

SHRI N J YASASWY MEMORIAL 9TH NATIONAL MOOT COURT COMPETITION, 2024

ICFAI LAW SCHOOL, IFHE, HYDERABAD

MOOT PROPOSITION – 2

1. On January 13, 2024, the Government of Dakshinya issued a tender notice to provide smart vending machines for food and beverages at all airports in Dakshinya. The government received 35 bids from both domestic and international companies. On April 13, 2024, the tender was awarded to “Solutions-Vending Pvt Ltd,” incorporated in LIMA as a private limited company headquartered in Paschim, Dakshinya. Solutions-Vending Pvt Ltd. initially began selling smart vending machines within LIMA's territory. However, after achieving significant success, they expanded their business globally and started trading smart vending machines in Dakshinya. This expansion demonstrates the company's dedication to growing its market presence and capitalizing on the increasing demand for smart vending solutions in Dakshinya.
2. The Government of Dakshinya has engaged Solutions-Vending Pvt Ltd., the successful bidder, in a smart contract for smart vending machines. A smart contract is a self-executing digital agreement with terms and conditions directly encoded using Solidity, a programming language for blockchain technology. This smart contract provides the Government of Dakshinya with a robust mechanism to ensure transactions are conducted with enhanced transparency and security.
3. The immutable nature of blockchain technology guarantees that the smart contract terms cannot be altered once set, reducing the risk of fraud and ensuring compliance. Moreover, the automated execution of contract terms eliminates the need for intermediaries, increasing efficiency and reducing administrative costs. The government can offer citizens a more reliable and streamlined service by implementing smart contracts, fostering greater trust in public sector transactions. By utilizing blockchain technology, the government benefits from an immutable public ledger that promotes trust and accountability.
4. The contractual parties agreed to avail services from the Ethereum platform. Ethereum is a decentralized, open-source blockchain platform launched in 2015, enabling the creation and execution of smart contracts and decentralized applications (dApps). The platform is maintained by a global network of nodes, ensuring transparency, security, and immutability. Its native cryptocurrency, Ether, is used for transaction fees and computational services. Smart contracts on Ethereum, written in Solidity, are deployed on the Ethereum Virtual Machine, which securely executes them. The Ethereum Foundation, based in Citesinland, is a non-profit organization supporting the platform’s development and ecosystem growth.

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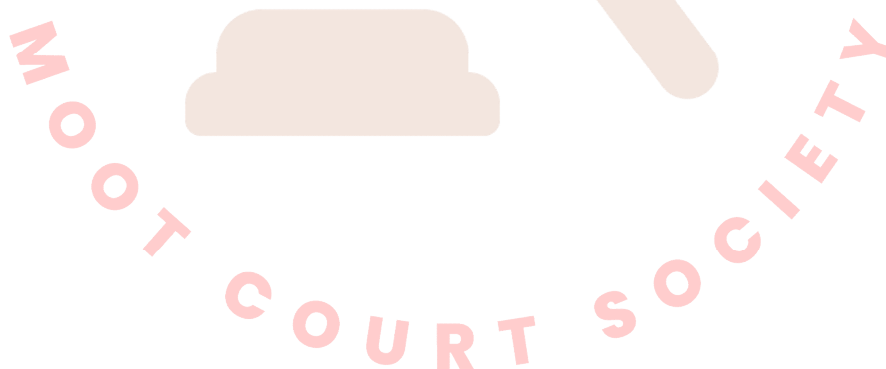
5. To enable the coding of smart contracts on the Ethereum platform, the terms and conditions were negotiated and agreed upon between the Government of Dakshinya and Solutions-Vending Pvt Ltd. thereby recognizing the complexities involved in accurately coding the smart contract, both parties sought the expertise of a specialist from the Ethereum Foundation. This expert, proficient in Solidity, the programming language for Ethereum smart contracts, collaborated closely with legal and technical teams to ensure all contract provisions, including payment schedules, penalty clauses, and warranty processes, were precisely translated into executable code and deployed on May 1, 2024. *(The details are enclosed as Annexure -A.)*
6. Despite the meticulous drafting of the agreement, the developers incorrectly coded specific terms during the translation into a smart contract on the Ethereum platform. These errors include misinterpreting the payment schedule, which would have been prematurely releasing the second instalment of 50% immediately after the first payment of 30% without verifying the delivery and installation of the machines, disrupting the intended financial controls and oversight. Additionally, the smart contract has not enforced the penalty clauses for delivery delays, which were supposed to incur a penalty of 0.5% of the total contract value per week of delay, resulting in no penalties for delays contrary to the agreed terms. Furthermore, the warranty claim process, intended to be automated for seamless service requests and tracking, was not fully automated due to incorrect coding, causing delays in addressing maintenance and repair requests.
7. Despite discrepancies in the smart contract, Solutions-Vending Pvt Ltd. successfully delivered and installed ten thousand smart vending machines at various airports nationwide by the agreed date, completing the installation within 45 days. The government paid the first instalment of 30% upon entering into the contract and scheduled the second instalment as a partial payment. The first portion of the second instalment, amounting to 40%, was paid immediately upon delivery of the machines, with the remaining balance due to be paid after 30 days.
8. However, after the installation, significant issues arose. Many vending machines began dispensing rotten food because of the malfunctioning of the temperature controls. This malfunction led to widespread health issues among people who consumed food from these machines.
9. The situation escalated when it was reported in the newspapers that around 300 people, including domestic and international commuters, were hospitalized after consuming food from the faulty smart vending machines across the country. This incident sparked public outrage and widespread criticism of Solutions-

Vending Pvt Ltd. in Dakshinya and the Union Government of Dakshinya, highlighting the severe consequences of the technical failures. The health issues caused by the rotten food have spotlighted the vending machines' quality and safety standards, leading to calls for accountability and immediate action to rectify the situation. Additionally, concerns have arisen regarding potential radiation emissions from the vending machines. Several users reported unusual symptoms, prompting investigations into whether the machines meet safety regulations for radiation levels. This added dimension of the problem has intensified public scrutiny and pressure on both the company and the government to address not only the food safety issues but also the potential health risks associated with radiation exposure from the smart vending machines.

10. This incident has tarnished Solutions-Vending Pvt Ltd.'s reputation and raised serious concerns about the government's oversight and the efficacy of using smart contracts for such critical public services. The parties now face the urgent task of addressing the health risks, rectifying the faulty machines, and ensuring such incidents do not recur. The dispute over the smart contract errors and the ensuing health crisis requires a comprehensive review and swift resolution to restore public trust and comply with the contractual obligations.
11. The fallout from the malfunctioning vending machines and the subsequent health crisis prompted immediate legal and public scrutiny. In response to the widespread outrage and mounting pressure, Prerna NGO, a registered non-profit organization dedicated to the cause of public health, filed a Public Interest Litigation (PIL) in the Judicature of the Supreme Court of Dakshinya against the Government of Dakshinya for violation of Fundamental Rights. The petitioner pleaded for the removal or replacement of the faulty smart vending machines to ensure the safety and well-being of the public. The petitioners also sought for compensation to the victims and their suffering.
12. While this being so, the Government of Dakshinya has tried to resolve the issue by reaching the concerned higher officials of Solutions-Vending Pvt Ltd. Unfortunately, the parties could not agree on terms across the table. Subsequently, the Government of Dakshinya for the malfunctioning of vending machines filed complaint before the National Consumer Disputes Redressal Commission (NCDRC) for deficiency of services and product liability claiming compensation of Rs. 10 crores. This complaint sought compensation for the health issues caused to the commuters and demanded strict action against Solutions-Vending Pvt Ltd. for failing to ensure the safety and quality of their products. Hearing both the sides, The NCDRC passed an order of awarding compensation to Government of Dakshinya of Rs. 3.5 crores against

the Solutions Vending Pvt Ltd. Aggrieved by this decision of NCDRC, the Government of Dakshinya filed an appeal before the Supreme Court of Dakshinya.

13. In the appeal before the Hon'ble Supreme Court, the Government of Dakshinya claimed damages against Solutions-Vending Pvt Ltd. for breach of the smart contract and further pleaded for total replacement or removal of smart vending machines from all the airports. The respondent argued that the Hon'ble Supreme Court lacked jurisdiction as per the international law regime of trade regulations and data privacy and security. The respondents further argued that the cross-border digital agreements intersect with decentralized platforms like Ethereum, involves international companies requiring compliance with World Trade Organisation regulations and government procurement agreements. The smart contracts entered between the cross border parties herein needs adherence to the global data protection laws under General Data Protection Regulation and Consumer Protection laws.
14. The Hon'ble Supreme Court viewed that the instant cases underscored the critical need for stringent oversight in public procurement projects, especially those involving emerging technologies like smart contracts which significantly influence an individual's fundamental rights and needs. After hearing both the matters, the Supreme Court of Dakshinya directed for clubbing of the matters and adjourned the matter for hearing to subsequent date.



Annexure- A

The following are meticulously detailed terms and conditions between the Government of Dakshinya and Solutions-Sentech Pvt Ltd. to ensure smooth execution and compliance.

- i. The vending machines must be state-of-the-art, capable of dispensing a variety of snacks and beverages, and equipped with digital payment systems that accept credit/debit cards, mobile payments, and any other accepted mode of payment.
- ii. The vending machines need appropriate temperature controls to keep the food inside the machine edible as per the FSSAI requirements.
- iii. Each machine must have remote monitoring capabilities for real-time inventory management and maintenance alerts and meet all safety and hygiene standards required by the Union Government, including features like antimicrobial surfaces and temperature control.
- iv. The machines must also be energy-efficient, complying with the latest environmental regulations and standards. The total contract value is \$1 million USD for ten thousand smart vending machines, payable in three instalments: 30% upon signing the contract, 50% upon delivery and successful installation, and the remaining 20% after completion of three months from post-installation, contingent upon satisfactory performance. Payments will be executed via the Ethereum smart contract, automatically releasing funds upon meeting predefined conditions.
- v. The first batch of machines (i.e., 50% of the total order) must be delivered and installed within 30 days from the contract's signing date, and the remaining machines must be installed within 60 days from the contract's signing date.
- vi. delivery delays will incur a penalty of 0.5% of the total contract value per week of delay, deducted from the payment of the final instalment amount. The machines have a comprehensive two-year warranty covering parts, labour, and technical support, including quarterly maintenance checks and immediate repair services.
- vii. Extended warranty options are available at an additional cost, covering up to five years from installation. Warranty claims will be processed through the smart contract, with automated service requests and tracking.
- viii. Any disputes arising from the contract will initially be resolved through the negotiation process. In unsuccessful negotiations, the parties can take recourse to legal proceedings as per the lex loci.

NOTE: For the purpose of this moot proposition –

1. The Constitution of Dakshinya adopts the Constitution of India verbatim, and all the provisions of the Constitution of India are incorporated as the provisions of Dakshinya Constitution.
2. The powers and jurisdiction of the Supreme Court of Dakshinya are the same as the powers and jurisdiction of the Supreme Court of India.
3. The rest of the laws of Dakshinya are *in pari materia*, along with the legislation of the Republic of India.
4. The laws of LIMA are in *pari materia* with the laws of the United Kingdom.
5. The laws of Citesinland are in *pari materia* with the laws of Switzerland.

DISCLAIMER:

The facts stated in the present proposition are fictitious and have been drafted solely for the purpose of the Competition. The facts, names, locations, and dates do not bear any resemblance to any event, person or happening whether dead or alive. Any resemblance, if any, is purely coincidental.

This problem does not intend to hurt the feelings of any section of the society or to offend any person.

The Teams are required to draft their pleadings on behalf of both – the petitioners and the respondents by framing the issues.

The Teams can also submit their compendium along with their pleadings.

For the rules and the format, please refer to the Official Rulebook.

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