

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

Case No.: 17-cv-20848-GAYLES

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

**WORLD PATENT MARKETING, INC.,
et al.,**

Defendants.

RECEIVER'S FIRST INTERIM REPORT

April 5, 2017
Miami, Florida

Submitted By:

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-and-

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EXECUTIVE SUMMARY

1. The Court appointed the Receiver on March 7, 2017. Since his appointment, the Receiver has secured WPM offices in Downtown Miami, Miami Gardens and Chicago.
2. The Receiver has also secured and preserved the cloud-based information systems containing WPM's e-mail, file storage, telephony, customer resource management, and accounting systems. The Receiver has re-directed WPM's website to a receivership website -- www.WPMReceivership.com. WPM's phone lines have all been redirected to the Receiver's toll-free hotline at -- 1-844-879-7694.
3. The Receiver has interviewed dozens of employees, vendors, outside professionals and consumers. The Receiver has also reviewed tens of thousands of documents relating to the Receivership Entities.
4. The Receiver opened a fiduciary account at Biscayne Bank in Miami, where he deposited \$345,521.79 received from WPM's account at City National Bank. The Receiver's current account balance is \$349,021.79.
5. Defendants' financial disclosures, confirmed by review of profit & loss statements and interviews with Mr. Cooper and others, indicates that WPM received \$25,987,192 from customers for the various products and services it sold.
6. The Receiver sent e-mails to approximately 1,500 consumers who may have purchased patents and patent related services. The Receiver has received over 800 e-mails from consumers, the majority of which are in response to the Receiver's e-mails and relate to complaints about WPM.
7. The Receiver's preliminary opinion is that WPM's operations should remain closed, and that WPM cannot be operated profitably, while also lawfully.

THE RECEIVER'S FIRST INTERIM REPORT

Jonathan E. Perlman, Esq., the temporary receiver ("Receiver") appointed by this Court by Order dated March 7, 2017 (the "Order" or "TRO") [ECF No. 11], files this First Interim Report to describe his investigation to date and detail his progress toward completing the tasks assigned by the Court, including identification of relevant assets.

I. BACKGROUND

1. On March 6, 2017, the U.S. Federal Trade Commission ("FTC"), commenced this action by filing a complaint for permanent injunction and other relief (the "Complaint") and a motion for a temporary restraining order and other equitable relief alleging that Scott Cooper, individually and as an owner and officer of World Patent Marketing, Inc. ("WPI") and DESA Industries, Inc. d/b/a World Patent Marketing ("DESA," and collectively with WPI, "WPM" or the "Receivership Entities" or "Corporate Defendants") (together Mr. Cooper and the Receivership Entities shall be referred to as the "Defendants"), violated and were likely to violate Sections 5(a), of the FTC Act, 15 U.S.C. § 45(a). [ECF No. 1, "Compl."].

2. The FTC alleges that since approximately February 2014, Defendants have operated an invention-promotion scam that has bilked thousands of consumers of millions of dollars through deceptive and unfair sales practices. [ECF No. 1, Compl. at ¶ 12].

3. Specifically, the FTC alleges that the Defendants' false, deceptive or unfair practices (the "Sales Practices") include:

- a. Defendants' website features success stories of inventions that Defendants have purportedly promoted successfully and with favorable inventor testimonials, even though many of the featured inventors have not had success. *Id.* at 14-15.
- b. On initial calls, consumers describe their invention ideas to Defendants' salespeople, who almost invariably tell consumers their ideas are great. The

salesperson typically states that Defendants' "Board" or "Team" needs to approve ideas before moving forward.

- c. Several days later, the salesperson calls the consumer back and congratulates him/her because the "board" thinks the idea is great and has approved it to move forward. The salesperson then tells the consumer that in order to continue the process, consumers must spend up to \$1,295 for a "Global Invention Royalty Analysis" ("GIRA") or similar report that will contain research from purported expert graduates from top universities, who will evaluate the patentability and marketability of consumers' ideas. *Id.* at 20.
- d. When consumers receive the GIRA or other similar report, the report invariably concludes that consumers' ideas are patentable and marketable. The reports, which are usually around seventy pages, include, among other things, a patent search, market demographics, and a study purportedly conducted by graduates of top universities. *Id.* at 22.
- e. A salesperson then calls the consumer to discuss the report, reiterating representations on the previous call that if the consumer buys Defendants' invention-promotion services, the consumer is likely to realize financial gain by licensing their future patents, or through manufacturing their inventions. If the report scores "consumers'" inventions, the salesperson describes it as a good score and pitches various "packages" ranging from \$7,995 to \$64,995 for varying levels of patent protection and invention-promotion services. The most expensive packages purport to include "global" patent protection, which will make their patents valid in the U.S. and abroad. The invention-promotion services offered also include: rendering drawings and 3D models of inventions; creating brochures, internet video commercials, press releases, and websites about inventions, exhibiting consumers' inventions at trade shows and "invention round tables;" and ongoing support from a personal licensing agent. *Id.* at 23-24.
- f. If the consumer agrees to purchase one of Defendants' packages, he/she would sign a contract with Defendants and make a second, and purportedly final, payment to Defendants. In many cases, this contract also assures consumers that: "The inventor will not be held responsible for additional expenses incurred or assessed by World Patent Marketing, other than those defined within the scope of this agreement." *Id.* at 26.
- g. Contrary to Defendants' representations, virtually none of Defendants' customers has made money, or even recouped his or her investments, through Defendants' purported patenting and invention-promotion services. Defendants have not actually secured third-party licensing or manufacturing agreements for their customers, and their customers have not received income from patent royalties or sales of products as a result of Defendants' work on their behalf. *Id.* at 27.

- h. Also contrary to Defendants' representation, there is no such thing as a "global patent." *Id.* at 28.
 - i. After consumers pay Defendants for their patenting and promotion packages, consumers are left to wait with little or no communication from Defendants. When consumers attempt to contact Defendants, they are often unable to reach the salespeople they have worked with or anyone in customer service who can help them. *Id.* at 29.
 - j. Defendants fail, in almost every case, to provide many of the other promised invention-promotion services, such as promoting consumers' inventions at trade shows and other events, and providing ongoing support from a "licensing agent." Most importantly, Defendants fail to secure the promised third-party licensing and manufacturing agreements for consumers. Defendants tell some consumers that they will need to pay tens of thousands, or even hundreds of thousands of dollars more to actually commence manufacturing. *Id.* at 31.
 - k. Defendants also generally failed to procure patents for consumers. Defendants used offshore drafting services and contracted patent agents and attorneys to file patent applications, those applications were of poor quality, and were often not approved by the United States Patent and Trademark Office ("PTO"). Requests for more information or corrections from the PTO on Defendants' customers' patent applications often went unanswered and eventually the PTO rejected the patent applications or considered the applications abandoned. *Id.* at 32.
 - l. Defendants leave most customers with nothing. A very few received a patent and some useless marketing materials; but none successfully entered into third-party licensing or manufacturing agreements brokered by Defendants, and none actually made money. Many customers ended up in debt, or lost their life savings or inheritances. *Id.* at 33.
 - m. Defendants responded to consumers who threatened to complain about Defendants' business practices by threatening to file lawsuits for extortion and defamation. Defendants and their lawyers have threatened consumers with lawsuits and even criminal charges and imprisonment for making any kind of complaint about Defendants. *Id.* at 35.
4. The FTC asserts that Defendants' business activities violate the FTC Act with respect to their (i) misrepresentations in marketing materials; (ii) misrepresentations in making

sales; (iii) wrongful post-sale conduct; and (iv) efforts to suppress consumer complaints. [*Id.* at ¶¶ 11-40].

5. On March 8, 2017, this Court granted the FTC's application for a temporary restraining order with asset freeze against Defendants and entered an Order freezing assets belonging to any of the Defendants. [ECF No. 11]. The Court set a Preliminary Injunction hearing for March 14, 2014, later continued to April 6, 2017 at 9:30 a.m. [ECF No. 22].

6. This Court also appointed Jonathan E. Perlman, a shareholder in the Genovese, Joblove & Battista law firm, as temporary receiver, and directed him to assume full control of the Corporate Defendants and their affiliates, subsidiaries, divisions, and sales operations. [ECF No. 11]. The Order further directs the Receiver to take custody and control of all assets and documents of the Receivership Entities, take possession of and secure the business premises of the Receivership Entities, conserve, hold and manage all assets of the Receivership Entities, perform all acts necessary to preserve the value of those assets, prevent the inequitable distribution of assets, protect the interests of consumers and creditors who have transacted business with the Receivership Entities, continue to conduct the business of the Receivership Entities if the Receiver deems it appropriate and it can be done profitably and lawfully, issue subpoenas as necessary to obtain documents and records pertaining to the receivership and conduct discovery on behalf of the receivership estate, open bank accounts for funds of the Receivership Entities, appear on behalf of the Corporate Defendants in pending lawsuits against them, maintain accurate records of all expenditures made as Receiver, cooperate with reasonable requests for information or assistance from the FTC, and file reports with the Court. [TRO at § XXIII].

7. The following is a summary of the Receiver's efforts since his appointment. This report contains preliminary assessments and findings, subject to change as the Receiver and his professionals conduct discovery and continue to investigate and analyze the affairs of the Receivership Entities.

II. IMPLEMENTATION OF THE RECEIVERSHIP ORDER

A. EXECUTION OF THE RECEIVERSHIP ORDER AND TAKEOVER OF CORPORATE DEFENDANTS' OFFICES ON MARCH 8, 2017

8. Upon being appointed on March 7, 2017, the Receiver retained the Genovese Joblove & Battista, P.A. ("GJB") law firm, in which he is a shareholder, as legal counsel. GJB agreed to provide a discount on its standard rates to the receivership estate in addition to waiving certain usual and customary expenses. The Receiver utilized GJB's information technology staff, as needed, to secure control, preserve access to technology-based aspects of the Receivership Entities' business, as well as to coordinate with the FTC's information technology professionals to provide forensic computer services, including the extraction and forensic imaging of data from computer hard drive servers and work stations located in the Receivership Entities' offices.

9. The Receiver also retained the services of Soneet R. Kapila, CPA, CIRA, CFE, CFF, and the accounting firm of KapilaMukamal, LLP, to provide the Receiver with forensic accounting services and fiduciary support and tax compliance services.

10. Prior to executing on the TRO, the Receiver coordinated with the FTC service of the TRO and a FTC Asset Freeze letter upon all banks and third parties that were reasonably anticipated to hold assets of the Defendants in order to prevent the dissipation of assets to foreign jurisdictions. The FTC also served the TRO and asset freeze letters, in coordination with the Receiver, to credit card merchant processors and other common targets.

11. Since his appointment on March 7, the Receiver and his counsel have familiarized themselves with the business operations of the Corporate Defendants by, among other things, interviewing WPM owner, CEO, Creative Director Scott Cooper; WPM Chief Operating Officer Esti Prager (Mr. Cooper's partner and mother of his youngest child); WPM Controller Diana Caparotta; WPM Processing Manager and Head of Vendor Relations Christie Hoffman; WPM Head of Chicago Office/Project Manager John C. Graham; WPM Director of Manufacturing and Inventions Jerry Shapiro; WPM Division Manager Lionel Simmons and other WPM employees, as well as WPM patent agents, vendors, suppliers, business partners and customers. The Receiver has also reviewed WPM's documents and media and conducted due diligence into the business and operational affairs of the Corporate Defendants.

i. The Receiver Secures the Offices of the Receivership Defendants

12. The FTC's pre-suit investigation indicated that WPM had operated from offices on Meridian Avenue in Miami Beach, Florida (the "Miami Beach Office"), as well as an office at 2940 North Lincoln Avenue, 2nd Floor, Chicago, Illinois 60657 (the "Chicago Office"). The FTC's investigation also indicated that WPM had recently vacated the Miami Beach office but that Miami operations were continuing remotely. Accordingly, in consultation with the FTC, it was decided to initially execute service of the TRO at WPM's Chicago office.

13. The Receiver retained Mitchell L. Marinello, a partner in the Novack Macey law firm to act as local counsel in Chicago. The Receiver negotiated a reduced rate with Mr. Marinello and has used his services on a limited basis to compliment the services provided by GJB.

14. On the morning of March 8, 2017, the Receiver, Mr. Marinello and Jesus M. Suarez, Esq. of GJB accompanied by United States Postal Inspector Service ("USPIS") Officers,

FTC attorneys and investigators, and FTC's technology contractors, went into the Chicago Office listed above to effectuate service of the TRO.

15. While interviewing WPM employees at the Chicago Office, the Receiver learned that the Receivership Entities' were completing construction of new corporate headquarters located at 150 Southeast Second Avenue, Miami, FL 33131 (the "Miami Office") scheduled to open for business any day. The Receiver's team led by Ms. Harmon immediately went to, and secured, the new Miami Office. The Receiver later learned of a satellite office in Miami Gardens, Florida (the "Miami Gardens Office").

a. The Chicago Office

16. As noted above, the Receiver's team, along with Roberto Menjivar and James Evans, Esq. of the Federal Trade Commission, secured the Chicago Office on March 8.

17. Access was provided by Nezra McCarty, a low-level sales employee, who arrived at about the same time as the Receiver, FTC and USPS. Mr. McCarty advised the Receiver that he reported to John C. Graham a/k/a Johnny Graham, who managed the Chicago Office. The Receiver spoke to Mr. Graham on his cellular phone and asked him to immediately come into the office and to instruct all other employees to come in as well, and Mr. Graham complied. The Receiver proceeded to change the locks and secure the premises of the Chicago Office, and instructed the technology contractors to secure the technology present within the premises and disable outside network access.

18. The Chicago Office is a sparsely furnished open floor plan on the second floor of a three story building that contains a gym space on the street level and another office space on the third floor. A composite exhibit containing pictures of the Chicago Office is annexed hereto as Exhibit A.

19. Mr. Graham, age 23, explained to the Receiver that he was in charge of the office and that it was a WPM sales office. Prior to opening the Chicago Office, Graham had worked at WPM's Miami Beach headquarters where he worked his way up from "Phase I" salesperson to Project Manager. Graham appeared to have a great deal of knowledge regarding WPM's operations. Mr. Graham commanded his sales force from a large desk positioned in front of the sole picture window looking out toward the street. Mr. Graham decorated the office with what he stated was his own art collection, a record player and vinyl library, large screen TV surrounded by a couch, chairs and southwestern style rug.

20. Mr. Graham's roommate, Parker Matas, was his principal deputy. Matas also previously worked out of WPM's Miami Beach office, and was, according to Graham, hired by Cooper "off the streets."

21. The Receiver conducted a lengthy interview of Mr. Graham, which was foundational to the Receiver's understanding of WPM's operations and his investigation. From the Chicago Office, the Receiver also interviewed Parker Matas (telephonically), Dylan Stapleton, a "Phase I" sales employee, and Mr. McCarty, another Phase I salesperson and resident of a halfway house awaiting release for what he described as entrepreneurship in the Marijuana business.

22. The office had about 10 stations, each with a computer and telephone, but only 4-5 appeared occupied. All computers were reviewed and imaged as appropriate by the FTC's IT team.

23. Graham indicated that the Chicago office at its peak had employed about 10 salespeople.

24. Graham demonstrated Google Drive, HubSpot, and Nextiva to the Receiver's team.

25. Graham explained the entire WPM sales process and evolution of that process from October 2014 when he joined WPM, through March 8, 2017. Graham further explained that he developed sales scripts for his sales team.

26. During his interview, Mr. Graham confirmed certain allegations of the FTC's Complaint, including that: salespeople were trained to tell prospective customers that their idea must first be approved by a nonexistent "board" of experts at WPM. The salesperson would then wait a few days before calling again to "congratulate" the customer, because the (non-existent) board had approved the idea! When Graham started, he really believed there must be a review team, and he only later learned this to be untrue. Graham stated that this practice continued through March 2017.

27. Graham further stated that salespeople were trained to tell prospective customers that their idea was good in every situation, with the only exception being if the idea was so preposterous that the customer very well may be law enforcement posing undercover.

28. Graham also stated that with respect to the GIRA reports that provide an evaluation of whether the customer's idea is patentable, the worst report he had ever seen said that the customer's idea had a "fair" chance of being patentable and that the great majority listed the chances of patent approval as better than that. He had never once seen a report stating that an idea was not, or unlikely, patentable, even though the U.S. Patent and Trademark Office would often object to WPM clients' patent filings. Graham stated further that he believed these reports

were “fraudulent,” and he had communicated this to Scott Cooper and Christie Hoffman, WPM’s Processing Manager and Head of the Complaints Department.¹

29. Graham also stated with respect WPM documents suggesting that WPM promised to regularly take the customer’s idea to trade shows as a way to obtain licensing deals, that WPM was not doing this. As a result, Graham says that he warned his customers that this was not a service they would receive notwithstanding what the documents said. Graham also discussed WPM’s new pre-order business model and problems associated with it.

30. The Chicago Office was leased by World Patent Marketing, Inc. (“WPI”). A copy of the lease is annexed hereto as Exhibit B. The Chicago Office’s monthly rent was \$3,834.78 plus utilities and taxes. WPI paid a deposit of \$10,950.00. At the time of the Receiver’s appointment, the Chicago Office was two months in arrears. The Receiver is attempting to negotiate a resolution with the landlord of the Chicago Office. The Receiver has requested input from Mr. Cooper regarding his desired disposition of the Chicago Office but has not received a response. If the Receiver remains in place in this case, he intends to return the Chicago Office to the landlord.

b. The Miami Office

31. While interviewing employees and securing the Chicago Office, the Receiver learned that WPM was about to open a new Miami headquarter office at 150 SE 2nd Avenue, Suites 401 & 402, Miami, FL 33131 (Chase Bank Building).

32. The Receiver instructed GJB partner Heather L. Harmon, to secure the Miami Office. Ms. Harmon, assisted by GJB attorneys John Arrastia, Michael Friedman, and paralegal

¹ Ms. Hoffman in her interview stated that WPM also sometimes referred to the department that she headed as “Legal” or the “Legal Department” and she had demanded that Mr. Cooper cease doing so, since she was not an attorney.

Laise Lowachee, along with FTC attorneys Colleen Robbins and Jody Goodman and FTC investigator Reeve Tyndall, and Miami police officers, immediately proceeded to that location. A composite exhibit containing pictures of the Chicago Office is annexed hereto as Exhibit C.

33. The Miami Office is comprised of two suites. It was close to completion at the time it was secured by the Receiver's team. The first suite is visible upon exiting the elevator. The first suite was being prepared to house a reception area and executive offices. The second suite was designed to be a call center with approximately 50 workstations.

34. When the Receiver's team arrived, a contractor was installing biometric security keypads that led to what would have been the executive offices of Mr. Cooper and Ms. Prager on the south side of Suite 401. Ms. Harmon instructed him to cease work and leave.

35. The North side of the suite contained a single box labeled "Johnny Marketing" that contained a computer and miscellaneous electronic equipment, along with other random furniture and contractor tools. The Receiver is in the process of returning tools belonging to the contractors.

36. In the principal area of Suite 401, the Receiver's professionals found a few tables, furniture, artwork, copiers; approximately 40 CPU's stacked on the floor, an empty server rack and a variety of boxes. The boxes contained kitchen supplies, office supplies, binders, files and boxes of "Safety Blades" (a product that Mr. Cooper identified as a WPM "success story"). The files included call scripts and patient intake and medical forms for "Maxim Men's Clinic."

37. On the south side of Suite 401 were offices for Mr. Cooper and Ms. Prager (COO of WPM and Mr. Cooper's partner). Ms. Prager's office contained a desk, a couch, a coffee table and a single CPU. Mr. Cooper's office contained a gun safe large enough for long guns, a smaller safe, two couches, a box containing personal items and office supplies and some artwork.

Personal items found included an empty Rolex watch box and empty Piaget watch box. The Receiver was ultimately provided with the code to the smaller safe, which contained €200, 600 Israeli Shekels and 2 empty ring boxes. Mr. Cooper did not remember the code to the large gun safe, but advised the Receiver that it was empty. In addition, the hallway of the south side of the suite contained many boxes containing miscellaneous electronic equipment, including dozens of security cameras. There was also a box that contained a few random items that could have been invention prototypes (i.e., “snowballs” underwear).

38. In Suite 402, there were approximately 50 cubicle work stations that had CPUs, monitors and phones. There was also some surplus equipment left by the company that installed the cubicles. It appeared that two of the work stations had been used and papers were logged and removed by the FTC’s technology contractors.

39. The Miami Office was leased by Gallery Internet, LLC, not the current Receivership Entities. A copy of the lease is annexed hereto as Exhibit D. Gallery Internet, LLC is owned by Renu Ventures LP (“Renu Ventures”). Mr. Cooper owns 96% of Renu Ventures. The lease was executed in February 2017 (no exact date in lease).

40. The Chase Bank Building is an office condominium, and the Miami Office is leased directly from the unit owner. The landlord is DGD Group Corp., 1054 Fairfield Meadows Drive, Weston, FL. The broker for the transaction was Eduardo Citcioglu, P.A. of Fortune International Realty Brickell, Inc.

41. Ms. Harmon interviewed Mr. Citcioglu on March 8, 2017. The lease term began on March 1, 2017 for a 60-month term.

42. The monthly rent for the Miami Office was \$9,891.00 plus sales tax. Gallery Internet, LLC paid a deposit of \$30,842.41. There was no tenant improvement allowance. Mr.

Citcioglu advised Ms. Harmon that his commission was to be paid from the deposit. Ms. Harmon instructed Mr. Citcioglu not to dissipate the deposit, and Mr. Citcioglu agreed.

43. The next day, the Receiver's team and the FTC continued to inventory materials and image computers at the Miami Office. Ms. Harmon spoke to Glen Carter who installed the cubicles in the space. Mr. Carter informed Ms. Harmon that he was due \$7,000 for the job and had not been paid. Mr. Carter advised that he dealt exclusively with Ms. Prager, a fact confirmed by messages between Ms. Prager and Mr. Carter that discussed coordination of the installation.

44. The Receiver, his team, and representatives of the FTC spent nearly three days reviewing documents on the premises and securing all computers. The Receiver's team also interviewed employees and spoke to consumers who showed up at the Defendants' offices to complain about the Defendants and seek assistance. Since then, a member of the Receiver's team has accessed the premises on a regular basis to pick up mail and aid in the analysis of the Receivership Entities' assets.

c. The Receiver Assumes Control of the Miami Gardens Office

45. Following his appointment, the Receiver also learned that WPM maintained a satellite location in Miami Gardens, FL. On March 13, 2017, Ms. Harmon went to the location at 99 NW 183rd Street, Suite 131, Miami Gardens, FL 33169. When Ms. Harmon arrived, the door to the suite was unlocked and nobody was present. Ms. Harmon took photos and a video. A composite exhibit of photographs of the Miami Gardens Office is annexed hereto as Exhibit E.

46. The Miami Gardens Office was in poor condition, dirty and littered with trash. The office consisted of approximately 10 cubicles, an office and a closet. Only two of the

cubicles appeared to have been used. Mr. Cooper advised that WPM employee Robert Gonzalez ran the Miami Gardens Office.

47. The Miami Gardens Office looks directly upon and is across the street from Tootsie's Cabaret, a 74,000 sq. ft. strip club featuring "full nudity" and over "300 beautiful entertainers." The landlord advised Ms. Harmon that muscular young men were frequently observed at the Miami Gardens Office, and that adjoining office suites not belonging to the Receivership Entities had been raided by law enforcement.

48. The Office also contained a table, a small refrigerator, two armchairs, a box containing a CPU, another CPU under a cubicle and several folders and binders.

49. Lastly, Ms. Harmon found in the Office a stack of 115 prescriptions wrapped in a rubber band. The prescriptions were from the prescription pad of a Dr. Herbert Fichman at the Maxim Men's Clinic (for which promotional materials and patient intake forms were also found at the Miami Office, *supra*), 7000 W. Camino Real, Suite 210, Boca Raton, FL 33433. The prescriptions were primarily for testosterone and syringes to various persons, with listed ages predominantly in their 20s to age 40.

50. Ms. Harmon hand-delivered the landlord Dvir Derhy a copy of the TRO and coordinated with him to change the locks. The landlord was allowed to keep a copy of the keys. Ms. Harmon interviewed Mr. Derhy and his assistant Yvette Mendez. Ms. Mendez stated that there were always handsome "well built" guys coming and going.

51. Mr. Derhy provided Ms. Harmon with a copy of the lease. The lease was in the name of Serisel Internet, LLC, a non-Receivership Entity. Serisel Internet, LLC is owned by Renu Ventures, LP which is owned 96% by Defendant Mr. Cooper. The security deposit was \$4,066.00. It is unknown who paid the deposit. The monthly rent was \$1,900 plus sales tax.

The Lease term was 12-months and began on February 1, 2017. A copy of the lease for the Miami Gardens Office is annexed as Exhibit F.

52. Ms. Harmon removed two computers from the premises and delivered them to Oscar Delatorre, a contractor of KapilaMukamal for forensic imaging. The FTC provided Mr. Delatorre with a secure hard drive to send back to Washington. The computers are still in Mr. Delatorre's possession. Chain of custody forms were exchanged between Mr. Delatorre and Ms. Harmon.

53. The Receiver paid the March rent for the Miami Gardens Office (\$1,900 plus \$133 in sales tax) and agreed that the Receiver could have possession of the space through April 13, 2017 without having to pay April rent.

B. WPM'S TECHNOLOGY, INTERNET APPLICATIONS, AND CUSTOMER SERVICE MANAGEMENT SOFTWARE

54. While interviewing employees of the Chicago office, the Receiver learned that the Corporate Defendants were operating through a "cloud based" suite of applications, including Google Suite, which allowed management, employees, and third-party vendors to operate WPM from wherever they were located.

55. The Receiver worked with the FTC's IT contractors to shut down outside access to the cloud based applications as quickly as possible. The IT contractors also created mirror images of the hard drives and servers located with the Receivership Entities' offices as appropriate. In total, the Receiver is in possession of approximately 80 computers. Additionally, the Receiver is in possession of mirror images of 13 computers.

i. HubSpot & Nextiva

56. Employees worked remotely by logging into a customer resource management application known as HubSpot, which allowed employees access to customer sales records and

account information. HubSpot was integrated into Nextiva, a Voice over Internet Protocol (“VoIP”) software that allowed employees to communicate with customers and each other through their home computers.

ii. Google Suite

57. WPM employees, including virtual employees like those provided by TGK, were able to access email and customer files through a Google suite of internet based applications (“G Suite”). WPM maintained virtually all of its documents and e-mail within the Google Suite of back office services. All employees and independent contractors had e-mails with their [\[FIRSTNAME\]@worldpatentmarketing.com](mailto:[FIRSTNAME]@worldpatentmarketing.com). All e-mail accounts were disabled on March 9, 2017 except for scott@worldpatentmarketing.com,² who was a “super administrative” user that provided access and control to the rest of the e-mail systems. Mr. Cooper was cooperative in providing usernames and passwords for certain software and databases used in WPM’s obligations, including Google, HubSpot, Galleryleads.com and Nextiva. The FTC changed the master password and provided it to the Receiver.

58. The FTC’s technical team imaged all documents and e-mails from the Google Suite, into Google Vault, an e-discovery platform. The FTC made a full image of the contents of WPM’s Google Mail users and Google Drive. The process of transferring information into the Google Vault took approximately 2 weeks. The Receivership professionals received access to the database on March 21, 2017. Ms. Harmon has been the primary reviewer of the documents in the Google Vault. Ms. Harmon has reviewed all e-mails to Scott Cooper since the entry of the TRO in order to determine if there were any emergency issues.

² It appears that Mr. Cooper operates through a number of related internet domains that have not been fully disclosed to the Receiver. The Receiver continues his investigation into potentially related internet properties.

iii. Website & Social Media

59. The Corporate Defendants had an extensive web presence and social media presence. One principal website appears to be affiliated with the Corporate Defendants. The first, <http://www.worldpatentmarketing.com> is registered to Scott Cooper.

60. WPM also maintained many active social media accounts. On March 23, 2017, Mr. Cooper provided the Receiver with social media passwords for Twitter, Facebook, LinkedIn, Manta, Soundcloud, Vimeo, Slideshare, Angie's List, Pinterest and YouTube. The Receiver changed these passwords and has control over all of these social media accounts.

61. Several Twitter and Facebook posts were made after the entry of the TRO, but Mr. Cooper informed the Receiver that these were pre-programmed and that he scheduled messages to post at predetermined times and did not intentionally use social media accounts after entry of the TRO. The Receiver now has control of the social media accounts and has not made any postings or changes.

iv. WPM Accounting Software

62. Upon his appointment, the Receiver also took control of the Corporate Defendants' online accounting service (QuickBooks and XERO), credit card merchant accounts, social media presence and access to the CRM systems. The Receiver made demand to the CRM providers, QuickBooks (Intuit Corp.), Xero, ADP, and Paycom (current payroll provider), that all records and data related to the Corporate Defendants are preserved.

C. THE RECEIVER’S WEBSITE, 1-800 HOTLINE, AND CUSTOMER COMPLAINTS

63. The Receiver has created a website (and www.WPMReceivership.com and www.worldpatentmarketingreceivership.com) and e-mail address (Info@WPMReceivership.com) to communicate with parties affected by the receivership and to distribute pertinent court documents and communications. The Receiver has also forwarded the worldpatentmarketing.com website to the Receivership’s website.

64. The Receiver was able to locate a database within WPM’s Google Docs labeled “p2PatentExports.csv” that listed 1,504 customers who had purchased “Phase 2” patent-related services including provisional and non-provisional patent filings. The database contained only e-mail addresses and certain information related to the patent and communications with the inventor. In order to ensure that WPM customers who had purchased patent services knew not to rely upon WPM to file for or ensure continued patent protection as WPM may have promised, on March 23, 2017, the Receiver sent a letter explaining that the Receiver had ceased all operations and that these customers should seek independent legal advice regarding the status of their patents, especially if they have upcoming deadlines. A copy of the letter is annexed as Exhibit G.

65. Immediately upon sending the letter, the Receiver’s telephone hotline and dedicated e-mail experienced extremely high activity. Since the e-mail blast, the Receiver has received over 800 e-mails from consumers, the majority of which relate to a complaint about WPM. The complaints vary in nature, but many contain allegations that once inventors had paid for the expensive patent or marketing package, they never heard from their salesperson again and could not get ahold of anyone at WPM. In addition, people complained about shoddy work. Many consumers are looking for a refund and indicated that they had made complaints to the

BBB and left bad reviews on rating sites as well. Seventy-eight of the complaints, randomly selected, are annexed as Composite Exhibit H.³

66. The Receiver also established a toll-free hotline (the “Receivership Hotline”) to field calls from consumers and other parties affected by the Receivership. Since Thursday, March 9, 2017, all calls to WPM have been routed to the Receivership Hotline. The Receiver also directed Nextiva to forward all receivership telephone lines to the toll free hotline maintained by the Receiver.

67. The Receiver’s staff has answered the Receivership Hotline during business hours and has endeavored to return all voicemails left on the Receivership Hotline after-hours. Since the toll free number went live, the Receiver has fielded calls from approximately 500 different customers. The majority of these customers also expressed complaints about WPM. Many of the customers also sent an e-mail to the Receiver. The Receiver has maintained a log of consumer calls received by members of his team since the activation of the Receivership Hotline. A true and correct copy of the call log, updated through April, 4, 2017, is annexed hereto as Exhibit I (note that during times of extremely high call volume, certain calls could not be logged).⁴

68. The Receiver’s team has interviewed most people that have called the Receivership Hotline, collecting the caller’s contact information, the circumstances under which they acquired services from WPM, the manner in which the product was advertised and sold to them, whether any representations were made, the basis of their complaint, and whether they previously attempted to resolve the complaint with WPM. Many callers reported becoming

³ Exhibit H will be provided to the Court and the Parties but will not be electronically filed due to the nature of the information contained therein.

⁴ The Receiver has omitted the contact information for parties registered on the call log in order to preserve their privacy and avoid dissemination in the public record.

frustrated from making repeated calls to WPM that either went unanswered or were not addressed.

69. On March 23, 2017, the Receiver sent a letter to all patent agents and attorneys to inform them that the Receiver had ceased all operations of WPM and would not be servicing WPM clients with patent issues. A copy of the letter to patent agents/attorneys is annexed hereto as Exhibit J.

D. INTERVIEWS WITH KEY WPM EMPLOYEES AND OTHERS

70. The Receiver understands that Mr. Cooper operates WPM with Esther Prager, the mother of his youngest child with whom he has a Ketubah (a Jewish marriage certificate), but they are not married under civil law. Mr. Cooper identified himself as the CEO of the Corporate Defendants and their Chief Creative Officer. Ms. Prager is listed as WPM's Chief Operating Officer (COO). Though Ms. Prager, through her counsel Jonathan Etra, Esq., has been cooperative, during her interview she asserted her Fifth Amendment privilege against incrimination as to all questions regarding WPM and her role in it and was instructed by her counsel not to answer such questions (though her counsel proffered responses on her behalf).

71. Though Defendant Mr. Cooper cooperated by answering questions at his interview, as discussed elsewhere in this Report, he has failed to provide numerous documents required by the Receiver despite repeated requests.

72. Upon service of the TRO, the Receiver made demand on all employees to cease operations. The Receiver also instructed Mr. Cooper to cease both solicitation and acceptance of any new client orders, pending the Receiver's review and assessment of operations.

73. The Receiver's team interviewed employees to gain an understanding of their job functions and how WPM conducts business. Employees interviewed by the Receiver's team include:⁵

- a. Scott Cooper, CEO and Chief Creative Officer
- b. Esti Prager, Chief Operating Officer
- c. Diana Caparotta, Comptroller
- d. Christie Hoffman, Director of Vendor Management and Processing
- e. Lionel Simmons, Division Manager – Miami Office
- f. Jerry Shapiro, Director of Manufacturing and Inventions
- g. John C. Graham, Head of Chicago Office and Project Manager
- h. Parker Matas, Chicago Office Senior Sales Associate and Project Manager
- i. John Brantley Barnes, Product Director
- j. Nezra McCarty, Chicago Office Junior Sales Associate
- k. Dylan Stapleton, Chicago Office Junior Sales Associate
- l. Cheryl Morales, Receptionist, then promoted to Customer Service
- m. Genesis Rodriguez, Receptionist/Office Manager
- n. Dylan Jay Stapleton, Sales Representative
- o. James T. Acerra, Marketing Associate
- p. Sherry Velozo, Senior Project Manager
- q. Laura Sountris, Project Marketing Manager

74. The Receiver's team also interviewed the following people regarding the business and financial affairs of WPM:

- a. Bernard Egozi, Esq., counsel to WPM
- b. Eric Creizman, Esq., counsel to WPM
- c. Nicolas Roe, Esq., counsel adverse to WPM
- d. Erin Williams, Esq., counsel adverse to WPM
- e. Garry Pollack, Esq., counsel adverse to WPM
- f. Rachel Gilboy, patent agent
- g. Mike Starkweather, patent agent
- h. Mac Haines, patent agent
- i. Loren Cook, Esq., counsel to WPM
- j. Joseph LoPiccolo, Esq., counsel adverse to WPM
- k. Jason Torchinsky, Esq., counsel to Congressman Brian Mast
- l. David Allen, University Evaluations, Inc.
- m. Pam Perry, Esq., appellate counsel to WPM

⁵ Pursuant to section 13(C) of the TRO, the Receiver catalogued pertinent information from these employees, including their name, home address, social security number, job description, company history, passwords or access codes, method of compensation, and all accrued and unpaid commissions and compensation of each such employee or agent.

- n. Brett Lewis, Esq., counsel to WPM
- o. Tim Keefe, owner of TGK

E. RECEIVER'S ACCOUNTS AND ASSET STATUS

75. The Receiver took control of the corporate accounts at City National Bank and Bank of America. The Receiver opened a fiduciary account at Biscayne Bank, where he deposited \$345,521.79 received from WPM's account at City National Bank. The Receiver is still in the process of obtaining the monies frozen at Bank of America amounting to \$4,541.43. The Receiver's current account balance is \$349,021.79, subject to ongoing reconciliation and imposition of bank charges for returned checks.

76. The Receiver has identified and served with the TRO several payment processing companies with which the Corporate Defendants have a relationship and requested information pertaining to their respective relationships with the Receivership Entities. The Receiver has received information from some of those companies, but is awaiting information from others. Mr. Cooper has identified in his financial disclosures that payment processors hold deposits of \$112,000 belonging to WPM as of January 31, 2017. The Receiver has been unable to confirm those reserves, as neither Mr. Cooper nor comptroller Ms. Caparotta have responded to the Receiver's written requests for each merchant account's login information as required to determine the actual amount of the reserves.

77. Pursuant to the Financial Disclosures, Mr. Cooper disclosed that he has personal credit card debt in the amount of \$922,707.62. Mr. Cooper informed the Receiver that large portions of the balances relate to Company expenses. For example, certain patent agents used Mr. Cooper's personal credit cards for USPTO filing fees.

78. On or around March 8, 2017, Mr. Cooper changed his personal credit card numbers to avoid recurring company charges from being charged to his personal cards. In

reviewing post-TRO e-mail communications, dozens of services sent communications to Mr. Cooper indicating that payments could not be processed. The Receiver has not paid these recurring obligations as he is not currently operating the business, nor has he determined that any of the services are necessary to preserve the assets of the Company.

79. Esti Prager, WPM's COO, had an additional American Express charge card in the name of Renu Ventures, LP, which she used for WPM expenses. This credit card is not listed in the personal financial disclosures of Mr. Cooper. It is unknown whether other credit cards exist that employees used for WPM expenses.

80. The Receiver has observed that WPM made regular payments to credit cards from its bank accounts to pay balances on Mr. Cooper's personal credit cards. The Receiver has requested the credit card statements from Mr. Cooper's counsel multiple times, both in writing and by telephone, to determine if Mr. Cooper's personal expenses were paid from WPM assets. Mr. Cooper has not provided the Receiver with the statements. Therefore, as of the date of this Report, the Receiver cannot report to the Court whether or not WPM assets were improperly used to pay the personal expenses of Mr. Cooper or the personal expenses of any other person.

F. WPM AFFILIATED ENTITIES

81. The Receiver has reviewed the bank statements provided by the FTC and notes that money was regularly transferred back and forth between WPM, the EIS Family Trust, Elliot Investment Ventures and Renu Ventures. Mr. Cooper's Financial Disclosures indicate that these are all related entities, which are in relevant part annexed hereto as Exhibit K. The Receiver asked counsel for Mr. Cooper and WPM for additional financial information related to these affiliated entities, but Mr. Cooper has not provided this additional information either. These documents are required before the Receiver can determine whether these or other affiliates must

be brought into the Receivership and whether transfers from WPM to affiliated entities or Mr. Cooper constitute fraudulent transfers.

82. Another troubling affiliated entity is The Cooper Idea Foundation. On June 9, 2016, the Cooper Idea Foundation obtained tax exempt status under Section 501(c)(3) of the Internal Revenue Code. A copy of the letter is annexed hereto as Exhibit L.

83. As WPM's business evolved, Mr. Cooper indicated that the business model shifted from patent acquisition to product development and marketing. Mr. Cooper indicated that many of these customers had a 90%/10% split where the investor would keep 90% of royalties associated with his or her invention (the "Royalty Agreements"). An example of a Royalty Agreement and related emails are annexed hereto as Exhibit M.

84. Pursuant to the Receiver's review of the business records, each of these Royalty Agreements is between The Cooper Idea Foundation and an inventor. There is no indication that the 10% due to the Foundation under the Royalty Agreements would ever flow to the Company.

85. Based on Mr. Cooper's statements that the business model was changing into licensing and product development, the Receiver finds it troubling that there are no contractual relationships between inventors and the Company with respect to future royalties.

III. CONSUMER LOSS

86. Pursuant to the TRO, Mr. Cooper provided sworn Financial Disclosures dated March 14, 2017, which the Receiver and his professionals have reviewed.

87. Mr. Cooper's Financial Disclosures show that WPM's gross revenue was: (a) \$10,775,817 from November 1, 2014 through October 31, 2015; (b) \$13,536,027 from November 1, 2015 through October 31, 2016; and (c) \$1,675,348 from November 1, 2016

through January 31, 2017, for a total of \$25,987,192. A copy of the relevant Profit & Loss Statements is annexed hereto as Composite Exhibit N.

88. Of the approximately \$26 million in gross revenue, the P&L Statements indicate that Phase 2 sales (patent sales and marketing packages) generated: (a) \$8,082,930 from November 1, 2014 through October 31, 2015; (b) \$9,063,616 from November 1, 2015 through October 31, 2016; and (c) \$374,600 from November 1, 2016 through January 31, 2017, for a total of \$17,521,146, or 67% of all gross revenue of the Company.

89. The Profit & Loss Statements of the Company show that income related to website and Amazon.com sales from 2014-2017 total \$4,853.00, or 0.0018% of total gross revenues.

90. Mr. Cooper, consistent with WPM's P&L Statements, stated during his interview by the Receiver and his team that WPM had received approximately \$26 million in revenue from consumers since its inception 2014.

91. The Receiver thereupon asked Mr. Cooper about a letter from Mr. Cooper and WPM's tax attorney and CPA, Stephanie Holbrook, sent on his and WPM's behalf to the Better Business Bureau in October 2016 attesting that WPM and related entities' 2015 revenue alone was \$52,378,415. Mr. Cooper said he was well aware of the letter and that it was accurate.

92. When the Receiver provided Cooper with a copy of the letter, annexed as Exhibit O hereto, Cooper pointed to the letter's reference to "and related entities" as why the letter was accurate. When asked how this explains the discrepancy between \$26 million in WPM revenues from 2014-2017, with the representation of over \$52 million in revenues in 2015, Cooper said it was because revenues once received were then transferred amongst the "related" entities, and each deposit in each account was counted even though it was the same funds being transferred to

and from the related entities' accounts. When the Receiver asked Cooper the identity of the related entities that Ms. Holbrook reported to the BBB as part of WPM's combined 2015 revenues, he stated Gallery Internet LLC. Mr. Cooper said that he would "have to get back to" the Receiver on the other related entities.

93. The Receiver has located within WPM's records correspondence between the BBB and Mr. Cooper regarding the Holbrook letter and WPM's accreditation, which are annexed as Composite Exhibit P hereto. On October 19, 2016, Michele Mason of the Southeast Florida BBB wrote Mr. Cooper that after having met with BBB CEO Rod Davis, "due to the extremely high revenue being reported for your company, BBB feels it is appropriate to request a copy of the top page of your company's most recently filed tax return." **Id.**

94. On October 23, Mr. Cooper wrote Ms. Mason: "I have copied the members of my board... I assume you are insinuating that I fabricated the document from my CPA. ...I told you that I am subject to confidentiality clauses that go above and beyond a typical business.... Out of curiosity, is the BBB prepared to indemnify me from any losses we may suffer as result of trying to pressure me to violate an agreement I have with another party? You have already insinuated that I fabricated one document. I can simply do the same thing to the new document that you are requesting- so what is the purpose of the request? *** Desa Industries, Inc. does not operate any other businesses or go by any other names other than World Patent Marketing. I have interests in factories overseas and investments in real estate and other product development/technology assets in the US and Israel. I am also the Director of The Cooper Idea Foundation." **Id.**

95. The Receiver has repeatedly asked Mr. Cooper's counsel for additional information, including related-entity bank statements, charge card statements, and a business plan showing how WPM might be operated profitably and legitimately in the future. **See**

Receiver's March 22 Letter Requesting Documents and Information with transmittal e-mail, March 28, and March 30 follow up e-mails, annexed as Composite Exhibit Q hereto. Mr. Cooper has not provided any of the requested documents and information.

IV. ASSESSMENT & STAY OF PENDING WPM LITIGATION MATTERS

96. The Receiver has appeared in each of the following litigations to which the Receivership Entities are a party, and where appropriate, has obtained a temporary stay of the litigation.

- a. *Steven Harris, et al. v. Desa Industries, et al.*, Case No. 16-cv-9828 (SDNY): Pending class action for violation of the American Investors Protection Act of 1999, 35 U.S.C. § 297 and other claims for business torts and misrepresentations.
- b. *Steven Harris, et al. v. Desa Industries, et al.*, Case No. 0653896/2016 (Supreme Court, New York County): Pending class action for violation of the American Investors Protection Act of 1999, 35 U.S.C. § 297 and other claims for business torts and misrepresentations, including under New York and North Carolina consumer protection laws.
- c. *Integrity Patent Group, LLC, et al., v. Scott Cooper, et al.*, No. 2017-003335-CA-01, in the Eleventh Circuit Court for Miami-Dade County, Florida: Breach of contract by vendor of World Patent Marketing.
- d. *Desa Industries, Inc. v. Jonathan Pujol*, No. 2016-018955-CA-01, in the Eleventh Circuit Court for Miami-Dade County: Breach of contract suit against employee.
- e. *Desa Industries, Inc. v. Peter Mercurio, et al.*, No. 2015-027017-CA-01, in the Eleventh Circuit Court for Miami-Dade County: Breach of contract against former employee.
- f. *Patent Services USA Inc. v. Desa Industries, et al.*, 2014-015748-CA-01, in the Eleventh Circuit Court for Miami-Dade County: Lawsuit related to breach of contract by employee who joined Desa Industries allegedly in breach of employment agreement.
- g. *Desa Industries, Inc. d/b/a World Patent Marketing, et al. v. Patent Services USA, Inc., etc.*, in the Third District Court of Appeals. Interlocutory Appeal of Judge Hendon Order.
- h. *Desa Industries v. Juan Alejandro Rivero*, No. 16-cv-05018 (SDNY): Lawsuit against former employee Juan Rivero.

- i. *Kingred Enterprise LLC v. World Patent Marketing*, No. 2017-L-001703 (Circuit Court – Cook County, Illinois): Litigation brought by vendor for unpaid leads.

V. WPM'S OPERATIONS

A. THE BUSINESS MODELS

97. The Receiver understands that WPM operated under its first business model from approximately June 2014 to October 2016 (the “First Business Model”). There were two primary aspects to the First Business Model: (1) WPM would provide its customers with an initial analysis of their idea, which was at first called a Global Invention Royalty Analysis (“GIRA”); and (2) if after receiving the GIRA the customer elected to pursue a patent for their idea, they could purchase a service called a “10 Point Patent Protection & Publicity Commitment” (“PPPC”).

98. The GIRA purported to offer a preliminary patent drawing, global patent search, an analysis of the market demographics for the product/idea, and a “marketability study” of the customer’s idea.

99. To assist with preparation of the GIRA, WPM contracted with an India-based technical company named Virtual Employee and later with TGK & Associates (“TGK”), a customer service company based out of San Francisco, California, with an operations center in the Philippines.

100. The PPC Brochure listed different types of patent applications WPM customers could pursue (i.e., a utility patent versus a design patent). The Brochure listed other available promotional services, including 3D models of the product, press releases regarding the product, webpages for the product, and other marketing materials.

101. In September 2016, WPM ceased offering the PPPC services to new customers, while continuing to assist its existing customers with their patent applications (the “Second Business Model”). WPM offered its new customers two main services or products: (1) a Patent Invention and Intelligence Report (“PIIR”), and (2) Smart Product Building (“SPB Services”).

102. The Receiver understands that WPM outsourced the preparation of the PIIR and SPB Services Reports to TGK.

103. The SPB Services Reports were similar to those included in the PPPC, but purported not to offer any patent application services. It also purported to offer separate packages for branding services, digital marketing, analysis of consumers interested in the product/idea, e-commerce services, prototype building, and other services.

104. From September 2016 through March 2017, WPM operated under the Second Business Model.

105. Mr. Cooper stated that he wanted to transition WPM to a company that largely centered around its on-line “inventor store,” which would be used to feature and launch WPM customer products (the “New Business Plan”).

106. Mr. Cooper stated that the New Business Plan was similar to Indiegogo.com and kickstarter.com, whereby WPM would assist its customers to develop their products, place the products for order and pre-order on its website, and assist in marketing the products.

107. The Receiver asked Mr. Cooper for a detailed business plan and projected financials for the New Business Plan, but did not receive a response.

B. ADDITIONAL INVESTIGATION REPORTS

i. GIRAs: are “COMPLETE FRAUD”

108. ShaVohn Curley and Fred McKinnon are brother and sister who each ordered a GIRA for separate inventions. Upon receipt of their GIRA’s Ms. Curley grew concerned that her GIRA contained the same cut and paste language as her brother’s, but they were for totally different inventions. The “Unique Aspects” section of each GIRA was identical.

109. On March 3, 2016, Ms. Curley reached out to her salesperson Johnny Graham (who was also Head of the Chicago Office). Mr. Graham agreed it looked like a scam. He then e-mailed Christie Hoffman (Vendor Relations/Processing Manager):

In this document are the EXACT same supposedly “**Unique Aspects**” that you are now asking her to change to qualify for patent suitability which leads me to believe that these are COMPLETE FRAUD. The very items that the patent search claim are unique we are now being told are not. I’m not an attorney and this is not MY client anymore once I sell the phase 2. **Her brother Fred Mckinnon’s GIRA just finished today and is wanting to pay for a utility patent but how the hell do I sell him a patent now with this??** This needs to be fixed first thing when you guys get in and I’m NOT reaching out to this client because I’m NOT an attorney who can provide legal council [*sic*]. This is insanity. Her message to me is quoted below...

A copy of Mr. Graham’s e-mail is annexed hereto as Exhibit R.

110. In response, Ms. Hoffman said not to worry because the GIRA had a disclaimer which states: “Based on our review if an objection of your patent application were to arise it may be overcome or avoided with more detailed novelty disclosure and patent drafting strategy.” *Id.*

111. Mr. Graham wrote back “That’s great I read the same thing. But when you read the identical patents and their claims side by side (GIRA next to Claim Mapping) they read differently by conveniently leaving out entire sentences. Plus, why would we say her chances of being approved were “Good” if we actually needed a near entire overhaul of the product? Seems sketchy that this document is sent to her after she pays for the patent....” *Id.*

112. Ms. Hoffman replied: "...if she maps out some unique features against the prior art listed in her GIRA as recommended she will increase her chances of obtaining the patent. 90% of these clients do not participate in writing their specs for the product they are trying to patent and then when we get an objection from the USPTO that only allows two months to respond to they complain." *Id.*

113. Mr. Graham replied: "That's find [*sic*] and dandy but when the 'Key Features' are listed in the patent mapping document as 'unique aspects' (a novel feature) and ENTIRE sentences are conveniently removed in the previous patents it's compared to, only to be revealed AFTER she pays phase 2. That would make it completely fraudulent. No getting around this compare[d to] the previously filed patent claims side by side in her GIRA and her patent mapping and you will see what I am talking about." *Id.*

114. Ms. Hoffman suggested that Mr. Graham speak with Mr. Cooper. She then states "I'm done with this conversation." *Id.*

115. Mr. Graham then contacted Mr. Cooper about the fraudulent nature of WPM GIRAs. Mr. Graham says that Cooper responded by calling him a "f--king idiot." Mr. Graham told the Receiver and his team that he continues to believe that the WPM GIRAs were fraudulent.

ii. WPM's Preparation of Provisional Patents for Filing by Customers as "Free Service" in 2017

116. Although WPM and Mr. Cooper state that WPM was out of the patent sales business since October 2016, the Receiver has located numerous e-mails within WPM's records showing that WPM and TGK have continued to prepare provisional patent applications for customers.

117. Each e-mail states: “THIS IS A FREE SERVICE PROVIDED BY WORLD PATENT MARKETING. WORLD PATENT MARKETING IS NOT A LAW FIRM AND DOES NOT PROVIDE LEGAL ADVICE.” Several examples are annexed hereto as Composite Exhibit S.

118. The e-mail then instructs the customer to print and sign the provisional patent application, pay the filing fee and mail it to the USPTO. WPM/TGK sent approximately 100 of these e-mails between February 8, 2017 and March 9, 2017.

119. The applications appear to be poorly done and contain rudimentary drawings, if any. In fact, WPM/TGK prepared a Provisional Patent for an invention called “not telling” where the description of the invention was “im not telling you.” A copy of the referenced patent application is annexed as Exhibit T. It is unknown whether some or all of these customers paid WPM for this or other services that WPM provided.

iii. PIIR Issues – Patent Valuations

120. PIIR’s were transmitted to customers via e-mails, with congratulatory language and an estimated range of the value of their patents. The lowest patent valuation was \$1.05 million and the range went as high as \$4 million. Each PIIR contained a schedule of similar patents and their “values.” It is unclear how these values were calculated and Christie Hoffman stated that she had no idea how TGK came up with the value.

121. Based upon comments made by Mr. Cooper and certain documents located in the Google Drive, it appears that much of the information contained in the PIIR was available through a database called “First Research”, a Hoover’s/D&B company.

122. The Receiver views the value range in the congratulatory PIIR delivery e-mails to be a direct communication to consumers regarding the value of their patents and that such language that the values were “excellent news” was a misrepresentation to consumers.

123. Copies of certain congratulatory e-mails are annexed hereto as Composite Exhibit U. The Receiver estimates that WPM sales staff sent approximately 100 of such e-mails from the first date of January 2017 through March 8, 2017.

iv. WPM Owns and Has No Interests in Factories in China

124. Numerous consumers have reported that salespersons mentioned that the Company had a manufacturing unit in China or referred to a “World Patent Marketing – China Division.”

125. The Receiver’s review of the business records and e-mail communications do not reveal that there was a division located in China. Mr. Cooper confirmed this to the Receiver and told him that WPM merely had contacts at factories in China that could manufacture various products.

126. The Receiver understands from Mr. Cooper that Safety Blade is the only invention that was ever actually manufactured in China.

v. Work Outsourced to Virtual Employee and TGK

127. Mr. Cooper told the Receiver that the Company outsourced many aspects of GIRA preparation to a company named Virtual Employee. Virtual Employee is based out of India. Mr. Cooper indicated that he outsourced work overseas in order to lower costs.

128. The Company also utilized the services of TGK Associates, a company based in San Francisco with employees based in the Philippines. TGK Associates was critical to the operations of the Company. Annexed hereto as Exhibit V is a TGK Task List from February

2017. It appears that TGK prepared virtually all of the PIIR Reports and performed many other detailed tasks.

129. TGK Associates workers used a [FIRSTNAME]@worldpatentmarketing.com e-mail address and regularly communicated directly with customers. In fact, certain TGK employees were communicating with the Company's customers through March 9, 2017, several days after entry of the TRO. March 9, 2017 is when the FTC computer experts were able to disable all of the Google Suite e-mail addresses.

130. Based on the Receiver's review of the Company's records, both Virtual Employee and TGK Associated (discussed below) utilized a service called "First Research" to obtain most of the information contained in the GIRA/PIIR. First Research is a Dun & Bradstreet/Hoover's company that provides Industry Profiles largely based on NAICS (North American Industry Classification System) and SIC (Standard Industrial Classification) Codes that relate closest to the industry for the customer's invention idea.

vi. Baylor University Marketability Study and The Ivy League Research Lab

131. The FTC's allegations make reference to evaluations of the probable success of WPM customer inventions authorized by a Baylor University Marketability Study (using Baylor University logo), and subsequently by the Ivy League Research Lab reportedly consisting of "researchers" "attending Harvard/MIT." The Receiver's counsel spoke to Professor David Allen, head of University Evaluations, Inc. who stated that his evaluation study was not prepared by or authorized by Baylor University. WPM Director of Vendor Management Christie Hoffman told the Receiver's counsel that WPM switched to using Rohit Goyal, then a graduate student at Harvard University, because Mr. Goyal agreed to charge only \$100 per evaluation. Mr. Goyal's bio, submitted by Scott Cooper's counsel as Exhibit E to Scott Cooper's Declaration, suggests

that Mr. Goyal, the apparent singular researcher in the “Ivy League Research Lab” was not attending MIT.

132. The Receiver did not review any opinions in conjunction with invention submissions from either University Evaluations or Mr. Goyal and therefore cannot opine as to their content or veracity.

vii. The “Advisory” Board

133. WPM held itself as having a 12-member Invention Team Advisory Board (the “Board”), all with impressive credentials whose existence was used by WPM to impress customers and foster sales. An example of a “Certificate of Endorsement” featuring members of the Board is annexed hereto as Exhibit W.

134. In reviewing the Company’s records, the Receiver located certain agreements with Board members for their service on the Advisory Board, along with a compensation schedule and required tasks. The Receiver has also reviewed an accounting of amounts paid to certain Board members. A sample Advisory Services Agreement is annexed hereto as Exhibit X. A schedule of payments reflecting transfers to the Board members are annexed hereto as Exhibit Y.

135. Mr. Eric Creizman is listed as a member of the Advisory Board, and a “legendary” attorney. Mr. Creizman told the Receiver that he had informed Mr. Cooper that he did not want to be on the Board. Mr. Creizman also said that he performed no services as a member of the Advisory Board and received no compensation as a board member.

136. WPM also lists U.S. Representative Brian Mast as a member of the Advisory Board. Congressman Mast, through counsel, has indicated that he performed no services for WPM and has returned a \$5,400 political donation received from Mr. Cooper.

VI. THE RECEIVER'S PRELIMINARY FINDINGS

137. The Receiver's preliminary opinion is that operations should remain closed, and that it is unlikely that WPM can be operated profitably, while also lawfully.

138. The reason for this conclusion is that even prior to being appointed, WPM was admittedly not operating on a profitable basis. Mr. Cooper stated during his interview that WPM suffered losses of approximately \$423,000 since November 2016, when WPM ceased actively selling patents due to the USPTO's investigation into the unlawful nature of these activities and shut down WPM's in-house patent agent Ms. Mikhailova. Mr. Cooper stated that due to WPM being insolvent, he had injected approximately \$300,000 into WPM in February or March to keep it running.

139. Mr. Cooper proposed that WPM could become profitable again under a new business model he had rolled out on March 7 or 8, precisely when the Receiver was appointed and took over the business. The Receiver asked Mr. Cooper if the rollout announcement and presentation to employees was accompanied by a PowerPoint or any type of written business plan. Mr. Cooper said it was not. Rather, it was all in his head. When asked who the Receiver might be able to employ to successfully run the business, Mr. Cooper indicated that he was the only person who could do so successfully.

140. The Receiver invited Mr. Cooper to prepare and submit a business plan making a case on how WPM could be operated legitimately and profitably under the new start-up model he envisioned, including how it would be capitalized. Despite the Receiver's follow up requests, Cooper has not submitted a plan.

141. Additionally, it is undisputed, and Mr. Cooper agrees, that no WPM inventor has ever realized a profit from their invention using WPM's services. Nor has any customer, through

WPM, sold a meaningful number of units or entered into a significant licensing agreement with a third party to do so.

142. Lastly, WPM prior to the TRO had been spending a significant amount of money paying patent agents to clean up customer patent issues that WPM was responsible for as a result of its prior patent selling business plan.

143. Given the start-up nature of the new business model, the money-losing record of WPM's last business model, the lack of success of WPM's customers and great deal of money they have lost, Mr. Cooper's failure to submit a business plan and method of capitalization, the continuing expense of prior customer patent issues, the Receiver does not believe WPM can operate profitably.

144. The Receiver also finds it unlikely that WPM can operate lawfully, while becoming profitable. Mr. Cooper and Mr. Graham both told the Receiver that WPM's financial success in 2015 and up to November 2016 was directly related to its sale of patent services, which are extremely important in the eyes of customers, yet apparently cannot be provided directly in a lawful manner.

145. In addition to deceptive and unfair sales practices detailed by the FTC in its papers, the Receiver's investigation has confirmed that WPM continued deceptive sales acts through March 2017, including falsely telling customers that their idea had been reviewed and approved by a "board." Given all of the above, the Receiver does not believe that WPM would likely be successful if operated entirely lawfully.

VII. CONTINUING WORK

146. The Receiver and his team continue to search for and secure assets of the Receivership, as well as to identify any claims for recovery the Receiver may have against third parties. If appropriate, the Receiver is prepared to liquidate all cash assets.

147. The Receiver and his team will continue to log customer complaints, and address such complaints as best as resources and inventory will allow.

148. The Receiver and his team continue gathering relevant information on the income and expenses of the Receivership Entities.

149. The Receiver and his team continue to quantify the scope of the Sales Practices, to determine the likely universe of claims and the amount of any such claims.

Date: April 5, 2017

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY certify that on April 5, 2017, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on all counsel of record or pro se parties identified on the attached Service List in the manner specified, either via transmission of Notices of Electronic Filing generated by CM/ECF or in some other authorized manner for those counsel or parties who are not authorized to receive electronically Notices of Electronic Filing.

s/ Jonathan E. Perlman .

Jonathan E. Perlman

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USDC, SD Fla., Case No. 17-cv-20848-GAYLES

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