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INSIGHTS

Corporate Development in the Era of Applied AI

When anyone can build it, what are you buying?



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AI is collapsing the cost of reproducing everything, from software to scientific breakthroughs. The intellectual property underlying a technology company acquisition is becoming as important as the technology itself.

The Corporate Development Playbook

The corporate development playbook for technology acquisitions has changed remarkably little in twenty years. Strategic buyers paid for time. A premium on a technology acquisition was, in large part, a payment for the years a competitor would need to rebuild what the target had already built: the proprietary software, the engineering team that understood it, the integrations, and the resulting market position.

The process reflected that logic. Diligence centered on product, roadmap, architecture, talent, and customers. Patents were a checklist item handed to outside counsel, who came back with a memo on freedom to operate and litigation exposure. Validity and coverage were an afterthought. If the memo was clean, the deal moved. If the risk looked low, the team moved ahead, regardless of the quality of the patents. The moat was never really the patents. The moat was the difficulty of catching up.

That worked because catching up was genuinely hard. It no longer is.

The AI Disruption

AI is removing the difficulty that justified the premium. Small teams using agent-based development tools now reproduce the core functionality of established software products in a fraction of the time it took even a year ago. Data and software integration work that once consumed quarters is being compressed to a point where it is a non-factor in timelines. Engineering time, what

acquirers were really paying for, is becoming the smallest thing in the stack.

Consider a scenario that is becoming familiar: A strategic buyer acquires an enterprise workflow platform at a premium multiple. Eighteen months later, three competitors have shipped functionally equivalent products built largely with AI-assisted development. The customer base remains, but the technological advantage the premium was meant to secure has evaporated. What did the buyer own that the clones did not?

The answer is rights, not code. The ability to reproduce technology does not confer the right to deploy or commercialize it. Although software functionality can be replicated, a valid patent properly covering that functionality cannot be avoided without changing what the software does. The owner of a patent decides how it is used: to defend an existing market, to support expansion into an adjacent one, to anchor a partnership, to shape how competitors position themselves, or to deny, or make competitors pay for, permission to practice the art subject to the patent.

"The answer is rights, not code."

Patent rights matter most when platforms are rapidly evolving. Historically, most patent estates mapped to a particular product or technology. As AI becomes more deeply integrated into the economy, platforms are gaining new capabilities, underlying architectures are fundamentally changing, and entire market categories are being reshaped. A much larger share of corporate development deals will therefore break entirely new technical ground, making intellectual property rights increasingly important. The more valuable patent estates will map not just to individual products or technologies, but to the architectures within which they operate.

Four Changes for Corporate Development

The first change is in the questions corporate development asks. The old diligence question was what capabilities this acquisition provides and how long until someone else has them. The new question is what rights this acquisition provides that others cannot design around. Counsel still asks whether a claim is valid and enforceable. Corporate development now has to ask whether ownership changes the competitive outcome. That question can no longer be delegated to a file memo.

The second change is in valuation. Conventional patent valuation looks at licensing income, infringement exposure, or the cost of designing around. Those measures understate what exclusive rights are worth to an operating company. A better test asks three questions:

1 **What existing enterprise value does ownership protect?**
The market share, margins, and cash flows now exposed to AI-driven commoditization.

2 **What incremental value does it create?**
The stronger competitive positioning, category expansion, and the operating profit those items produce.

3 **What strategic options does it preserve?**
The ability to shape partnerships, enter emerging categories, and respond to competitors without needing to first negotiate permission.

The answers are inherently buyer-specific. The same patent estate is worth different amounts to different acquirers, depending on the size of the business it protects and the ambitions it enables. An estate with modest standalone licensing revenue can protect or create enterprise value orders of magnitude larger when coupled with an operating company. The right analysis compares the acquirer's expected performance with and without ownership, accounting for alternative technologies, licensing paths, and enforceability. The goal is not to attach a speculative premium to patents. It is to identify the specific cash flows and competitive outcomes that ownership changes.

The question regarding strategic optionality deserves more attention than it typically gets. Rights do not only work against competitors. They give the owner standing with ecosystem partners, suppliers, and platform participants, all of whose products depend on the covered architecture or system. That leverage shows up in commercial terms, partnership structures, and standards discussions long before it shows up in a courtroom.

The third change is in how corporate development thinks about scarcity and timing. The with-and-without analysis has a second half that most deal teams never evaluate. If a patent estate is commercially important

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and difficult to avoid, it is by definition unique. Whoever acquires it constrains the choices available to everyone else. The cost of not owning such rights is not zero; it is the cost of a competitor owning them. For scarce IP that covers keystone platform architectures and expanded system footprints, that makes the decision to move first a strategic question, not a procurement one.

The fourth change is operational. Patent evaluation has to move from the end of the diligence process to the beginning, and from outside counsel to the deal team itself. Corporate development groups need people who can translate counsel's legal analysis of a claim set to a reading of a platform and product roadmap, and who can connect architectural and system coverage to the P&L of the businesses it touches. That is a different skill from negotiating a term sheet, and most teams do not yet have it.

The New Opportunity

Agentic AI is changing the economics of technological scarcity. Building sophisticated technology is becoming accessible to anyone. The legal rights covering how that technology is deployed remain distinct assets, and their use is decided by whoever owns them. In a period of rapid evolution and expansion of technology platforms, new intellectual property rights are implicated with much greater frequency than in periods of slow evolution, like we recently experienced in the cloud/SaaS era.

The new opportunity in strategic M&A will not be finding who can build or reproduce the best technology. It will be who secures the durable rights that protect existing businesses, shape emerging markets, and capture the economic value AI creates.

About the Author

Richard Spitz is Co-Founder of Strong Force Innovation Portfolios. His global experience in technology and executive leadership spans strategy, market development, executive recruitment and development, board advisory, capital formation, and strategic transactions. He was previously Chairman of Korn/Ferry International's Global Technology Market and held a senior role at ServiceMesh, an enterprise cloud company acquired by CSC and has also served on public and private company boards. At Strong Force, he leads the Markets function, directing strategic positioning, business development, industry relationships, and commercial engagement. Developed by a team that includes leading AI inventors, the estate comprises more than 1,000 patent assets spanning industrial, financial, transportation, value chain, energy, healthcare, and other use cases that offer companies a foundation for durable competitive moat and long-term value creation in the next era of AI.

