. We charge from \$7,250 to \$13,595 for our marketing, licensing or promotional services."



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So only 11 out of 5,324 inventors have made any money above what they paid for during the period of 1997-1999. That's a terrible 0.2% performance rate!

How They Operate

First you'll see an advertisement on TV with an 800 # or an ad on the Internet. They say they'll submit your idea to industry and you should request a free confidential invention kit. This is just the first step to lure and reel you in. The invention kit is just a form on which you describe your idea and provide a rough drawing. Then after you mail or fax the form back, a salesperson calls and asks you to come into the office for a meeting. In the meeting they will often tell you how good your idea is.

I hope your idea is truly great, but invention companies tell that to almost everyone. They get your money by playing to your emotions. They appeal to your desire to make tons of money, become famous, and have all your problems go away.

The Marketing Report

The first contract they want you to sign is to produce a marketing report. The report generally runs \$795 or so. While \$795 might be a reasonable price, but remember, the report will not tell you whether your invention is really good or will make any money. The \$795 report typically contains a description of your invention, market data, possible promotions, distribution channels, pricing and unit costs. Most of the marketing data they provide is from free government sources such as the Department of Commerce and Department of Labor, as well as various Internet sources.

Typically the report is full of generalities along with few specifics regarding your invention. You might get something obvious like:



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- "In addition, the competitive environment changes daily. Old products disappear; new ones appear."
- "Americans annually spend billions of dollars on convenience items for the home, office, car, or for personal enjoyment."
- "A wide range of factors influence the selling price, distribution channel markups, and unit cost of a product."

In addition to the general marketing report, the \$795 might include a preliminary patent search. Keep in mind that this search will usually result in an opinion that your invention is patentable and you should continue forward.

In the invention company contract they tell you that the report is not an evaluation. But often, the inventor passes over the key points of the contract. For example, by signing the contract you agree to the following:

"The report is not an evaluation of my idea, but rather assembles basic information and attempts to emphasize the most positive features of my idea."

"XYZ accepts most ideas and will not determine the feasibility of my idea."

"XYZ cannot be aware of or responsible for the existence of similar concepts which may already be on the market."

In essence, they don't evaluate your idea, only provide basic information, and don't warn you that your product idea might already be in the market. But by this time you're emotionally and financially invested in the process and often overlook the finer points in the contract.



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Their Version of Submitting to Manufactures

The key selling tool the invention company uses, is to get you to believe that a big company will pick up your product and generate big bucks in royalties. They tell you that they'll submit your invention to the industry, but to whom?

I have talked with various manufacturers who tell me that invention packages from these invention companies show up all the time. What do the manufacturers do? Throw them in the trash.

These are unsolicited submissions that a manufacture has no interest in. The thing is, the invention company is off the hook. In essence they fulfilled the contract by submitting your invention to the industry. The invention company will tell you they are sorry that no manufacturer has called to license your invention. The invention company is not interested in licensing deals. The money from the report and submission process is all they're after.

Questions to Ask

If you talk with an invention company, by law, they must disclose certain information in writing, if you request it. Here are important questions to ask the prospective company:

Number of Inventions:

- What are the total number of inventions you evaluated in the past 5 years?
- Of those, how many inventions received positive evaluations?
- Of those, how many inventions received negative evaluations?

Number of Customers:

- What are the total number of customers you contracted with in the past 5 years?
- Of those customers, how many customers made a net profit as a result of your services?



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- Of those customers, how many customers received licensing agreements as a result of your services?

The answers to these questions should give you an idea of their performance rate (or lack of success). To determine the performance rate, do the math.

$$\text{Performance rate} = \frac{\text{Number of customers who made more money than they spent}}{\text{Total number of customers}}$$

For example:

$$\text{Performance rate} = \frac{11}{5324} = .002 = 0.2\% \text{ (that's less than one percent!!!)}$$

The Law Protects Your Rights

If you have a problem with an invention company, under the Inventors' Rights Act of 1999, you have the right to recover your money for any damages. The award can actually be up to three times the actual damages plus costs and attorney fees. You need to make sure that you document what was said and done or not done, to prove your case. A section of the Inventors' Rights Act of 1999 states:

(1) Any customer who enters into a contract with an invention promoter and who is found by a court to have been injured by any material false or fraudulent statement or representation, or any omission of material fact, by that invention promoter (any agent, employee, director, officer, partner, or independent contractor of such invention promoter), or by the failure of that invention promoter to disclose such information as required under subsection (a), may recover in a civil action against the invention promoter (or the officers, directors, or partners of such invention promoter), in addition to reasonable costs and attorneys' fees –



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(A) the amount of actual damages incurred by the customer; or

(B) at the election of the customer at any time before final judgment is rendered, statutory damages in a sum of not more than \$5,000, as the court considers just.

(2) Notwithstanding paragraph (1), in a case where the customer sustains the burden of proof, and the court finds, that the invention promoter intentionally misrepresented or omitted a material fact to such customer, or willfully failed to disclose such information as required under subsection (a), with the purpose of deceiving that customer, the court may increase damages to not more than three times the amount awarded, taking into account past complaints made against the invention promoter that resulted in regulatory sanctions or other corrective actions based on those records compiled by the Commissioner of Patents under subsection (d).

Research Complaints

The United States Patent and Trademark Office (USPTO) is aware of invention scams and lists complaints with invention companies on their website. Look at the list and read the details. Of course one complaint doesn't make a bad company. But if there are many complaints, you might want to think twice about contracting with a particular invention company. The website is:

<https://www.uspto.gov/patents-getting-started/using-legal-services/scam-prevention>

If you contracted with an invention company and believe you have been ripped off, talk with an attorney. In addition, you can file a complaint with the USPTO to help warn fellow inventors. The USPTO says:



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While the USPTO does not investigate complaints or participate in any legal proceedings against invention promoters/promotion firms, under the American Inventors Protection Act of 1999, the USPTO will provide a public forum for the publication of complaints concerning invention promoters/promotion firms. Also, in the forum, the USPTO will publish responses to the complaints from the invention promoters/promotion firms.

The USPTO will accept complaints filed against invention promoters/promotion firms and forward these complaints to the invention promoters/promotion firms for response. As mentioned above, both the complaints and the responses will be published in the public forum so that they will be publicly available. The USPTO does not accept complaints submitted under this system if the complainant requests confidentiality.

To file a complaint, as provided under the American Inventors Protection Act of 1999, go to the USPTO website and provide the following:

<https://www.uspto.gov/patents-getting-started/using-legal-services/scam-prevention>

1. Your name and address: (The person who is filling out the form. For example, your name and address if you're filling the form out for your father.)
2. The name and address of the invention company:
3. The name of the customer of the invention company: (Your name, or the person you're filing the form for. For example, if this is for your father, put his name here.)
4. An explanation of the invention promotion services offered or performed: (For example, a marketing report, patent search, patent filing, trade show presentation, or submission to manufacturers.)
5. The name of the mass media used to advertise the invention promoter's services: (For example, TV, Radio, Email, or Web.)



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6. An explanation of the relationship between you and the invention promotion services: (For example, you hired the invention company to present your invention to the industry.)

7. Your signature and date

According to the USPTO, the complaint should fairly and impartially summarize the action or inaction of the invention company that is the basis of the complaint. Submissions that do not provide the requested information will be returned. If a complainant's address is not provided, the submission will not be filed. No originals of documents should be included with the complaint. Mail complaints to the following address:

Mail Stop 24

Director of the U.S. Patent and Trademark Office

P.O. Box 1450

Alexandria, VA 22313-1450

The Federal Trade Commission Helps Stop Fraud

The Federal Trade Commission (FTC) works to help consumers by trying to reduce fraud by making you aware of what to look for.

Here's some advice from the FTC website on how to uncover invention company scams:

The 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



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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."



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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.

To view more information about invention companies, go to the FTC website <https://www.ftc.gov> and type ["invention"] in the search box.

Conclusion

Be careful when dealing with an invention company. Don't feel intimidated – you're the customer. Ask plenty of questions and take all the time you need. Get in writing the services they'll provide in exchange for your money. Ask other inventors, entrepreneurs, or business organizations for their opinion. There are some good companies out there. It just takes a little investigation to find the right match for you.

About the Author

Matthew Yubas is a Certified Professional Marketing Consultant for the Small Business Development and International Trade Center. He has developed products for over 24 years as an engineer, product manager, and independent consultant for startups, small business, and Fortune 500 companies.



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He has launched new products such as software applications, wireless devices, and websites. In addition, he has helped clients in a diverse number of industries that include photography equipment, auto accessories, soy candles, children's clothing, sporting goods, digital art, and home décor.

He is the author of *Product Idea to Product Success: A Complete Step-by-Step Guide to Making Money from Your Idea* and several other inventor workbooks. He has been featured on television and radio and has been tapped for his expertise in bringing products to market in many syndicated publications.

He has earned a Bachelor of Electrical Engineering from Pennsylvania Spring Garden College, a Master of Business Administration from San Diego State University, and Master of Education in Instructional Technology from Texas Tech University.

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