

Whitepaper:

AI Escrow – Safeguarding Business-Critical Artificial Intelligence Applications

Artificial Intelligence (AI) is reshaping industries at an unprecedented pace. From financial forecasting to supply chain automation and personalized medicine, enterprises increasingly rely on AI applications for **business-critical functions**. However, the adoption of AI brings with it unique risks: what happens if the AI vendor ceases operations, loses critical data, or fails to support your model?

Just as **software escrow** and **SaaS escrow** have long been used to protect organizations dependent on traditional applications, **AI escrow (artificial intelligence escrow)** is emerging as the essential safeguard for businesses deploying AI. Unlike traditional software escrow agreements, AI escrow must address not only code, but also **trained models, weights, datasets, training pipelines, APIs, and continuous updates** that underpin modern AI solutions.

This whitepaper provides IT and legal leaders with a comprehensive guide to:

- The fundamentals of **software escrow** and **SaaS escrow**
- Why **AI escrow** is different—and why it is urgently needed
- What must be deposited in an AI escrow arrangement
- The importance of **Automated Escrow™** and **Infinite Retention™**
- Critical release conditions to consider in an **AI escrow agreement**
- Key factors when selecting an escrow partner
- Real-world hypotheticals demonstrating the value of AI escrow

Part I: Fundamentals of Software and SaaS Escrow

Software Escrow

A **software escrow agreement** is a legal arrangement in which the software vendor (the depositor) places their source code, documentation, and supporting materials with a neutral, professional third-party escrow agent. If the vendor defaults—through bankruptcy, discontinuation of service, or breach of agreement—the escrowed materials are released to the beneficiary (typically the licensee), enabling them to maintain or redeploy the software.

Why it matters: Without source code, businesses cannot maintain or adapt mission-critical applications. Escrow reduces dependency risk and ensures continuity.

SaaS Escrow

As organizations increasingly migrate to SaaS platforms, escrow has expanded to cover:

- Application source code and build scripts
- Deployment instructions and infrastructure-as-code
- Configuration files and environment specifications
- Customer data backups and database schemas

Why it matters: SaaS providers host applications in their own environments. If the provider fails, customers risk downtime, data loss, and loss of access. A **SaaS escrow agreement** ensures businesses can re-establish the service independently or with a new provider.

Part II: Why AI Escrow Is Different

Traditional **software escrow** works for applications with relatively stable codebases and periodic updates. By contrast, **AI escrow** must protect far more dynamic and interdependent components:

1. **Trained Models and Weights**
 - These are the core of any AI solution. Without them, reproducing performance is impossible.
2. **Training Data and Preprocessing Pipelines**
 - AI systems depend heavily on training data quality and structure. Escrow must include datasets or representative subsets, along with preprocessing scripts.
3. **Environments and Dependencies**
 - AI workloads rely on frameworks (TensorFlow, PyTorch), GPU specifications, and third-party APIs. Containers or virtual machine images should be deposited to ensure portability.
4. **Continuous Evolution**
 - AI models require periodic retraining. Unlike static software releases, AI systems are in constant flux, making **Automated Escrow™** critical.
5. **Documentation and Explainability**
 - Detailed documentation ensures beneficiaries can deploy, understand, and validate outputs.

In short: While traditional software escrow ensures access to source code, **artificial intelligence escrow** must ensure access to the entire AI lifecycle: data, models, environments, and updates.

Part III: Examples of What is Often Deposited in AI Escrow (and Why)

To make an **AI escrow agreement** effective, the following should be deposited:

Source Code

- Core application logic, model training scripts, and orchestration code.
- **Why:** Enables maintenance and retraining of AI models.

Trained Models (Weights and Parameters)

- Finalized versions of AI models in production.
- **Why:** Re-training from scratch may be infeasible due to cost, data requirements, or time.

Training Data and Sample Datasets

- Raw datasets (if permissible) or anonymized/representative subsets.
- **Why:** Ensures the ability to reproduce or validate model performance.

Preprocessing and Feature Engineering Pipelines

- Scripts and tools for data cleaning, feature extraction, and labeling.
- **Why:** AI model accuracy depends heavily on preprocessing steps.

Environment Configurations

- Container images (Docker), hardware requirements (GPU types), dependencies.
- **Why:** AI applications often break outside their original environment.

APIs and Integrations

- API endpoints, authentication mechanisms, and configuration files.
- **Why:** Without API access details, AI solutions may be unusable.

Documentation and Runbooks

- Architecture diagrams, operational runbooks, retraining instructions.
- **Why:** Ensures future usability and legal defensibility of AI systems.

Part IV: Release Conditions to Consider

An **AI escrow agreement** is only as strong as its **release conditions**. Consider release conditions such as:

Vendor Bankruptcy or Insolvency

- Protects against service disruption if the provider ceases operations.

Failure to Provide Support or Updates

- Ensures continuity if the vendor abandons the product or fails to maintain compliance.

Material Breach of Contract

- Covers scenarios where the provider violates SLAs, licensing, or security obligations.

M&A or Change of Control

- Critical when acquisition leads to discontinuation of the AI service.

Security Breach or Regulatory Non-Compliance

- Ensures access if legal requirements (e.g., GDPR, HIPAA) are compromised.

Why these matter: Each condition balances vendor interests with the beneficiary's right to continuity. Carefully negotiated release terms prevent ambiguity during a crisis.

Part V: Automated Escrow™ and Infinite Retention™

Automated Escrow™

With AI systems evolving constantly, **manual deposits** are no longer sufficient. Automated Escrow™ integrates directly with:

- Source repositories (GitHub, GitLab, Bitbucket)
- Model registries and storage platforms
- Data warehouses

Benefits:

- Eliminates stale deposits
- Reduces human error
- Creates a defensible audit trail

Infinite Retention™

In AI, past versions matter as much as the current one. Infinite Retention™ ensures **no deposits are deleted**, creating a complete historical archive.

Why it matters:

- Supports compliance audits
- Enables rollback to known-good models
- Protects against vendor disputes

Part VI: Hypothetical Examples

Example 1: Financial Institution Using AI Risk Models

- A bank relies on an AI vendor for credit risk scoring. The vendor is acquired and the new parent company discontinues the service. Without AI escrow, the bank loses access to models and data, exposing it to regulatory fines. With AI escrow, the institution redeploys the last working model internally within days.

Example 2: Healthcare AI for Diagnostics

- A hospital depends on an AI model for imaging diagnostics. The vendor files for bankruptcy. Because an **AI escrow agreement** was in place—including models, weights, and data pipelines—the hospital's IT team can continue operating the system, ensuring patient care is uninterrupted.

Example 3: SaaS Provider Integrating AI

- A SaaS provider embeds third-party AI into its own platform. Escrow ensures that if the AI partner fails, the SaaS provider can maintain its own continuity without disrupting services to its end clients.

Part VII: Key Considerations When Selecting an Escrow Partner

When evaluating an **AI escrow** provider, CIOs and legal professionals should ensure:

1. **Automated Escrow™** depositing services so that the escrow materials are continually updated.
2. **Infinite Retention™** so that all escrow deposit materials are retained for the life of the agreement.
3. **US-Based Jurisdiction** – Strong protections under **Section 365(n)** of the US Bankruptcy Code.
4. **Neutral Third-Party Specialist** – Avoid banks or law firms that treat escrow as secondary. Choose a **professional escrow agent**.
5. **SOC 2 Security Certification** – Assurance that AI data and models are securely stored.
6. **Errors & Omissions Insurance** – Verify coverage of at least \$2M to protect beneficiaries.
7. **Experienced, Responsive Staff** – The escrow agent should

Glossary of AI and Escrow Terms

- **AI Escrow (Artificial Intelligence Escrow):** An arrangement where AI models, data, and related assets are deposited with a third party for continuity.
- **Software Escrow:** Traditional source code and documentation protection through escrow.
- **SaaS Escrow:** Escrow covering both code and hosted infrastructure/data for SaaS applications.
- **Software Escrow Agreement:** A contract defining terms, deposits, release conditions, and obligations.
- **Model Weights:** The trained parameters of an AI model that determine its performance.
- **Training Data:** The dataset used to train an AI model.
- **Feature Engineering:** The preprocessing of raw data into formats usable by AI.
- **Containerization (Docker):** Packaging of code and dependencies to ensure reproducibility.
- **API (Application Programming Interface):** The method by which AI systems interact with applications.
- **Automated Escrow™:** Continuous, automated depositing of source code, models, and data.
- **Infinite Retention™:** Policy of retaining all historical deposits indefinitely.

Conclusion

AI is transforming the enterprise, but its risks are equally profound. Without an **AI escrow agreement**, businesses are exposed to operational failures, compliance risks, and vendor instability. By adopting **AI escrow**, backed by **Automated Escrow™** and **Infinite Retention™**, CIOs and legal teams ensure resilience, compliance, and long-term control over their AI investments.

Choosing the right escrow partner—a **US-based, SOC 2-certified, insured, professional third party**—is the final step in protecting business-critical AI systems.

AI escrow is not just about technology; it is about trust, continuity, and risk management for the AI-driven enterprise.

About PRAXIS

At PRAXIS Technology Escrow, we combine innovation with security to protect your most critical software and technology assets. As innovators in the field, PRAXIS offers the most advanced solutions in the industry, ensuring your deposits are always up to date and never lost, thanks to our Automated Escrow™ solution and Infinite Retention Policy™. Providing services worldwide from our U.S. headquarters, we pride ourselves on delivering flexible, tailored escrow agreements that meet each client's unique needs, backed by PRAXIS' unmatched personal service. Our team of experts provides trustworthy and responsive support, ensuring your business continuity is always protected.

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