Wall St. Journal — July 24, 1997

ENTERPRISE

FTC Freezes Assets at Invention-Promotion Firms

By Rodney Ho
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The Federal Trade Commission, in its biggest crackdown ever on invention-promotion companies, announced that it froze the assets of several such concerns that it alleged engaged in deceptive marketing. The Pennsylvania attorney general's office took similar action against a separate company.

The FTC said the firms have generated at least $90 million in revenue from tens of thousands of victims.

Invention-promotion companies attempt to help inventors market their products. Unscrupulous operators in the field often promise fledgling inventors that their products will sell even if they have little commercial value. Though such operators commonly create product brochures and mass-mail them to manufacturers, the mailings typically get few responses.

The victims of the unscrupulous promoters rarely succeed in selling their inventions or products but often pay several thousand dollars up front for the promotion service. Legitimate marketing firms usually take a cut of royalties or licensing fees rather than upfront fees, advocates note.

Though the FTC has punished several invention-marketing firms over the years, this is the first time it has targeted multiple entities at once.

The FTC and the State of Pennsylvania obtained court orders from U.S. district courts in Alexandria, Va., and Pittsburgh authorizing the freezing of assets and restraining the companies from misrepresentation of their services.

The FTC is also working with the U.S. Patent and Trademark Office and the Department of Justice to pool information about law enforcement efforts and to develop an education program to inform inventors before they get hooked by unscrupulous promoters.

Robert Lougher, a consumer advocate and head of the Inventors Awareness Group Inc. in Westfield, Mass., said he has seen a "marked increase" in marketing by these companies, especially on television. "They possibly sense the end is near, and are trying to make a last-minute buck," said Mr. Lougher, who once worked for an invention-promotion company.

The FTC said Oscar Esdelle, a Jamaica, N.Y., construction worker, is a "typical victim" of the promoters. In 1995, Mr. Esdelle said he had what he thought was a great invention: a toothpaste-dispensing toothbrush. He responded to an advertisement of Invention Consultants USA Inc., Washington D.C. (The concern is no longer operating but its principals are working in similar firms named in the FTC case.)

Invention Consultants studied the invention for $500 and concluded that it was a viable idea, Mr. Esdelle said. For a further $3,950, he said he was promised services to get his product patented and marketed. But he said that once he paid the money, the firm didn't return his calls, and in the end, he received no services from it.

Mr. Esdelle received a $1,000 refund, said Arthur Salzberg, an attorney representing **Azure Communications** Inc. of Reston Va., which worked with Invention Consultants. Azure is named as a defendent in the FTC case.

Other invention promotion companies named as defendants in the FTC case include: **American Invention Associates** Inc. of Miami; **Concept Network** of Indiana, Pa., and Wexford, Pa.; **Davison & Associates** of Oakmont, Pa., and Indianola, Pa.; **Eureka Solutions International** Inc. and **OEM Communications**, both in Monroeville, Pa. Another company's investigation is still under court-ordered seal, the FTC said.

Attorneys for American Invention Associates and Davison said that the assets of those two companies have been unfrozen, although the charges remain in force.

The company that the Pennsylvania attorney general's office targeted is **International Inventors Club** Inc. of Pittsburgh.

Attorneys for American Invention Associates, Davison and OEM and Eureka all deny the charges. Attorneys for the other companies couldn't be reached.

ANHEUSER-BUSCH COS.

Net Income Declines 2.5%; Dividend Is Increased 8.3%

Anheuser-Busch Cos. said second-quarter net income fell 2.5% because the year-earlier period benefited from a one-time gain. The St. Louis-based brewer also raised its quarterly dividend 8.3% to 26 cents from 24 cents, payable Sept. 9 to stock of record Aug. 11. Net income fell to $381.2 million, or 76 cents a share, from $387.2 million, or 78 cents a share. The year-earlier quarter included a one-time gain of $33.8 million, or seven cents a share, from the sale of the St. Louis Cardinals baseball team. Sales, excluding excise taxes, rose 1% to $2.99 billion. Anheuser shares fell $2.625 to $45.25 in New York Stock Exchange composite trading amid concerns about beer-price discounting. The brewer said price-cutting that began in the first quarter spilled over into the second, and that it now expects per-share profit growth for 1997 to trail slightly its double-digit annual goal.