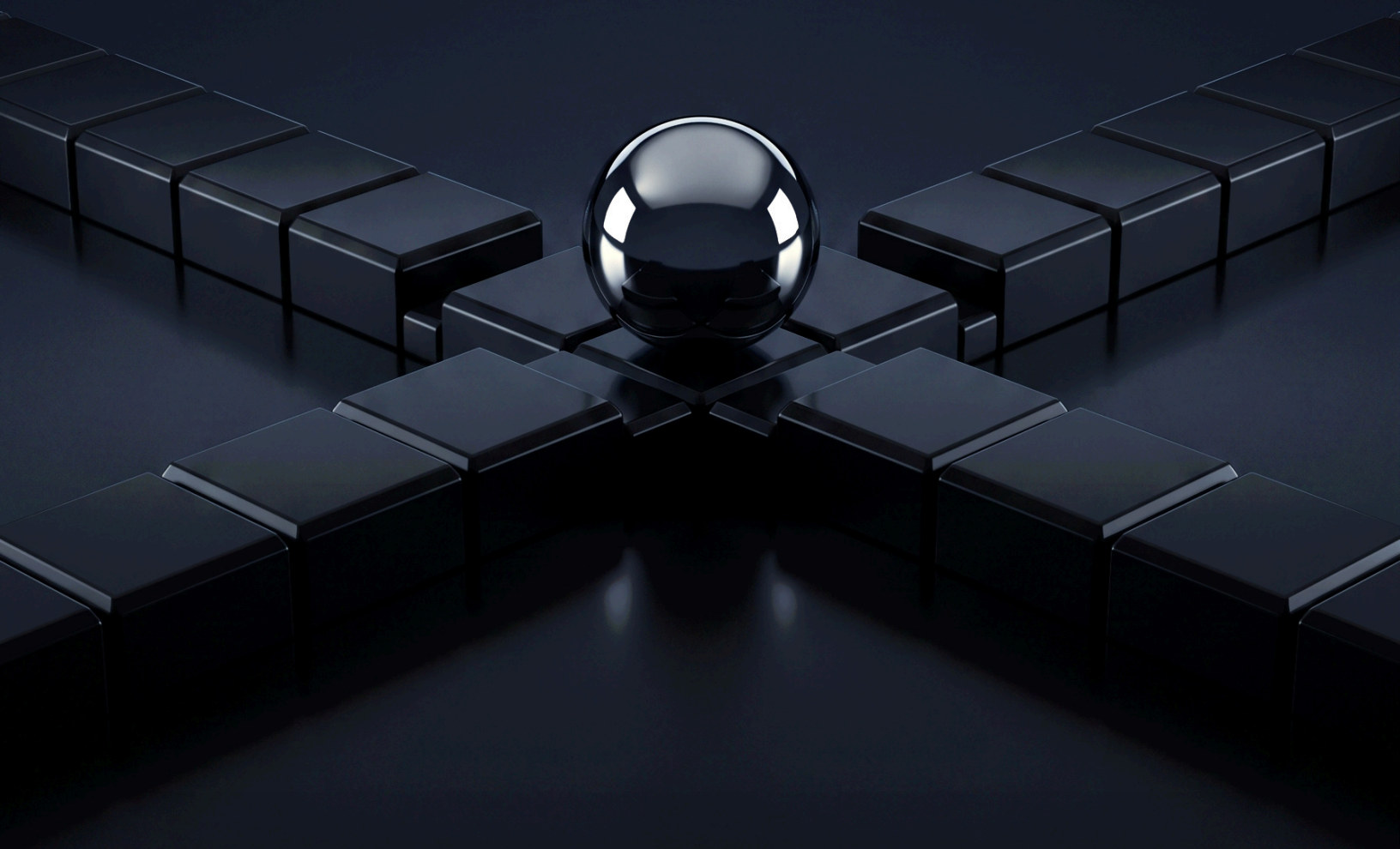
STRONG FORCE

INSIGHTS

A Crossroads for AI Deployment Enablers



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AI has entered a phase of deeper interplay with the rest of the economy, with huge profit zones at stake; but AI is more likely to destroy an old competitive moat than provide a new one. This double-edged sword has important implications for professional services and engineering companies that help enterprises integrate AI model capabilities to unlock performance advantages.

We expect a new class of architectures where AI models are largely interchangeable components of larger systems will become new structural keystones of enterprises across most verticals, with the potential to drive enormous profit zones. A firm that combines world-class competitive strategy, domain-specific integration of AI with other technologies, and durable patent moats will enjoy powerful advantages over competitors that focus primarily on implementation.

The Challenge for All Businesses: the Erosion of Moats

By compressing development cycles, AI upends long-valued pillars of differentiation and threatens to narrow the competitive strategy playbook. Ironically, as intelligence itself improves, it no longer differentiates. Small, AI-powered teams can rapidly replicate not just software, but deep technical breakthroughs, and they can complete integration tasks in days that once took many months. As lead time compresses, the window for businesses to lock in other structural advantages also diminishes. In general, sources of durable competitive advantage are becoming scarce. For a professional services firm to thrive over the long term, it needs for its clients to thrive, and it needs durable strategic control points of its own.

> "AI is more likely to destroy an old competitive moat than provide a new one."

Keystone Architectures and Systems

As the cognitive capabilities of AI become standardized, widespread and "abundant," the greatest economic impacts (forecasted in tens of

trillions) will come in the application layer, where AI is deeply integrated into enterprise operations.[1] What is missing for most organizations is not better AI models, but the critical "connective tissue" that sits between AI models and other enterprise systems, and the architectures that unlock systemic economic benefits. This involves not only sophisticated technology integration, but also major organizational and human factors. A trusted professional services firm is uniquely suited to help clients undertake the complex reengineering of workflows around powerful AI, factoring in competitive strategy, organizational design and governance, technology selection and integration, market factors, and more. Those factors are the gating issues to unlocking maximum value from AI.

Example: Agentic Orchestration Architectures

One class of architectures that will be at the heart of many future Applied AI deployments is the agentic orchestration architecture, where ubiquitous sensors will feed real time digital data to context-capable AI models that make decisions and implement actions via software-defined assets and workflows. At the most fundamental level, the most powerful Applied AI solutions will leverage a closed loop that includes inputs from various systems and outputs that adjust an operating environment.

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1 Even big AI infrastructure players like Nvidia CEO Jensen Huang predict the greatest economic impacts of AI will come not in infrastructure, but in the application layer. He estimates that as much as $50T in GDP will be impacted by application layer use cases.

Patents Provide Durable Moats, With Multi-Level Benefits for Firms

In the face of a fundamental shift in competitive dynamics across industries, we believe professional services and engineering firms can enjoy large benefits by owning a source of differentiation that is independent of implementation speed or AI capability. The large, category-level intellectual property portfolio constructed by Strong Force to control enterprise-class AI use cases across industries is intended to provide exactly that. Used systematically, intellectual property can provide differentiation for a professional services firm at multiple levels:

FIRM LEVEL:

- Exclusivity for key, repeatable classes of client solutions;
- A competitive moat around key capabilities; and
- A basis for durable, value-based revenue participation on growth solutions implemented for clients

CLIENT LEVEL:

- A mechanism to share the benefit of how value created for one client is applied to others and
- A source of exclusivity.[2]

IP is a proven model for value creation.[3] As agentic coding creates pressures on billable hours and software as sources of revenue, the importance of IP may grow as a revenue driver. Notably, the most successful players usually unlock these benefits in their agreements, without the need to resort to enforcement—by creating IP leadership positions that are very difficult to circumvent. When multiple professional

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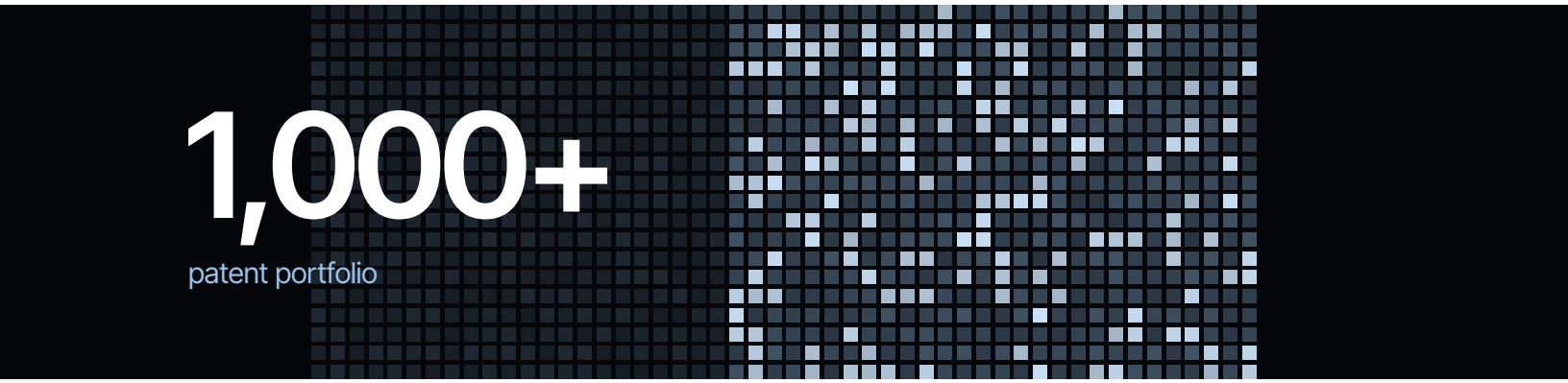
2 Client exclusivity might apply in special situations where the professional services firm is engaged with only one player in a category, or it might be shared among a group of clients, depending on how the firm wishes to make the most of a durable, client-level moat.

3 IBM perfected an IP-centric model in the late 20th century, capturing a large, durable revenue stream from royalties on the technical outputs of IBM Research in addition to server and database product sales and IBM Consulting fees. Qualcomm similarly layered robust IP royalties in addition to the price of CDMA chips in the smart phone era. Orchestrated well, the legal monopoly of a patent portfolio can be used to structure an entire category, so that the owner captures enhanced profits for its own offerings, shapes the roles of other players in the ecosystem and participates in the profits of others in the category.

services firms are competing for a deployment engagement, if one firm owns strong IP rights over a critical architecture central or system-level solution, clients will factor IP access into partner selection and may require competitors to obtain necessary licenses, provide difficult non-infringement warranties, or insure or indemnify against risk.

Key Insight: Technology Convergence

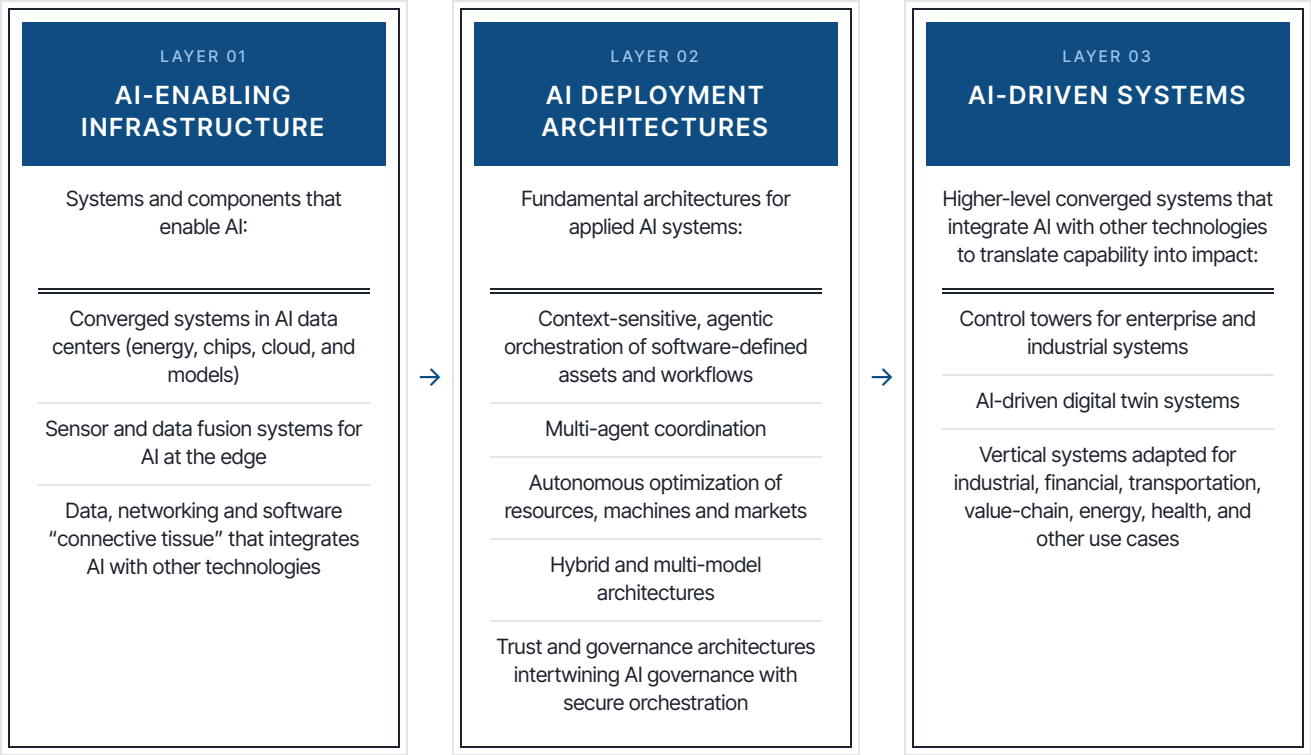
Strong Force was the first big IP mover in the architectures and systems that deeply integrate AI with the rest of the economy. The key insight that drove its 1,000+ patent portfolio was that AI would eventually pivot from standalone use to convergence and integration with other technologies and platforms in enterprise-class systems. The marks of technology convergence are all over the phase AI just entered: in the infrastructure that enables AI models, in the architectures that unlock systemic benefits, and in enterprise- and domain-specific use cases. As described earlier, the development of agentic orchestration architectures will be a recurring form of convergence across most industries. Eventually, we expect that entire enterprises will reshape around new, AI-driven systems that unite previously siloed functions.[4]



4 The infrastructure enabling an AI model converges energy, chips and cloud/networking technologies (both for training in a data center and for inference or action at the edge). In enterprise-class applications and use cases, AI integrates with (and helps run) all of the platforms, components and systems of the enterprise, forming whole classes of new "systems-of-systems," such as control towers that unify control over previously disparate enterprise functions. The aforementioned "connective tissue" between applications and infrastructure leverages sensor and data fusion across systems to detect and understand context; provides converged, adaptive networking infrastructure (such as for robust digital twins) to distribute intelligence where it is needed; and links orchestration of workflows across previously siloed operations and transactions. Eventually, fully AI-driven enterprises will intertwine governance and operations at all levels, subsuming today's siloed functions into higher-level systems.

Select Examples of Strong Force IP Portfolio Coverage

(New AI Value Chains)



Conclusion and Next Steps

All businesses need to deal with the double-edged sword of AI. Global professional services firms can provide not only technology expertise, but critical frameworks for strategy, governance and organizational transformation that will separate winners from losers. As the AI application layer explodes, grounded on convergence, we believe the timing is favorable to pair the Strong Force portfolio with the strengths of a global firm in an IP alliance. The next step would be an exploratory meeting to discuss the above.

The Author

Charles Cella is Co-Founder of Strong Force Innovation Portfolios. With a background in physics, game theory and intellectual property, he is a respected strategist and the most prolific inventor of US AI patent filings since 2019. In the mid-2010s, Strong Force was the first and most comprehensive mover in innovating and patenting applied AI architectures and systems that reflect the deep interplay of AI with the other most important systems and workflows of the economy. Its 1,000 patents (generated by an inventive team that includes multiple top AI inventors) extend to industrial, financial, transportation, value chain, energy, health care and other use cases. These are available to provide durable competitive moats for players who are seeking to capitalize on the next era of AI.

