



Transfer IP to the Corporation

Source:

<http://startuplawyer.com/incorporation/you-cant-spell-corporation-without-ip>

I watch “Shark Tank” on ABC. I had high hopes for the show, but it’s quickly turning into a disaster. A segment on Sunday’s episode did manage to highlight a key point for startups:

TRANSFER THE INTELLECTUAL PROPERTY TO YOUR STARTUP COMPANY

In the episode, [Coverplay Inc.](#), was looking to raise about 350k from the show’s angel investors. A few investors made proposals and one particular investor offered Coverplay’s 2 founders 350k in exchange for 40% of their company. Coverplay countered with 350k in exchange for 30% of the company...**and 10% of the patent**. The show went to commercial and I said to my wife “Uh oh, their corporation doesn’t own the patent.”

After the break, all the investors pulled their deals off the table. Without the intellectual property, there was no business. The investors (rightfully) assumed the patent was owned by the company. In essence, Coverplay was asking for investment in something they didn’t own. (Side: This is happening often on the show. Many entrepreneurs are claiming they own the IP when they really don’t.)

Coverplay explained that Allison Costa, one of Coverplay’s founders, owned the patent. Then Allison further explained that her ex-husband also owned part of it as well. I can only assume that Costa had some type of patent license deal with Coverplay.

When starting a company involving intellectual property, you must transfer the IP to your startup. For example, if the intellectual property is developed prior to incorporation, you can transfer the IP via the founder’s stock purchase and tech transfer agreement.

About The Author

Ryan Roberts is a startup lawyer and represents technology companies through all phases of the startup process, including incorporation, seed & venture financings, and exit transactions. Click [here](#) to learn more about his practice.