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# **TREATMENT OF ARTIFICIAL INTELLIGENCE ENTERPRISES UNDER THE INSOLVENCY AND BANKRUPTCY CODE 2016**

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## **Abstract**

The Insolvency and Bankruptcy Code 2016 (“IBC”) was drafted for an economy of factories, inventory, and immovable property. Artificial intelligence enterprises invert this premise, their commercial worth resides in “asset stacks,” interdependent bundles of training datasets, model weights, application programming interfaces, licensed software, and user-contributed data, few of which the corporate debtor owns outright. This paper examines whether India’s insolvency framework can accommodate such enterprises when they fail. It argues, first, that the IBC’s ownership-centric conception of “property” under section 3(27) and the resolution professional’s custodial mandate under section 18(f) sit uneasily with the fragmented, licence-dependent character of AI asset stacks. Second, drawing on the Supreme Court’s commercial-interest reasoning in *Victory Iron Works Ltd v Jitendra Lohia* and *State Bank of India v Union of India*, it contends that AI asset stacks should nonetheless form part of the insolvency estate as transferable commercial interests, triggering a functional rather than possessory duty of preservation on the resolution professional. Third, it draws comparative lessons from the United States’ consumer-privacy-ombudsman mechanism and the European Union’s lifecycle approach to AI governance. The paper concludes with recommendations for an AI-native insolvency framework calibrated to India’s Digital Personal Data Protection Act 2023.

## **Introduction**

In May 2025, *Builder.ai*, a London-headquartered, Microsoft-backed enterprise once valued at USD 1.5 billion and marketed as an “AI-native” software-development platform, collapsed into insolvency after a creditor seized funds from its accounts, and subsequently entered Chapter 7 bankruptcy proceedings in the United States.<sup>1</sup> The company’s downfall, precipitated by

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<sup>1</sup>Amanda Silberling, ‘*Builder.ai Was Once Worth \$1.5B. Now It’s Filing for Bankruptcy*’ TechCrunch (20 May 2025); ‘*Builder.ai Files for Bankruptcy After Creditors Seize Accounts*’ Bloomberg (5 June 2025).

revelations that much of its advertised automated development process was in fact performed by hundreds of human engineers, has become a cautionary emblem for a sector whose valuations have often outpaced its balance sheets.<sup>2</sup> Builder.ai is not an isolated episode. Since 2025, at least eighteen Indian AI start-ups, including Subtl.ai, have entered bankruptcy or insolvency proceedings, even as investment in India's AI start-up ecosystem reached approximately USD 1.48 billion in the first quarter of 2026 alone, accounting for nearly thirty-eight per cent of all start-up funding in that period, before equity funding is reported to have contracted by roughly a third shortly thereafter.<sup>3</sup> As capital tightens and the artificial intelligence sector matures past its initial hype cycle, a growing number of AI enterprises will be brought within the ambit of India's IBC framework.

This trend exposes a structural mismatch between the Code and the enterprises it is now being asked to resolve. The IBC was conceived for an economy in which a corporate debtor's value is embodied in identifiable, ownable assets, land, plant, machinery, inventory, and receivables, capable of being taken into custody, preserved, and eventually transferred by a resolution professional ("RP") so as to maximise returns for creditors. AI-native enterprises invert this premise. Their commercial worth lies not in tangible capital but in what this paper terms the "AI asset stack," an integrated, interdependent bundle comprising proprietary source code, trained model weights, licensed and user-contributed datasets, application programming interfaces ("APIs"), cloud-compute arrangements, and third-party software components. Ownership over these constituent elements is rarely unified in the corporate debtor. Datasets may be licensed from third parties or drawn from user interactions subject to contractual and statutory restrictions; APIs and cloud infrastructure typically operate under revocable service agreements; and model weights may themselves be derivative of open-weight or licensed foundation models. The result is that the very asset which makes an AI company valuable as a going concern may not qualify as "property" which the corporate debtor can be said to "own" within the meaning the Code presupposes.<sup>4</sup>

This paper addresses three connected questions. First, does the emergence of AI asset stacks expose a conceptual limitation in the IBC's ownership-centric notion of insolvency property? Second, if AI asset stacks nonetheless ought to form part of the insolvency estate, on what legal

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<sup>2</sup>Thomas Claburn, '*Builder.ai Coded Itself into a Corner – Now It's Bankrupt*' The Register (21 May 2025); on the underlying allegations of overstated automation see WebProNews, '*Builder.ai's Collapse: AI Hype Fuels \$1.5B Startup's 2025 Bankruptcy*' (30 July 2025).

<sup>3</sup>Raghav Krishna Agnihotri and Madhav Krishna Agnihotri, '*Reconceptualising the IBC for AI: A Case for Asset Stacks*' (Blog post, 2026).

<sup>4</sup>Insolvency and Bankruptcy Code 2016, s 3(27).

basis, and what obligations does this impose on the RP in preserving, valuing, and realising them? Third, what legislative or regulatory reforms would allow India's insolvency framework to accommodate AI-native enterprises without abandoning the Code's foundational commitments to property rights, contractual sanctity, and data protection?

### **The Anatomy of an AI Insolvency Wave**

The scale of the present problem is best understood against the backdrop of the extraordinary expansion of India's AI ecosystem. The global AI dataset market alone is estimated at USD 4.44 billion, reflecting the extent to which data, rather than physical infrastructure, has become the primary input of value creation for AI enterprises.<sup>5</sup> Indian start-ups attracted roughly USD 1.48 billion in AI-related investment in the first quarter of 2026, representing an unusually large share of aggregate start-up funding for that period. Yet this expansion has been accompanied by a sharp correction, a reported thirty-three per cent drop in equity funding within months of the funding peak has coincided with a wave of failures among AI-native start-ups, of which Subtl.ai is only the most visible example within a cohort of at least eighteen insolvencies.

The structural fragility underlying this wave is not accidental. Many AI-native enterprises operate on business models characterised by high fixed compute costs, thin or negative gross margins on inference, and valuations built substantially on projected rather than realised revenue. Builder.ai's trajectory is illustrative, the company raised over USD 445 million from investors including Microsoft and the Qatar Investment Authority, yet its core commercial promise, an AI assistant capable of autonomously generating software, was substantially reliant on manual engineering labour, a discrepancy that eroded investor confidence once disclosed and ultimately precipitated its collapse.<sup>6</sup> Whatever the cause of an individual AI enterprise's distress, whether overstated automation, compute-cost overruns, or a broader market correction, the consequence for insolvency law is the same, an increasing number of corporate debtors whose primary commercial value lies in intangible, data-dependent, and contractually fragmented resources rather than in conventional balance-sheet assets. It is this consequence, rather than the causes of AI-sector distress as such, that occupies the remainder of this paper.

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<sup>5</sup>Agnihotri and Agnihotri (n 3).

<sup>6</sup>ibid (n 1).

## **The IBC's Ownership-Centric Architecture and Its Limits**

The IBC's architecture proceeds from the assumption that a corporate debtor's estate consists of assets capable of being identified, possessed, and transferred. The Preamble frames the Code's object as the "*maximisation of value of assets*" of persons subject to its provisions, within a time-bound process designed to balance the interests of all stakeholders.<sup>7</sup> Section 3(27) defines "property" expansively to include "money, goods, actionable claims, land and every description of property situated in India or outside India and every description of interest including present or future or vested or contingent interest arising out of, or incidental to, property".<sup>8</sup> On its face, this definition is broad enough to encompass intangible and contingent interests, including, potentially, data and software assets.

The more restrictive gloss emerges at the level of implementation. Section 18(f) empowers the interim resolution professional to take control and custody of "assets" over which the corporate debtor has "ownership rights", whether or not such assets are in the corporate debtor's possession.<sup>9</sup> Crucially, the accompanying Explanation to section 18 excludes from this custodial mandate assets owned by a third party but held by the corporate debtor under contractual arrangements, including bailment.<sup>10</sup> Read together, sections 3(27) and 18(f) create an architecture in which the RP's statutory authority to control an asset is contingent upon the corporate debtor's ownership of that asset, a standard that sits uneasily with an AI enterprise whose commercial value typically depends on components it does not exclusively own.

### **Judicial Elaboration: From Possession to Commercial Interest**

Indian courts have, however, already begun to soften the rigidity of a purely possessory or title-based reading of "asset" under the Code. In *Victory Iron Works Ltd v Jitendra Lohia*<sup>11</sup>, the Supreme Court considered whether development rights held by a corporate debtor over a 10.19-acre parcel of land, rights that fell short of full ownership of the underlying land, could nonetheless constitute "property" and, therefore, an "asset" for the purposes of the Code. The Court held that such development rights, being a bundle of contractual and proprietary interests created for valid consideration, satisfied the expansive definition of "property" under section 3(27) and accordingly qualified as "assets" under sections 18(f) and 25(2)(a).<sup>12</sup> Significantly,

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<sup>7</sup>ibid (n 4).

<sup>8</sup>Insolvency and Bankruptcy Code 2016, s 3(27); see also text to (n 5) above.

<sup>9</sup>Insolvency and Bankruptcy Code 2016, s 18(f).

<sup>10</sup>ibid s 18, Explanation (a).

<sup>11</sup>Victory Iron Works Ltd v Jitendra Lohia, Civil Appeal Nos 1743 and 1782 of 2021 (Supreme Court of India, 14 March 2023) (V Ramasubramanian and Pankaj Mithal JJ).

<sup>12</sup>ibid, holding that development rights constitute 'property' under s 3(27) of the IBC and hence 'assets' under ss

the Court also clarified that the Explanation excluding third-party-owned assets under section 18 is confined textually to that section and does not extend to section 25, which governs the RP's broader duty to preserve and protect the corporate debtor's assets during the resolution process.<sup>13</sup> The judgment therefore signals a doctrinal shift away from formal title as the exclusive touchstone of insolvency "property", toward a substance-based enquiry into whether the corporate debtor holds a commercially exploitable bundle of rights.

A parallel development is visible in *State Bank of India v Union of India*<sup>14</sup>, where the Supreme Court examined whether telecommunications spectrum, held by a corporate debtor under a licence granted by the Government of India rather than through outright ownership, could be treated as an "asset" realisable within corporate insolvency proceedings. While the Court was careful to preserve the primacy of sector-specific telecommunications law governing the trading and transfer of spectrum, and cautioned that characterising spectrum as an "asset" under the IBC could not override those sectoral controls, the very fact that the question required extended consideration illustrates that licensed, non-owned, yet commercially indispensable interests are increasingly presenting themselves for classification within the insolvency estate. Read together, *Victory Iron Works* and the spectrum litigation in *State Bank of India v Union of India* suggest an emerging judicial willingness to locate the relevant insolvency asset in the corporate debtor's integrated commercial interest, rather than in undivided legal title over each constituent component, subject always to compliance with the specific regulatory regime, if any, governing that component. It is this reasoning, this paper argues, that offers the most workable doctrinal foundation for treating AI asset stacks as insolvency property.

### **AI Asset Stacks- Composition, Value, and Fragmented Ownership**

An AI enterprise's most valuable resource is rarely its computing hardware or office premises but rather the accumulated product of years of interaction with users, licensing arrangements, and internally generated technical assets. This paper uses the term "AI asset stack" to describe the integrated bundle typically comprising: (i) proprietary source code and system architecture; (ii) trained model weights, which may themselves be derived from open-weight or third-party-licensed foundation models; (iii) training, validation, and testing datasets, drawn from a combination of customer-generated interactions, publicly available material, licensed third-

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18(f) and 25(2)(a) of the Code.

<sup>13</sup>Victory Iron Works (n 12).

<sup>14</sup>*State Bank of India v Union of India*, Civil Appeal No 1810 of 2021 (Supreme Court of India, 13 February 2026).

party data, and synthetic data generated by the AI system itself; (iv) APIs and integrations connecting the system to external services; and (v) cloud-compute and infrastructure contracts without which the system cannot be operated or retrained. It is the composite operation of these elements, rather than any single component in isolation, that generates the commercial value a resolution applicant would seek to acquire.

This composite character generates two distinct problems for insolvency valuation and administration. The first is fragmented ownership. Unlike a factory or a fleet of vehicles, an AI asset stack rarely consists of property owned exclusively by the corporate debtor. Some datasets may be proprietary; others are licensed subject to field-of-use or non-transferability restrictions, or comprise personal data collected from users subject to consent-based restrictions on further processing or transfer. Model weights may be subject to open-source licence conditions restricting commercial redistribution, or may themselves be fine-tuned derivatives of a third party's foundation model, licensed on terms that could be rendered void or voidable upon a change of control. Cloud-compute and API contracts typically contain termination-on-insolvency clauses, meaning that the technical infrastructure required to operate the stack may lawfully be withdrawn by a counterparty at precisely the moment a resolution applicant most needs continuity.

The second problem is valuation instability. Data assets, unlike land or machinery, are not fungible, do not depreciate on any standard schedule, and derive much of their value from network effects and continuous refresh, a dataset frozen at the moment of insolvency may lose commercial relevance within months if not maintained, retrained against, or supplemented. There is presently no settled methodology under Indian valuation practice, whether under the Companies (Registered Valuers and Valuation) Rules 2017 or under the regulations framed by the Insolvency and Bankruptcy Board of India ("IBBI"), for valuing an interdependent bundle of licensed, proprietary, and personal-data components whose individual components may have negative, positive, or contingent value depending on whether they are severed from or kept within the stack. The absence of clear legal classification compounds this valuation difficulty: because the IBC does not recognise the "AI asset stack" as a distinct category of insolvency asset, its constituent elements are left to fall into pre-existing legal silos, intellectual property, contractual rights, licensed data, and third-party assets, each attracting a different treatment under the Code, with no provision addressing how their interdependence ought to be preserved or realised as a single commercial unit.

### **Locating AI Asset Stacks Within the Insolvency Estate**

Despite this absence of express recognition, this paper argues that AI asset stacks should nonetheless form part of the insolvency estate, and that their exclusion would defeat the Code's central objective of maximising value for creditors.<sup>15</sup> The relevant enquiry, drawing on *Victory Iron Works*, is not whether the corporate debtor holds undivided title to every underlying dataset, model, or piece of infrastructure, but whether it possesses a transferable commercial interest capable of preservation and realisation during the resolution process. Applying this standard, an AI enterprise typically possesses precisely such an interest: even where individual datasets are licensed, where cloud infrastructure operates under contract, and where certain model components are themselves derivative works, the corporate debtor holds an integrated bundle of proprietary and contractual rights that, taken together, enables it to develop, deploy, and commercialise the AI system as a going concern. It is this integrated commercial interest, the right to operate, exploit, and further develop the AI asset stack as a whole, rather than absolute ownership of each underlying component, that constitutes the relevant insolvency asset.

This approach is consistent with, rather than a departure from, the Code's existing treatment of licensed and contractual interests elsewhere in its jurisprudence. In *Gujarat Urja Vikas Nigam Ltd v Amit Gupta*<sup>16</sup>, the Supreme Court recognised the Adjudicating Authority's jurisdiction to restrain the termination of a contract critical to a corporate debtor's survival during the corporate insolvency resolution process, where such termination would result in the corporate debtor's "corporate death," a recognition that the Code's object of preserving going-concern value can, in appropriate cases, qualify the strict contractual entitlements of counterparties. The same logic supports treating licensed API access, foundation-model licences, and cloud-infrastructure contracts as components of the insolvency estate's commercial value, notwithstanding that the corporate debtor does not "own" them in the section 18(f) sense, at least for the limited purpose of the RP's duty to preserve and protect the value of the corporate debtor's property.<sup>17</sup>

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<sup>15</sup>Report of the Insolvency Law Committee (Ministry of Corporate Affairs, Government of India, March 2018).

<sup>16</sup>*Gujarat Urja Vikas Nigam Ltd v Amit Gupta* (2021) 7 SCC 209.

<sup>17</sup>Insolvency and Bankruptcy Code 2016, s 25(2)(a).

## **Reconceptualising the Resolution Professional's Duty of Custody and Control**

Once the AI asset stack is recognised as the relevant insolvency asset, a further difficulty arises regarding the content of the RP's statutory obligation to take "custody and control" and to preserve the value of the corporate debtor's property.<sup>18</sup> Unlike a factory or item of machinery, whose value can typically be preserved through physical security and routine maintenance, an AI asset stack depreciates through inaction. Model weights become stale without periodic retraining; datasets lose relevance without continuous refresh; and access to third-party APIs, cloud infrastructure, and licensed model components can lapse automatically upon non-payment or the occurrence of an insolvency-related event of default. Physical control over servers, source-code repositories, or office premises does not, by itself, preserve the commercial value the insolvency process is meant to protect.

The statutory obligation to take "custody and control" must therefore be read functionally rather than physically for AI-native debtors. This entails, at minimum, maintaining continuity of API access and cloud-compute subscriptions during the moratorium period<sup>19</sup>; complying with the terms of third-party data and model licences so that they are not terminated for breach during the resolution process; safeguarding the integrity, security, and, where technically necessary, the continued limited processing of proprietary and user-contributed datasets; and preserving technical documentation and version-control records sufficient to allow a prospective resolution applicant to assess and continue operating the stack. Failure to discharge this functional obligation risks precisely the erosion of value that section 25(2)(a) is designed to prevent, not because the RP has failed to physically secure any tangible asset, but because the RP has failed to maintain the operating conditions on which an intangible, interdependent asset stack depends.

A further layer of complexity arises from the personal data frequently embedded within an AI asset stack. India's Digital Personal Data Protection Act 2023 ("DPDP Act") imposes continuing obligations on a "Data Fiduciary," the entity determining the purpose and means of processing personal data, to process personal data only for a lawful purpose to which the data principal has consented, and to maintain its accuracy and security.<sup>20</sup> These obligations, grounded in the constitutional recognition of informational privacy as an incident of the right

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<sup>18</sup>ibid s 18(f); see (n 10).

<sup>19</sup>Insolvency and Bankruptcy Code 2016, s 14.

<sup>20</sup>Digital Personal Data Protection Act 2023 (India), s 8.

to life and personal liberty under article 21 of the Constitution of India,<sup>21</sup> do not lapse merely because the Data Fiduciary has entered insolvency. Where a resolution plan or a liquidation sale contemplates the transfer of a dataset containing personal data to a resolution applicant or acquirer, the transfer itself constitutes further “processing” under the Act and must be justified by reference to the purpose for which the data principal originally consented, subject to the Act’s provisions on cross-border and onward transfer of personal data.<sup>22</sup> An RP administering an AI enterprise’s insolvency therefore effectively steps into obligations analogous to those of a Data Fiduciary for the duration of the resolution process, even though the Code itself contains no provision addressing this overlap. A resolution plan that ignores this overlay, for instance, by proposing to transfer a customer dataset to an unrelated acquirer for a purpose inconsistent with the original terms of collection, would expose the successful resolution applicant, and potentially the RP, to liability under the DPDP Act notwithstanding its approval under the IBC.

### **Comparative Perspectives**

#### **United States: The Consumer Privacy Ombudsman and Section 363 Sales**

The United States has, since 2005, possessed a statutory mechanism directly addressing the tension between the sale of data assets in bankruptcy and the privacy commitments under which that data was originally collected. The mechanism emerged from the bankruptcy of Toysmart.com, an online retailer that had collected children’s personal information under a privacy policy promising never to share it with third parties, but which subsequently sought to sell that customer database as part of its bankruptcy estate.<sup>23</sup> Following intervention by the Federal Trade Commission and a contested settlement, Congress responded through the Bankruptcy Abuse Prevention and Consumer Protection Act 2005, which inserted section 332 into the Bankruptcy Code, requiring the appointment of a consumer privacy ombudsman before a debtor may sell or lease personally identifiable information inconsistent with its stated privacy policy, and amended section 363(b)(1) to restrict such sales accordingly.<sup>24</sup> This mechanism has since been applied to precisely the kind of data-intensive, technology-driven

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<sup>21</sup>Justice K S Puttaswamy (Retd) v Union of India (2017) 10 SCC 1, recognising informational privacy as an incident of the fundamental right to life and personal liberty under article 21 of the Constitution of India, and forming the constitutional foundation of the Digital Personal Data Protection Act 2023.

<sup>22</sup>Digital Personal Data Protection Act 2023 (India), s 16.

<sup>23</sup>*Federal Trade Commission v Toysmart.com LLC*, 2000 WL 34016434 (D Mass 2000); *In re Toysmart.com LLC*, Case No 00-13995-CJK (Bankr D Mass 2000).

<sup>24</sup>Bankruptcy Abuse Prevention and Consumer Protection Act 2005 (US), inserting 11 USC § 332 (consumer privacy ombudsman) and amending 11 USC § 363(b)(1) to restrict the sale or lease of personally identifiable information inconsistent with a debtor’s stated privacy policy.

enterprise this paper is concerned with in the 2025 bankruptcy of the genetic-testing company 23andMe, a court-appointed consumer privacy ombudsman examined the proposed transfer of the company's genetic and personal data holdings to an affiliated acquirer, assessing the adequacy of the acquirer's privacy and security commitments before the transfer could proceed.<sup>25</sup> The American experience demonstrates a workable institutional response to the precise problem, which is rather than leaving data protection compliance to the general discretion of the insolvency officeholder, the law interposes a dedicated, technically informed reviewer whose role is confined to certifying that a data transfer respects the terms under which the data was originally collected.

### **European Union: The Lifecycle Approach of the AI Act**

The European Union's Artificial Intelligence Act does not address insolvency at all, yet it offers an instructive conceptual parallel. Article 10 of the Act imposes on providers of high-risk AI systems continuing data-governance obligations extending across the system's lifecycle requiring, among other things, that training, validation, and testing datasets be documented, version-controlled, and periodically assessed for continued relevance, completeness, and freedom from error, rather than treated as a static asset fixed at the point of development.<sup>26</sup> Although framed as a product-safety and fundamental-rights instrument rather than an insolvency measure, the Act's central premise, that an AI system derives its value and its compliance status from continuous, lifecycle-long management of its data and model components rather than from a one-off transfer of static property, maps closely onto the functional conception of the RP's custodial duty. It reinforces the conclusion that any insolvency framework applied to AI enterprises must be designed around the maintenance of ongoing processes, not merely the transfer of discrete objects.

### **Towards an AI-Native Insolvency Framework for India**

Drawing on the preceding analysis, this paper proposes four specific reforms to align the IBC with the commercial reality of AI-native enterprises. First, the IBBI should, by regulation or circular, expressly recognise the "AI asset stack" as a distinct category of insolvency asset, defined by reference to the integrated bundle of proprietary, contractual, and data-related rights that enable a corporate debtor to operate an AI system, rather than by reference to title over

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<sup>25</sup>In re 23andMe Holding Co, United States Bankruptcy Court, Eastern District of Missouri (2025), Report of the Consumer Privacy Ombudsman.

<sup>26</sup>Regulation (EU) 2024/1689, art 10.

each constituent component. Such recognition would formalise the commercial-interest approach already implicit in *Victory Iron Works* and would give RPs a clear statutory anchor for including such stacks within information memoranda and resolution plans.

Second, the Insolvency and Bankruptcy Board of India, in coordination with the Institute of Chartered Accountants of India and the Insolvency Professional Agencies, should develop valuation guidance specific to AI-native debtors under the Companies (Registered Valuers and Valuation) Rules 2017, addressing the treatment of licensed and personal-data components, the depreciation profile of stale or unmaintained datasets, and the discount to be applied where key infrastructure or model-licensing contracts are subject to termination-on-insolvency clauses.

Third, drawing directly on the American consumer privacy ombudsman model, the CIRP Regulations should be amended to require the appointment of an independent technical or data-protection expert, analogous to the valuers already contemplated under the existing regulations<sup>27</sup> wherever a resolution plan or liquidation sale contemplates the transfer of a dataset containing personal data, whose function would be to certify that such a transfer complies with the consent, purpose-limitation, and cross-border transfer requirements of the Digital Personal Data Protection Act 2023 before the Committee of Creditors approves the relevant plan.

Fourth, the continuity of critical third-party contracts, cloud-compute agreements, API licences, and foundation-model licences, during the moratorium period should be clarified by extending the reasoning in *Gujarat Urja Vikas Nigam Ltd v Amit Gupta* through express statutory guidance, empowering the Adjudicating Authority to restrain the termination of such contracts where termination would extinguish the going-concern value of the AI asset stack, subject to the corporate debtor continuing to meet its payment obligations as they fall due during the resolution process. Together, these reforms would allow the IBC to treat the AI asset stack as a coherent, preservable, and realisable insolvency asset, without displacing the property, contract, and data-protection principles on which the wider legal system depends.

## **Conclusion**

The IBC was designed on the assumption that a company's value lies in assets that can be easily identified, owned, and transferred; the emerging wave of AI-sector insolvencies, of which Builder.ai and a growing cohort of Indian AI start-ups are only the most visible instances,

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<sup>27</sup>Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations 2016, reg 30, as considered in *Victory Iron Works* (n 12).

consistently challenges that assumption.<sup>28</sup> AI enterprises derive their commercial worth not from any single owned asset but from an integrated AI asset stack of datasets, model weights, licences, and connected digital resources, few of which the corporate debtor holds outright. This paper has argued that, rather than focusing on who owns each individual component, the IBC should recognise the corporate debtor's integrated commercial interest in the AI asset stack as the relevant insolvency property, a conclusion supported by the Supreme Court's commercial-interest reasoning in *Victory Iron Works Ltd v Jitendra Lohia* and *State Bank of India v Union of India*. It has further argued that recognising this asset carries with it a reconceptualised, functional duty of custody and control on the part of the resolution professional, informed by comparative practice in the United States and the European Union and calibrated to India's own data protection regime under the Digital Personal Data Protection Act 2023. As artificial intelligence becomes a larger and more volatile component of India's economy, an insolvency framework that can preserve and responsibly resolve AI asset stacks, rather than allowing them to be dismembered into legally incoherent fragments, will be essential to ensuring that value built over years of user interaction and technical investment is not needlessly destroyed at the moment it is most needed by creditors, employees, and the users whose data gave the enterprise its worth in the first place.

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<sup>28</sup>ibid (n 1).