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CORPORATE LAW AT THE CROSSROADS- SPACs AND GIG ECONOMY PLATFORMS IN MODERN CORPORATE LAW

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ABSTRACT

The accelerating change of economic systems in the world has led to the emergence of new forms of corporations that are undermining the very premises of the traditional company law. Two of the most important innovations that have transformed capital formation, corporate governance, and labor relations are Special Purpose Acquisition Companies (SPACs) and gig economy platforms. This paper critically analyzes how these new structures are upsetting the old legal doctrines of corporate personality, fiduciary duties, shareholder protection and employment classification.

The publicly listed shell companies known as SPACs are raising questions about the disclosure standards, incentives of sponsors, and the sufficiency of investor protection in the current securities and company law frameworks. At the same time, gig economy apps like Uber and Swiggy restructure the employment relationship to treat workers as independent contractors, thus evading the responsibilities that are traditionally placed on corporate employers.

The main idea of the paper is that SPACs and gig platforms represent a more general trend of the externalization of risk, where corporations reorganize legal relations to make economic uncertainty fall on investors and workers and retain the profit and decision-making power. This change reveals major loopholes in the current legal systems, especially those based on the industrial era of stability in employment and functioning corporate systems.

The paper presents an argument in favor of the creation of adaptive corporate law that could handle the complexity of platform-based and financialized capitalism through doctrinal,

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comparative, and interdisciplinary analysis. It suggests such reforms as the strengthening of fiduciary duties in the governance of SPACs, combined labor-corporate regulatory frameworks, and redefined corporate responsibility standards. Finally, the paper aims to make a contribution to the dynamic discussion of the future of corporate regulation in the fast-evolving economic environment.

Keywords- *Special Purpose Acquisition Companies (SPACs) ,Gig economy, platforms, Companies, Corporate law, Governance, Regulation.*

INTRODUCTION

Traditionally, corporate law has developed in terms of comparatively stable institutional structures, which are marked by well-defined corporate entities, hierarchical management, and long-term employment relationships. Basic principles like separate legal personality, limited liability and fiduciary duties were evolved to meet the requirements of industrial capitalism, in which corporations were centralized production units with physical assets and predictable patterns of operations. Nevertheless, the advent of new economic paradigms in the twenty-first century, which are propelled by technological innovation, digitalization, and financialization, has greatly upset these assumptions, and there is a need to reconsider the principles underlying the company law.[2]

Two of the most notable instances of this change include Special Purpose Acquisition Companies (SPACs) and gig economy platforms. These organizations vary greatly in their structure and operation, but they have one similarity: they both disrupt the conventional legal view of what a company is and how the corporate responsibilities are to be governed. The SPACs are shell companies that raise funds without any business activity at the time of incorporation or listing, thus inverting the traditional pattern of corporate development.This poses significant questions on the doctrine of corporate purpose and the importance of shareholder consent as a company law. The traditional corporate law presupposes that the shareholders invest in a company being aware of its business operations and therefore are able to make informed decisions concerning risk. In the situation with SPACs, however, investors are raising funds according to the reputation of the sponsors, not the nature of the

[2] Paul L. Davies, *Gower's Principles of Modern Company Law*, 10th edn. (2016)

business, which compromises the informational basis of corporate governance and investor protection[3].

Meanwhile, the nature of the relationship between corporations and labor has been radically changed by the gig economy platforms. Gig platforms, unlike the traditional companies, do not hire workers directly, but through decentralized networks of independent contractors, which are mediated by algorithmic management systems. This enables corporations to exert a great degree of control over workers without the legal obligations that accompany employment relationships, thus creating a conflict between economic reality and legal classification.These developments have implications not only on the labor law but also on the area of company law. Gig platforms in their form of structuring themselves as intermediaries but not employers do redefine the boundaries of the firm, and thus, cast questions on corporate liability, accountability, and the extent of fiduciary obligations. When a corporation is able to regulate economic activity without the attendant legal responsibilities, the normative principles of corporate law, specifically the balance between rights and responsibilities, are put into doubt[4].

A more general tendency towards the externalization of risk can also be seen in both SPACs and in gig economy platforms. Within the framework of SPACs, investors would have to accept the risk of future acquisitions, whereas sponsors would still have a substantial upside potential due to preferential equity structures. In the gig economy, employees are the ones who take the risks of income instability, the absence of social security, and labor protection. This change questions the classical distribution of risk in corporate forms and poses significant questions about the functions of company law in providing fair distribution of economic burdens.[5]The weakness of current legal provisions to deal with such developments underscores the need to have adaptive corporate law. Conventional dogmas were created in another economic environment and might not be adequate to govern the intricacies of platform-based and financialized corporate systems. The following paper thus attempts to critically examine the regulatory issues that are presented by SPACs and gig economy

[3] Carol Boyer and Glenn Baigent, “SPACs as Alternative Investments”, (2008) 11 Journal of Private Equity 8.
[4] Wilma B. Liebman, “Debating the Gig Economy”, (2017) 7 Soziales Recht 221.
[5] David Peetz, “Flexibility and the Gig Economy”, in The Realities and Futures of Work (2019).

platforms, especially their implication on company law, and to suggest reforms that would help to increase accountability, transparency, and fairness.[6]

RESEARCH QUESTIONS

1. What are the ways in which SPACs and gig economy platforms disrupt the existing concepts of corporate law, especially with regards to corporate personality, fiduciary liability, and regulatory responsibility?

2. How much do these new forms of corporate organization promote the externalisation of economic risk to investors and workers?

3. Do the current legal frameworks in place in the company law and labor law suffice to govern these new models or do they pose regulatory gaps and ambiguities?

4. What are the doctrinal and policy changes we need to create an adaptive corporate law system that can meet the complexities of contemporary economic structures?

METHODOLOGY

This study is based on a doctrinal legal approach, which is oriented on the interpretation of legal texts, jurisprudence, and regulatory frameworks of corporate organizations and labor relations. The doctrinal method is especially applicable in analyzing the applicability to new corporate structures like SPACs and gig economy platforms of the current principles of company law, including fiduciary duties, shareholder rights, and corporate governance.

Furthermore, the paper uses a comparative approach, comparing regulatory measures in different jurisdictions, including the United States, the European Union, and India. This allows a more general comprehension of the way various legal systems respond to similar issues and gives an idea of possible reform models. As an example, SPACs under the U.S. Securities and Exchange Commission (SEC) regulation are contrasted with European regulation, with notable variations in disclosure regulations and investor protection.The study also features an interdisciplinary approach that draws on the experience of economics, political theory, and labor studies to put the development of law into a wider socio-economic

[6] Alex de Ruyter et al., "Gig Work and the Fourth Industrial Revolution", (2018) 72 Journal of International Affairs 37

context. This is especially significant because the problems discussed in this paper, including the risk externalization and platform-based labor, cannot be comprehended in full based on the legal analysis only.

Lastly, the research is based on secondary sources, such as academic literature, policy reports, and empirical studies, to underpin its analysis. The given articles are a gist of this literature and they are complemented with other academic materials in order to provide a balanced and thorough coverage of the topic.

The Development of Corporate Form and Company law Traditional company law limits.

The traditional company law conceptualization of the modern corporation embodies one of the most important legal innovations of the industrial age. In its very foundation is the doctrine of separate legal personality, embodied in the historic case of Salomon v. Salomon and Co[7]., which held that a duly incorporated company has an independent existence apart and distinct of its shareholders. This principle allows the corporation to possess property, engage in contracts, and to sue and be sued, and to act as a separate legal person in the market.But although Salomon has frequently been regarded as a mature root of company law, its theoretical underpinnings have long been disputed. [8]Legal theorists have come up with rival theories of corporate personality, such as the fiction theory, which sees the corporation as an artificial creation of law; the real entity theory, which sees the corporation as a social organism with interests of its own; and the concession theory, which sees incorporation as a privilege that the state grants, and which is subject to regulation. These theories are not just scholarly, they influence the interpretation of corporate rights, duties and liabilities by the courts and the regulators.[9]

These theoretical frameworks have a new meaning in the light of new corporate models like SPACs and gig economy platforms. An example of this is SPACs, which confront the fiction theory by being legal entities with no substantive economic activity when they are incorporated. Assuming that the corporation is simply a legal fiction that is simply a convenience to conduct business, why is a SPAC that lacks any business whatsoever? On the other hand, according to the concession theory, the provision of corporate personality of

[7] Salomon v. Salomon & Co. [1897] AC 22 (HL).

[9] Stephen M. Bainbridge, *Corporate Law*, 3rd edn. (2015).

SPACs by the state begs the question of whether they are in harmony with the goals of the public policy that are traditionally linked to incorporation.Moreover, the principle of limited liability that was to work in tandem with separate legal personality was historically rationalized as a factor to stimulate investment and entrepreneurial risk-taking. The law allowed aggregation of capital required in large scale industrial ventures by making shareholder liability limited to the amount invested. Nevertheless, the need to be justified by this reason is becoming more disputed in the contemporary corporate system. In SPACs, such as in the example above, the sponsors have asymmetric risk, being the beneficiaries of preferential equity structures and with downside risk that is limited. Likewise, on gig economy platforms, corporations employ the use of limited liability to ensure that they are not held responsible to workers, effectively passing the risk without giving up the control.[10]This change is indicative of a larger change in the role of the corporation as a means of production to a mechanism of risk distribution and harvesting. Traditional company law presupposed that the risk of operations of corporations is internalized by the company, and the residual risk is distributed among shareholders in place of profits. But new forms of corporations reverse this dynamic by pushing risks out to workers and investors and maintaining a centralized decision-making and profit allocation. This leads to some basic doubts regarding the validity of limited liability as a doctrine.[11]

The other serious limitation of the traditional company law is that it depends on formal legal relationships to ascertain the rights and obligations. Law generally makes a distinction between shareholders, directors, employees and independent contractors, with each category having different rights and responsibilities. But the contemporary business models are becoming more and more amorphous. The workers in the gig economy are legally categorized as independent contractors, but they act as employees, whereas in the SPACs, investors take on risks without the informational safeguards that the shareholding is traditionally associated with.This mismatch between legal form and economic reality has led to an outcry to move to a substance-over-form approach to corporate law. Regulators and courts have to be more vigilant in considering the formal classifications but looking at the realities of control, dependency and risk distribution within corporate structures. Such an

[10] Supra note 2.
[11] Supra note 4.

approach is already evident in certain areas of law, such as tax and insolvency, but has yet to be fully integrated into company law doctrine.[12]

Within the framework of the contemporary business organization, this conservative veil-piercing approach might not be sufficient any more. [13]The SPACs and the gig economy platforms can be working within the legal framework as such, but they are producing the same functional effect as that which would have traditionally led to veil piercing, which is to avoid liability and externalize risk. However, since such results are obtained via lawful frameworks as opposed to the fraudulent activity, the courts cannot or are not able to step in. This exposes a huge loophole in the doctrinal concept of company law, in which mere adherence may conceal a substantive injustice.This is even complicated by the growing complexity and fragmentation of corporate structures. Contemporary corporations often exist in a network of subsidiaries, affiliates and contractual relations, and it is hard to determine who is in control and who is responsible. The structure of SPACs, where sponsors, shell entities and target companies are legally separated by multiple layers, and gig platforms where independent contractor agreements are used further decouples the corporation and its workforce. This disintegration makes the use of traditional doctrines more difficult as they have been crafted to apply to simpler types of organizations.[14]Furthermore, there is an added complexity with the emergence of algorithmic governance. In the conventional corporate setup, the powers of decision making are vested in recognizable people; the directors and officers of the company, which can be held accountable to their actions. Conversely, gig platforms tend to be automated where work allocation, price determination and performance standards are enforced. Such decentralization of decision-making power creates new challenges of accountability: who is responsible to the outcomes of algorithm-made decisions? The designer and operator of these systems, the corporation, cannot simply abdicate responsibility, but the current legal systems are not well-equipped to deal with such situations.

[15]The other important aspect of this change is the disjunction of time in corporate action, which is especially noticeable in SPACs. The conventional corporations have a linear lifecycle; incorporation, raising of capital, operation and generation of profits. By funding

[12] Supra note 3.
[13] Prest v. Petrodel Resources Ltd. [2013] UKSC 34.
[14] Arne L. Kalleberg and Michael Dunn, “Good Jobs, Bad Jobs”, (2016) 20 Perspectives on Work 10.
[15] Supra note 2.

their operations without having any operational purpose, SPACs are disrupting this order and are essentially decoupling the process of investment and the business activity itself. This time gap disputes the logic of corporate regulation, which supposes that disclosure and governance systems work in a stable and continuing enterprise.In policy terms, these changes imply that the law of companies should not be seen as a fixed rulebook but rather as a flexible regulatory system that is able to respond to the shifting economic circumstances. This demands not merely doctrinal reform but also a change in regulatory philosophy, that is, to focus more on flexibility, responsiveness, and more on the economic content of corporate activity.

GIG ECONOMY PLATFORMS AND FRAGMENTATION OF THE FIRM

The rise of gig economy platforms can be seen as a radical change in the concept of the firm, which undermines the established ideas about the corporate organization and governance. The classical theories of economics especially those attributed to Ronald Coase, theorise the firm as a hierarchical organisation that internalises transactions in order to minimise market inefficiencies. Digital platforms, however, change this equation fundamentally, by dramatically lowering the cost of transactions, allowing companies to outsource functions that were once done in house.[16]This has led to what can be termed as the disaggregated firm whereby production is not concentrated in one corporate organization but is scattered in a system of independent contractors. In this model, the corporation does not act as a producer, rather it plays the role of a coordinator or facilitator of economic activity. The implications of this change on the company law are huge, as the company law has been traditionally premised on the assumption that firms have a direct control over their operations and workforce[17].

Legally, the division of the company creates some basic questions concerning the limits of corporate responsibility. Should a corporation obtain economic value due to the work of a group of individuals, who are not officially considered employees, be it their responsibility to provide decent working conditions? According to traditional company law, the answer to this question would be in the negative because liability is usually associated with formal legal relations. Nonetheless, this formalistic way of looking at the issue does not reflect the

[16] Ronald H. Coase, "The Nature of the Firm", (1937) 4 *Economica* 386
[17] Arne L. Kalleberg and Michael Dunn, "Good Jobs, Bad Jobs in the Gig Economy", (2016) 20 *Perspectives on Work* 10.

economic reality of platform-based work in which corporations have a major degree of control via algorithmic management systems.The main idea of the gig economy has to do with the notion of algorithmic control. In contrast to traditional managerial control that is executed by direct control, algorithmic control is executed by automated systems that allocate tasks, determine prices and performance evaluation. This type of control is both ubiquitous and shrouded such that workers find it hard to comprehend or question the decisions made to impact their lives. This brings about significant issues in terms of transparency, accountability, and the extent of fiduciary obligations under company law.Moreover, the gig economy is a threat to the conventional division between internal and external relationships in the company. The classical corporate structures view employees as part of the firm whereas independent contractors are not part of the firm. Nevertheless, the gig platforms confuse this difference and incorporate contractors in their working processes without being formally independent. This mixed form makes the use of legal theories that are based on the existence of a distinct line between the company and the market more challenging.[18]

There are also implications of the fragmentation of the firm on the corporate governance and accountability mechanisms. Conventionally based governance structures are based on a hierarchical control with boards of directors overseeing the conduct of managers and enforcing legal and ethical regulations. With platform-based models, however, a great deal of decision-making is decentralized and automated, and thus the old forms of oversight are not as effective. The question is whether the new types of governance, including the algorithmic audits or the regulatory controls of digital systems, are needed to achieve accountability.[19]

Financialization of Corporate Structure and SPACs.

SPACs represent the larger phenomenon of financialization, in which financial markets, institutions, and motives gain greater and greater control over economic activity. Traditional corporate model mobilizes financial capital to act in support of productive enterprises and corporations are used as vehicles to create goods and services. But in financialized economies, the emphasis moves on the production of financial returns, which is usually achieved by speculative or intermediary acts[20].

[18] Supra note 3.
[19] Supra note 17.
[20] Supra note 4.

A particularly conspicuous example of this trend is SPACs which are created with the main purpose to conduct financial transactions but not to produce. Using the capital market and without any business activity, SPACs reverse the age-old dynamics between finance and production. Such an inversion poses critical questions concerning the place of corporations in the economy and the purpose of corporate law.Under the company law, financialization questions the long-standing corporate purpose and long-term wealth-generating focus. When corporations are more inclined towards short-term financial benefits, as opposed to sustainable economic activity, the normative bases of corporate governance might require to be re-examined. It is especially applicable in the case of SPACs, where time constraints to finalize acquisitions can lead to a temptation to take short-term decisions at the cost of long-term value.[21]

The other crucial question is how information asymmetry is involved in financialized corporate structures. In SPACs, investors invest capital on the basis of scanty information regarding future acquisitions, with much reliance on the name and experience of sponsors. This generates a large imbalance of information, which can be further enhanced by the application of the forward-looking projections and optimistic disclosures. From a regulatory perspective, this raises concerns about the adequacy of existing disclosure regimes and the need for enhanced safeguards.In addition, financialization of corporate structures has consequences of systemic risk and market stability. The sudden rise in SPACs over the past years has prompted worries of market bubbles, speculative activities, and the possibility of massive losses in case the acquisition does not yield returns as anticipated. Although these concerns are typically discussed in the framework of financial regulation, they also carry significant consequences on the company law, especially the aspects of corporate governance and fiduciary duty.[22]

Also, the systematized externalization of risk is a hallmark of contemporary corporate organizations, in which corporations redefine legal relations in order to pass the economic riskiness of others to other parties. This is also observable in both SPACs and gig economy platforms, although in varying ways. In SPACs, the investors take the risks of the uncertain acquisitions, and the sponsors are provided with the preferential equity structure, which does not allow them to have many losses. The workers in the gig economy assume risks related to

[21] Supra note 2.

[22] Elena Ignatyeva et al., "Analyzing European SPACs", (2013) 17 *Journal of Private Equity* 64 at pp. 66–69.

income volatility, absence of benefits, and job security.In theory, this change is an indication of a change in the distribution of risk in the capitalistic economies. In classical concept of corporate organization, it was supposed that companies internalize risks as part of their operational burdens with shareholders taking the residual risk in exchange to profits. Nevertheless, contemporary corporate forms are more widely spreading risk to a greater number of stakeholders who do not necessarily have rights or protections.[23]

This revolution brings about some fundamental questions on the normative basis of company law. When the corporations can externalize risk but maintain control of the economic activity, the balance between rights and responsibilities upon which the corporate form is based is disturbed. This can call into question the status of the corporation as a legal institution, especially when it is viewed as a means to extract value without taking on the relevant obligations.Regulatively, risk externalization needs to be tackled with a shift to stakeholder-based approaches to corporate governance. This can include broadening the fiduciary responsibilities to encompass stakeholder interests, creating an obligation on corporations to offer social safeguards, and coming up with systems of more fairly allocating the risk. These reforms would bring company law into line with wider societal aims and make a corporate innovation not at the cost of fairness and accountability.[24]

Lastly, the problem of risk externalization points to the significance of interdisciplinary methods of corporate regulation. Laws and principles might not suffice to deal with the intricacies of a contemporary corporate system, which is determined by economic, technological, and social aspects. Through a combination of these fields, policymakers will be able to come up with better and more responsive regulatory regimes that are more in tune with the realities of modern capitalism.

REGULATORY CHALLENGES

SPACs and Fiduciary Duties and Corporate Governance.

Fiduciary duties doctrine takes a centre stage in the company law as it is the main tool that the law uses to control the discretion of the managers and hold them accountable in the corporate set ups. These responsibilities, which are traditionally divided into the duty of care, duty of loyalty, and duty to act in good faith, are based on the greater principle that the

[23] Supra note 4.
[24] Supra note 5

directors are placed in a position of trust in relation to the corporation and to the shareholders. These responsibilities have been elaborated in places like the United States by the Delaware jurisprudence, and in India by [25]Section 166 of the Companies Act, 2013.The use of fiduciary duties, however, assumes that there is a functional corporate business, and that the directors make decisions regarding a business that is in existence. This assumption is essentially disrupted by SPACs. When SPACs are incorporated and initially offered publicly, they do not have any business, assets or revenue streams, but are speculative acquisition vehicles. This presents a doctrinal anomaly: directors should be working on a fiduciary basis in the context of no substantive corporate enterprise, so that fiduciary obligations are no longer to steward an existing business, but to speculative choices to select future opportunities.This change has far reaching consequences to the duty of care, especially as it was expressed in cases like [26]Smith v. Van Gorkom where the Delaware Supreme Court found directors guilty of gross negligence in not informing themselves sufficiently before consenting to a merger. The procedure of target company identification and evaluation is similar in the SPAC scenario as the decision made in Van Gorkom. Nevertheless, SPAC transactions are speculative in nature, and time limits are likely to result in insufficient due diligence. This brings about the issue of whether the current standards of care are adequate to provide responsible decision-making or a higher standard should be increased.

The conflict of interest, where directors are expected to serve the best interest of the corporation and not engage in conflicts of interest, is especially tense in SPAC structures. Sponsors are usually awarded a so-called promote, a large equity interest obtained at nominal value which gives them a powerful incentive to close an acquisition, no matter how good it is. Such a conflict of interest is similar to the one discussed in [27]Guth v. Loft where the court stressed the fact that fiduciaries should not put themselves in a situation where their personal interests are competing with those of the corporation. But, as opposed to classic instances of self-dealing, the conflict in SPACs is inherent and harder to solve using the traditional legal principles.In agency theory terms, SPACs are the extreme of agency conflicts. Agency costs are caused by information asymmetry and discretion of managers in the traditional corporations. However, agency costs are aggravated in SPACs by lack of operational benchmarks and asymmetry of risk and reward. As agents, sponsors have reasons to

[25] Companies Act, 2013, s. 166 (India)
[26] Smith v. Van Gorkom 488 A.2d 858 (Del. 1985)
[27] Guth v. Loft 5 A.2d 503 (Del. 1939)

maximize their individual returns, even at the cost of the public investors, who take most of the financial risk. This structural imbalance questions the usefulness of conventional governance processes, including the shareholders voting and disclosure.

The business judgment rule that gives the courts a deference to the actions of directors acting in good faith makes it harder to regulate SPACs. The basis of this doctrine is that business decisions should be made by directors, as they are in a better position to make business decisions compared to courts. Nonetheless, in cases where structural incentives compromise the independence and objectivity of the directors, deference justification is doubtful. The courts have also identified that in situations like the one in [28]Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc., a higher level of scrutiny can be required in cases where directors have conflicts of interest. The same could be justified in the context of SPAC, where the incentives of the sponsors generate internal contradictions.The other significant doctrinal development is the notion of Caremark responsibilities based on the case of In[29]re Caremark International Inc. Derivative Litigation that imposes the responsibility on directors to provide proper oversight and compliance mechanisms. The implementation of Caremark responsibilities in SPACs brings up new concerns: what is considered proper oversight of a company that has no active business? Is it necessary that directors should be obliged to come up with stringent due diligence procedures to select the target? The questions underscore the necessity of redefining the current fiduciary doctrines with respect to new corporate forms.

Comparatively, the Indian company law in the name of [30]S.166 of the Companies Act, 2013 requires directors to be exercising their powers in good faith and, in the best interest of the company, its workers, shareholders and the society. This more generalized formulation implies a more stakeholder-focused strategy than the classical shareholder primacy theories. Nevertheless, these obligations are not extensively applied to SPAC-like structures in India, which means that there is a possible field of doctrine evolution.

Securities Regulation, Investor Protection and Disclosure.

The cornerstone of securities regulation has been long considered to be disclosure, as it is believed that informed investors can make rational decisions in efficient markets. This

[28] Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc. 506 A.2d 173 (Del. 1986).
[29] In re Caremark International Inc. Derivative Litigation 698 A.2d 959 (Del. Ch. 1996)
[30] Supra note 25.

principle has been reflected in the legislative frameworks like the [31]Securities Act of 1933 in the United States and SEBI ICDR Regulations in India. Nevertheless, the SPAC model essentially questions the efficiency of disclosure-based regulation by separating the process of capital raising and the operations.Traditional IPOs have disclosure requirements that are aimed at providing investors with information regarding its financial performance, business model, and risk factors in great detail. This information helps the investors to evaluate the worth and risk of their investment. In SPACs, this information is necessarily unavailable during the IPO as the company does not operate. Rather, the disclosures are centered on the qualification of sponsors and overall acquisition policy, and the foundation of the investment decision making turns to the subjective trust rather than objective analysis.

This change brings critical concerns in regards to the boundaries of disclosure as a regulating instrument. In a situation where the investors cannot get access to meaningful information about the underlying business, the disclosure requirements can not be effective in their intended purpose. This implies that other investor protection mechanisms should be used, including the development of stronger fiduciary obligations, regulatory controls, and limitations on sponsor incentives.The problem of forward-looking statements also makes the situation of the regulation more complex. The SPACs tend to make use of projections and speculative forecasts to draw investors and enjoy the safe harbor provisions which restrict liability of such statements. These projections however could be too optimistic or deceptive, especially where there is no record of track record. This generates a conflict between the need to encourage capital formation and the need to mitigate investors against fraud and misrepresentations.The de-SPAC deal is a crucial phase in the lifecycle of a SPAC, virtually turning it into a functional business. Nonetheless, such process might not be regulated as much as a conventional IPO, and regulatory arbitrage exists. As an illustration, a company failing to comply with the demanding criteria of a conventional IPO can enter into a public market via SPAC mergers, which casts doubt on the integrity of markets and investor protection.[32]

Gig Economy Sites and Business responsibility.

One of the most debatable aspects in the current business and labor law is the legal status of the workers in the gig economy. The gig platforms do not have to deal with the issues that

[31]Securities Act, 1933 (USA).
[32] Supra note 2.

relate to employment, such as minimum wages, social security payments, and workplace benefits by categorizing workers as independent contractors. This classification is however becoming more and more challenged as not consistent with the economic reality of platform-based work.

The classification problem is intertwined with the concept of control, which, traditionally, is one of the most important factors defining employment relationships in terms of company law. The control in gig platforms is realized by the algorithmic systems that control pricing, tasks distribution, and performance monitoring. This type of control is less noticeable than traditional managerial power but is no less prevalent, which begs the question of whether legal tests are sufficient.The notion of algorithmic management presents novel problems to corporate liability. In contrast to human managers, algorithms make automated decisions, which can be not transparent and accountable. This brings into doubt the issue of liability attribution and whether corporations can be held liable to make decisions by autonomous systems.[33]

Courts have been responding to these issues by focusing more on the nature of the relationship, as opposed to its legal category. In [34]Uber BV v. Aslam, the UK Supreme Court ruled that Uber drivers are to be treated as workers, paying attention to the extent of control that is exercised by the platform. The decision is part of a larger trend of acknowledging the shortcomings of formalistic approaches in the realm of gig work.Gig platforms also present significant questions regarding the extent of corporate responsibility, in terms of corporate governance. In case platforms obtain considerable economic gains out of the labor of the workers, it can be stated that they should be subject to similar responsibilities. This questions the historical distinction of company law and labor law, implying that a combined regulatory framework should be in place, which considers not only corporate governance but also employee protection.[35]

Accountability, Veil Piercing and Corporate Personality.

Separate legal personality is an old doctrine that has been considered as one of the key principles of company law, giving corporations autonomy and facilitating the effective sharing of risk. But exceptions have always been made to this doctrine, especially in

[33] Supra note 3.
[34] Uber BV v. Aslam, [2021] UKSC 5.
[35] Supra note 4.

situations where the corporate form is adopted to avoid legal liabilities or commit fraud.The drawbacks of this doctrine are becoming more and more evident in contemporary corporate forms. Both SPACs and gig platforms take advantage of legal separateness to outsource risk and avoid liability, and it is questionable whether old veil-piercing doctrines are adequate. Historically, the courts have been very hesitant to lift the veil of incorporation, as the courts have stressed the need to ensure that there is legal certainty. Nonetheless, this hesitation might have to be re-evaluated to reflect the current issues.Theoretically, the problem can be considered as a conflict between formalism and realism in company law. Formalist approaches are based on the observation of legal structures and types whereas realist approaches are based on the economic content of the relationships. A realist approach might be needed in the light of new corporate forms in order to make sure that legal doctrines are consistent with economic realities.The increase of the range of veil-piercing doctrines might offer a way of managing the issues of SPACs and gig platforms. Such reforms, however, should be well-timed not to negate the advantages of limited liability. This necessitates a subtle strategy that is sensitive to the need of accountability and the need of legal certainty and economic efficiency.

COMPARATIVE REGULATORY FRAMEWORK AND LEGAL RESPONSES

SPACs Regulation: Comparative Company Law Approach.

The varying philosophies on the role of corporate law in balancing innovation and investor protection are indicated in the regulation of SPACs by jurisdictions. The United States has a regulatory environment that is conducive to the growth of SPACs, which has been based on capital formation and market efficiency, with disclosure as the main tool of investor protection. This method is based on the larger philosophy of U.S. securities regulation that supposes that rational decision-making by well-informed investors can discipline markets.

But the rapid expansion of SPACs has shown the weaknesses of this disclosure-based model. The dependency of the information on the reputation of the sponsor as opposed to the real business information generates a structural and not incidental informational asymmetry. In contrast to conventional IPOs, which minimize asymmetry by offering comprehensive financial and operational information, SPACs lack such information when they are listed. This implies that disclosure might not be effective enough as a regulatory measure in this case.

The most recent actions of the U.S. Securities and Exchange Commission (SEC) point to a move towards a more substantive regulation. SEC has raised issues on accounting practices especially the classification of warrants, and the use of forward-looking projections in de-SPAC transactions. Such developments indicate that an understanding has been reached that the conventional regulatory instruments need to be modified to meet the specific risks that SPACs present.European jurisdictions, on the contrary, focus more on precautionary regulation of the market, prioritizing the protection of investors and market stability. European SPAC models are more likely to require more specifications on the compensation of sponsors, escrows, and acquisition schedules. Such actions indicate a more activist philosophy, in which regulators actively reduce risks, as opposed to market discipline only.This difference between these methods raises a basic issue in company law; is corporate regulation based on efficiency or protection? The U.S. model encourages innovation and the quick formation of capital, but it can encourage at the expense of the investor of greater risk. On the other hand, the European model offers more protection but can restrict the flexibility and appeal of SPAC structures.

In terms of doctrine, both models indicate that the traditional corporate law is not sufficient to deal with hybrid financial structures. SPACs occupy an in-between space between the available types of corporate entities, being a mixture of investment funds, shell companies, and acquisition vehicles. This implies that a separate regulatory classification under the company law should be in place, which is specific to the peculiarities of SPACs.

Indian Position: SPACs, SEBI and the Companies Act, 2013.

The case of India regulatory framework is particularly interesting because it demonstrates the limitations and prospects of the new forms of corporate structures. The lack of a specific regime of SPAC under Indian law is not only a regulatory gap but also a result of structural incompatibility between SPACs and the current legal standards.According to SEBI (ICDR) Regulations, the companies which want to do an IPO should have a history of profitability, operations and financial stability. These are based on a protective regulatory philosophy, which is meant to protect retail investors against speculative investments. But they also successfully exclude the classical SPAC model, which is founded on the raising of capital with no underlying business activity.This incompatibility is strengthened by the Companies Act, 2013, in terms of company law. Board procedures, disclosure of financial information

and shareholder rights are provisions that presuppose that a business is operational. As an example, the requirements set in the section 134 (financial statements) and 177 (audit committees) assume operational activity and thus when applied to SPACs are conceptually problematic.

Irrespective of these hurdles, Indian regulators have been willing to embrace new financial instruments. The case of the introduction of REITs and InvITs proves that the innovation of the regulatory process can be implemented in the Indian legal framework. The same strategy might be applied to SPACs, which would entail the establishment of a special regulatory framework that is flexible and at the same time protective of investors.

A regime like this may consist of:

Mandatory escrow IPO proceeds.

- Stringent acquisition schedules.
- Improved reporting of sponsor payments.
- Target companies independent valuation requirements.

These would bring SPAC regulation into line with the overall purpose of Indian company law, the promotion of transparency, accountability and minority shareholder protection.

Gig Economy Platforms Regulation Comparative LabourCorporate Interface.

The control of gig economy platforms exemplifies how the sphere of company law and the labor law are becoming more and more intertwined as the boundaries between these two spheres become more unclear. The regulatory environment in the United States is fragmented, and the various states have different approaches to the classification of workers. This indicates a larger conflict between flexibility and protection, which is at the core of the regulation of the gig economy.The AB5 law in California is an effort to overcome this conflict by introducing the ABC test that greatly broadens the area of employment categorization. Nonetheless, the introduction of the next proposition 22, which introduced exceptions in some gig services, points out the political and economic influence on the regulatory outcomes. This implies that legal changes in this domain are not shaped by doctrinal issues alone, but rather by socio-economic processes, in general.The European Union on the other hand has been much more coordinated, and has worked on the

harmonization of regulatory standards. The suggested guidelines on platform work highlight the importance of an algorithmic transparency, employee rights, and data privacy. This indicates an acknowledgment of the fact that platforms of the gig economy will be transnational and will necessitate a transnational regulation approach.

The case of Uber BV v. Aslam in the UK is an important doctrinal move because it highlights the value of substantive economic reality in lieu of formal contractual terms. The court was able to question the characterization of the platform as an intermediary by considering drivers to be workers. This method is consistent with a wider shift towards functional analysis of corporate and labor law where the results of law are based on the realities of relationships and not their form.

The Indian Framework: Platform Workers and Labour Codes.

The regulatory model of the gig economy in India is indicative of a tentative yet progressive acknowledgment of the platform-based employment. The [36]code on Social Security, 2020 is a major move in this direction, as it officially recognizes the existence of two new groups: gig workers and platform workers. This recognition is significant in legal terms, as it offers a means of applying social security benefits to people that do not fit into the conventional categories of employment.Nonetheless, the Code does not go as far as to tackle the root cause of the problem, which is the classification of employment, and the gig workers remain in a legal vacuum. Although they are considered a separate category, they do not receive all the protections that employees are entitled to. This brings about a hybrid status that might not be adequate to overcome the vulnerabilities linked to gig work.In terms of company law, this brings into question the extent of corporate responsibility. Gig workers benefit platform companies economically, and are not subjected to any equivalent responsibilities. This establishes a regulatory arbitrage, in which corporations take advantage of differences in law across jurisdictions to pay less in compliance expenses.

Regulatory Gaps and the Need for Integrated Corporate Law

The comparative analysis shows that the current regulatory structures are ill prepared to deal with the challenges of new corporate structures. In SPACs and gig economy platforms alike, the legal doctrines do not correspond to the reality of economics, which leads to gaps that may be used by corporations.Such gaps are especially noticeable in the distinction between

[36] Code on Social Security, 2020 (India), ss. 2(35), 2(60)

the company law and the labor law that are traditionally seen as two different areas. But the emergence of platform-based business models indicates that these areas are becoming more and more interrelated, and that they require a more integrated regulatory response.

A comprehensive framework would be able to appreciate that corporate operations have consequences beyond the shareholders to the workers, consumers, and the society as a whole. This would necessitate a change in a limited understanding of shareholder value to a wider definition of corporate purpose, including stakeholder interests and social responsibility.

TOWARDS AN ADAPTIVE CORPORATE FRAMEWORK

Re-Framing Corporate Law: Formalism to functionalism.

The challenges that this paper has identified indicate that there is a need to have a major transformation in the philosophy of corporate law. Traditional methods are defined by formalism, where the result of law is based on the compliance with some categories and structures. But the more complicated and liquid form of corporate forms this method becomes insufficient.By contrast, a functional approach is concerned with the content of relationships and transactions and is concerned with economic reality rather than legal form. The extension of this approach to company law would improve the responsiveness of legal systems to new challenges, which is already apparent in some areas of law, including tax and competition law.

Restating Fiduciary Duties: A Situational Relationship.

Fiduciary obligations should be redefined in accordance with the specifics of the corporate structure of the present day. In relation to SPACs, this includes perceiving the structural conflicts inherent in sponsor incentives and enforcing greater obligations to promote fairness and transparency.Likewise, fiduciary principles may be applied to workers in gig economy platforms, especially when platforms have a high level of control over the activities of workers. This would be a change to a more inclusive vision of corporate governance, in line with the overall effects of corporate actions on the society.

Hybrid Regulatory Models: Regulatory Intermediate between Corporate and Labour Law.

Company law and labor law should be integrated to deal with the challenges of platform-based work. There might be hybrid regulatory models, including the establishment of new

types of law, including so-called dependent contractors, having specific rights and responsibilities.Such models would also involve co-ordination among regulatory authorities, such that corporate governance and labour protection are co-ordinated. This would enhance the effectiveness of regulation and reduce opportunities for arbitrage.[51]

Broadening Corporate Responsibility System.

The corporate law should include provisions that bring about the externalization of risks to make the corporate activities more accountable to the wider effect of their operations. These can include increasing the liability, improving disclosure standards, and improving the enforcement mechanisms.Specifically, the doctrine of limited liability might require rebalancing in such a way that it does not cause avoidance of responsibility. This may include specific reforms, including conditional liability when there is systemic risk externalization.

CONCLUSION

The discussion carried out in this paper shows that the introduction of Special Purpose Acquisition Companies (SPACs) and gig economy platforms is not only an incremental innovation, but a structural change in the nature of the corporation as a whole. These paradigms challenge the assumptions that the traditional company law has been based on i.e. the fact that companies are operational entities with identifiable business objectives, with stable governance systems and well-defined relationships with stakeholders.On a doctrinal level, SPACs reveal tremendous vulnerabilities of the current system of fiduciary obligations, disclosure policies, and shareholder safeguarding. The capital formation and operating activity are isolated, which results in a regulatory structure in which information asymmetry is not a coincidence, but a natural occurrence. Incentives sponsored by the sponsor, combined with weak mechanisms of accountability, weaken the efficacy of conventional corporate governance devices like the business judgment rule and shareholder voting.

Similarly, the gig economy platforms are also disruptive to the legal systems of corporate liability and labor relations. These platforms create a disconnect between the legal form and economic reality as workers are being treated as independent contractors and are being subjected to high degrees of algorithmic control. This not only compromises labour protection but also challenges the conceptual boundaries of the company, raising the basic issue of the allocation of accountability in the modern business structures.

Reform of the doctrine should then involve the re-tuning of fiduciary obligations to deal with structural conflict in SPACs, broadening corporate liability in instances of algorithmic domination of labor, and the introduction of principles-based regulation frameworks that can keep up with technological and economic transformation. Importantly, such reforms should not suffocate innovation but rather, they should offer a system of fairness, transparency and accountability to make sure that innovation is done.Nonetheless, the future of corporate law is its ability to satisfy the needs of contemporary capitalism. As the corporate structures are further developed, the law cannot afford to be left in the rut of formalism and be more dynamic and interdisciplinary. In this way, it is able to maintain the validity of the corporate form and at the same time make sure that it not only fulfills the interests of shareholders, but also the larger needs of society.