

PETER W. LAMBERTON  
DAVID C. FIX  
MICHELLE CHUA  
Federal Trade Commission  
6th St. & Pennsylvania Ave., N.W.  
Washington, D.C. 20580  
(202) 326-3298; 3274; 3248 (voice)  
(202) 326-3392 (facsimile)  
PWL 0914; DCF 7448; MC 2194

JEROME M. STEINER, JR.  
Federal Trade Commission  
901 Market Street, Suite 570  
San Francisco, CA 94103  
(415) 356-5282 (voice)  
(415) 356-5284 (facsimile)  
JMS, Jr. 5574

KIMBERLEY GUADAGNO  
United States Attorney's Office  
970 Broad St., 7th Floor  
Newark, NJ 07102  
(201) 645-2771 (voice)  
(201) 297-2016 (facsimile)  
KG 5323

Attorneys for the Plaintiff

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

FEDERAL TRADE COMMISSION,  
Plaintiff,  
v.  
NATIONAL INVENTION SERVICES, INC.,  
a corporation ("NISI")  
and  
JOHN F. LEE,  
individually,  
Defendants

CIVIL ACTION NO. 97-3459 (MTB)

ORIGINAL FILED-TW

JUL 14 1997

WILLIAM T. WALSH, CLERK

IMPOUNDED

VERIFIED COMPLAINT FOR INJUNCTION  
AND OTHER EQUITABLE RELIEF

Plaintiff, the Federal Trade Commission ("Commission"), by its undersigned attorneys, alleges as follows:

1. The Commission brings this action under Section 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b), to secure preliminary and permanent injunctive relief and other equitable relief, including rescission, restitution, and disgorgement, against defendants for engaging in deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

#### JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction over this matter pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345, and 15 U.S.C. §§ 45(a) and 53(b).

3. Venue in this district is proper under 28 U.S.C. § 1391(b) and (c), and 15 U.S.C. § 53(b).

#### THE PARTIES

4. The Commission is an independent agency of the United States government created by the FTC Act, 15 U.S.C. §§ 41-58. The Commission enforces the FTC Act, which prohibits deceptive acts or practices in commerce. The Commission may initiate federal district court proceedings to enjoin violations of the FTC Act, and to secure such equitable relief as is appropriate in each case, including redress for injured consumers. 15 U.S.C. §§ 53(b).

5. Defendant National Invention Services, Inc. ("NISI") is a New Jersey corporation with its principal place of business

located at 14 Commerce Drive, Cranford, New Jersey 07016. Since 1993, NISI has been engaged in the sale of research, patenting, and invention promotion services to individual inventors located throughout the United States. NISI also has an office located at 4133 Highway 17 North, Pawleys Island, South Carolina 29585, as well as several regional sales offices located throughout the United States. NISI transacts business in the District of New Jersey.

6. Defendant John F. Lee is Chief Executive Officer, Secretary and Chairman of the Board of defendant NISI. Individually, or in concert with others, he directs, controls, formulates or participates in the acts and practices of defendant NISI. He transacts business in the District of New Jersey.

#### DEFENDANTS' COURSE OF CONDUCT

7. Since at least November, 1994, and continuing thereafter, defendants have maintained a substantial course of trade in offering and selling research, patenting, and invention promotion services to individual consumers located throughout the United States. Defendants sell consumers two basic services: (1) a product research report ("Invention Marketing Profile" or "IMP") and a "preliminary patent search" that together cost approximately \$995.00; and (2) a "Representation Agreement" under which NISI agrees to apply for a patent and promote the consumer's idea for a service fee of approximately \$6,450 or \$7,450, depending upon the type of patent procured. The IMP purportedly evaluates the marketability of the invention idea.

The Representation Agreement provides that NISI will (1) arrange for its patent attorney to prepare, file, and prosecute a patent application, and (2) promote the idea to industry in an effort to secure a licensing, marketing, or manufacturing agreement for the consumer.

8. Defendants offer and sell their invention promotion services to consumers across the country through the use of, among other things, advertisements on television and radio, written promotional materials sent through the United States mail, and face-to-face sales presentations.

9. Defendants' course of trade is in or affecting commerce, within the meaning of Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS' VIOLATION OF THE FTC ACT

10. Defendants represent, expressly or by implication, that purchase of their research and invention promotion services is likely to result in financial gain for their customers.

11. In truth and in fact, purchase of defendants' research and invention promotion services is not likely to result in financial gain for their customers. Indeed, the likelihood that a consumer will achieve financial gain as a result of defendants' services is extraordinarily low, if not nonexistent.

12. Therefore, defendants' representation as set forth in Paragraph 10, above, is false and misleading, and constitutes deceptive acts or practices in violation of the FTC Act, 15 U.S.C. § 45(a).

CONSUMER INJURY

13. Defendants' violations of Section 5(a) of the FTC Act have injured and will continue to injure consumers. Because of defendants' misrepresentations of material facts, consumers have made and will continue to make investments that are likely to cause substantial financial injury, absent injunctive relief.

THIS COURT'S POWER TO GRANT RELIEF

14. Section 13(b) of the FTC Act empowers this Court to issue injunctive and other relief against violations of the FTC Act and, in the exercise of its equitable jurisdiction, to award redress to remedy the injury to consumers, to order disgorgement of monies resulting from defendants' unlawful acts or practices, and to order other ancillary equitable relief.

PRAYER FOR RELIEF

WHEREFORE, plaintiff requests that this Court:

(1) Award the Commission all temporary and preliminary injunctive and ancillary relief that may be necessary to avert the likelihood of consumer injury during the pendency of this action, and to preserve the possibility of effective final relief, including, but not limited to, temporary and preliminary injunctions and an order freezing each defendant's assets;

(2) Enjoin defendants permanently from violating Section 5(a) of the FTC Act, including committing such violations in connection with the advertising, offering for sale, or other promotion of invention promotion services;

(3) Award such relief as the Court finds necessary to redress injury to consumers resulting from defendants' violations of Section 5(a) of the FTC Act, including, but not limited to, the rescission of contracts or refund of money, and the disgorgement of unlawfully obtained monies; and

(4) Award plaintiff the cost of bringing this action as well as such additional equitable relief as the Court may determine to be just and proper.

Respectfully submitted,

DATED: July 14, 1997

Peter Lambertson  
DAVID C. FIX  
PETER W. LAMBERTON  
MICHELLE CHUA  
Federal Trade Commission  
6th St. & Penn. Ave., N.W.  
Washington, D.C. 20580  
202-326-3298;3274;3248 (voice)  
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901 Market Street, Suite 570  
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KIMBERLEY GUADAGNO  
United States Attorney's Ofc.  
970 Broad St.  
Newark, NJ 07102  
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(201) 297-2016 (facsimile)

VERIFICATION

I, Peter W. Lamberton, an attorney admitted to practice in the state of Colorado and the District of Columbia, certify under the penalty of perjury:

1. I am counsel to the Federal Trade Commission in this action, and in that capacity, I am responsible for representing plaintiff FTC in this action.

2. To the extent that facts relating to Count 1 are alleged in this Complaint, the facts set forth are true to the best of my knowledge, information and belief.

DATED: July 13, 1997

  
Peter W. Lamberton  
Attorney for Plaintiff  
Federal Trade Commission