

## MOOT PROPOSITION

- “Sakya” is the largest country in the continent of “Ameya” and the second largest country in the world by the size of its territory and population. Sakya is a socialist, democratic and republic state. Sakya shares its border with the “Republic of Kendra” (hereinafter referred to as “**Kendra**”), which is a developed country with a moderate population.
- In the year 2020, the world witnessed the worst pandemic of the century. To curb the menace of the virus, many countries had to impose a lockdown. This lockdown restricted the movement of the people thereby, affecting the businesses in the country, and causing stock prices of the companies to hit an all-time low.
- Sakya was the worst hit country in Ameya where businesses witnessed a huge drop in sales. This resulted in a huge drop in the stock prices of many companies, making them susceptible to acquisition by foreign companies. To ensure the robustness of the financial system in Kendra, the government of Kendra refused to impose a lockdown in their country. The companies in Kendra welcomed this step and suffered significantly fewer losses in comparison to other countries in Ameya. This provided an advantage to the Companies located in Kendra to acquire companies failing in the other countries.
- Sakya realized the threat of foreign control over the companies in its own country. In doing so, it would enable foreign companies to control most of their economic activities. To counter the lurking danger, the Government of Sakya amended its

policy on foreign direct investment. The changes brought to the FDI policy included, inter alia, *“an entity of a country, which shares a land border with Sakya or where the beneficial owner of an investment into Sakya is situated in or is a citizen of any such country, can invest only under the Government route.”*

- “Plosh Technologies Pvt Ltd.” (hereinafter referred to as “**Plosh**”) is a company incorporated in Sakya with its registered office in the capital state of “Nutan.” In the year 2019, Plosh raised \$200 million from the private placement of shares of which \$80 million was received from a venture capital company registered in Kendra named “Munio Investments Pvt. Ltd” (hereinafter referred to as “**Munio**”). This was received in exchange of 15 % equity of Plosh. The Private Placement Memorandum (hereinafter referred to as “**PPM**”) of Plosh issued to Munio stated that the money raised was inter alia for the manufacturing of a wearable device that will project 3D image of a mobile screen on the palm of the user. The PPM also contained the nature of risks involved in the development of the product.
- Initially, Plosh Technologies planned on developing the product themselves before the issuance of PPM. After the issuance of PPM, they entered into a contract with “Slowtech Research Laboratories Pvt. Ltd.” (hereinafter referred to as “**Slowtech**”) to fund the development of the product mentioned above. The contract provided for an exclusive license to Plosh technologies upon successful development of the product by Slowtech.

- Ms. Suradha Sakin was the Chief Executive Officer and Managing Director of Slowtech. Ms. Suradha Sakin was a live-in partner of Mr. Kalzar Sata. Mr. Kalzar Sata was the Managing Director of Plosh Technologies. However, both Plosh and Slowtech were unaware of this fact. The entire negotiation about the development of the product was done through Mr. Arbat, the Chief Operations Officer of Plosh and Ms. Naddi, the Chief Operating Officer of Slowtech Research Laboratories. The transaction was approved in the General Meeting of Plosh Technologies. Despite repeated reminders, Slowtech could not present a workable model of the product to Plosh. The prototypes presented failed to comply in terms of size and utility. For the development, Slowtech had taken huge loans and on failure to procure any final order for the product, the company expressed its inability to pay the debts. Therefore, the creditors of the company instituted insolvency proceedings against Slowtech.
- Meanwhile, post two years of acquiring the investment, Plosh failed to launch the product. In the year 2020, Munio sent a mail of enquiry to Plosh regarding the development of the product and the utilization of the funds raised by its investors. Plosh in its reply informed Munio that the device is in the developmental stage, and they are working on multiple prototypes. Dissatisfied with this reply, Munio requested the grant of visas from Sakya to conduct a physical enquiry at Plosh regarding the prototype. Sakya refused the request on the ground of the lockdown in place due to the pandemic. In the year 2021, a team from Munio visited the offices of Plosh and found that only 10% of the total funds were being utilized for the development of the product. They also discovered that the technology which was supposed to be used was not in the possession of Plosh. The maximum amount of the funds was being used by the company on its operating costs

including managerial and directors' salaries. Munio, aggrieved by the state of affairs of the company, sent a legal notice to Plosh concerning the position of the product. They further claimed compensation for the delay in the completion of the product. Plosh replied stating that due to the lockdown in place, the development of the product was hindered and refused to pay any compensation to Munio.

- Munio filed a criminal complaint against Plosh alleging offences under section 420 and Section 120B of the Sakyan Penal Code (SPC). Following the complaint by Munio, a Judicial Magistrate in Nutan initiated a criminal proceeding on the charges alleged by Munio against Plosh. Aggrieved by this, Plosh filed a petition before the Nutan High Court under article 227 of the Constitution of Sakya read with Section 482 of the Code of Criminal Procedure of Sakya (Cr.P.C.) to quash the criminal proceedings initiated against it. The High Court of Nutan quashed the proceedings. Against this order, Munio has preferred an appeal to the Supreme Court of Sakya.

The laws of Sakya are *pari materia* to the Indian laws.