

7th RGNUL Sports & Entertainment Law Mediation Competition

25th – 27th April, 2025

GENERAL INFORMATION



SEMI-FINAL ROUND

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Pit Stop for Peace

BRIEF ON THE PARTIES

Nebula Racing is a mid-tier Formula 1 team aiming to break into the top five constructors, consisting of and dominated by Blue Bull Racing, Ferrari, Mercedes, McLaren, and Aston Martin. The team, owned by the controversial billionaire James Nardi, has recently faced scrutiny due to erratic management decisions and growing concerns about allegations of internal favouritism. The situation escalated dramatically following a mid-season technical department shakeup that saw long-time principal engineer Hiroshi Tanaka replaced by Ryuji Nakamura, father of rookie driver Kai Nakamura. This move has raised serious questions about potential conflicts of interest, as the new engineer's first significant decision was replacing veteran driver Luca Moretti with his son.

Luca Moretti, the team's former lead driver, joined Nebula Racing three seasons ago with high expectations, bringing a reputation as a fierce wheel-to-wheel racer with a knack for extracting performance from unpredictable cars. A skilled yet outspoken competitor, Moretti secured multiple podiums in his first two seasons, quickly becoming a fan favourite. However, the current season saw a dramatic downturn in his performance, a decline Moretti attributes to deliberate strategic mismanagement and technical sabotage following the engineering leadership change. Moretti was abruptly dismissed ahead of the British Grand Prix and replaced by Kai Nakamura, a rising talent from Nebula Racing's junior program. Nebula Racing's junior program is designed to identify and develop young drivers for Formula 1 by having them compete in lower-tier racing series. However, given Moretti's previous performances, serious concerns have been raised about whether the junior program is being used as a fair talent pipeline or a tool for nepotism and internal politics. Moretti, backed by his long-term sponsor Titan Oil, has taken legal action against Nebula Racing, alleging breach of contract due to wrongful termination, internal sabotage, and unfair treatment in favour of Nakamura.

BACKGROUND OF FACTS

Moretti's contract had a "minimum race finish clause", requiring him to finish in the top ten in at least five out of the first ten races to retain his seat. Moretti claims that deliberate strategic blunders (bad pit stops, flawed tire choices, and engine overheating issues) orchestrated by Nebula Racing led to his underperformance, triggering his dismissal. Moretti received unusually harsh penalties,

including two critical 10-second stop-hold punishments for alleged unsafe releases in Canada and Austria, despite telemetry showing his exits were within standard margins. These penalties directly cost him two potential top-ten finishes that would have satisfied his contract terms. Independent analysts have noted inconsistent application of these rules compared to other drivers.

But Nebula Racing's performance analysts claim that Moretti's throttle application and braking patterns became erratic in key races, leading to higher tire degradation than planned. This forced the team into suboptimal pit strategies, compromising race results. They further claim that Moretti's allegations regarding deliberate setups are erroneous as Nebula Racing's engineers say he insisted on low-downforce configurations that made the car unstable in high-speed corners, leading to mistakes in several key races.

Moreover, Moretti was the face of Titan Oil, a personal sponsor that had a season-long branding agreement. Following Moretti's dismissal, Nebula Racing replaced Titan Oil's branding on the car with Shogun Electronics, Nakamura's sponsor. The abrupt termination of Moretti has left Nebula Racing with significant inventory liabilities, including €2.3 million worth of unsold driver merchandise, ranging from team kits and caps to limited-edition collectibles. Social media backlash under #JusticeForMoretti has damaged the team's reputation, particularly in Moretti's key fan markets. FIA's Contract Recognition Board (CRB) is currently investigating whether Nebula Racing acted in bad faith.

Nebula Racing argues that Moretti's vocal dissatisfaction with the team publicly damaged the brand's reputation, breaching sponsorship expectations. They maintain that all penalties against Moretti were legitimate and backed by evidence. In Canada and Austria, the 10-second stop-hold penalties were imposed after FIA CCTV footage clearly showed Moretti's car being released unsafely into the paths of Bottas (Mercedes) and Gasly (Alpine). These were not questionable calls—they were clear violations of pit lane protocols.

THE DISPUTE AND THE CALL FOR MEDIATION

Recently, rival teams have been demanding financial transparency, fearing Nebula Racing has misreported expenses, similar to Blue Bull's 2021-22 budget cap controversy. In 2021, Formula 1 introduced a budget cap- initially set at \$145 million per team (excluding driver salaries, marketing, and a few other costs) to reduce the gap between high-spending teams and smaller outfits. The budget cap was a key step in regulating the sport's spending and promoting more competitive racing.

Nebula Racing's payout to Moretti, alongside their rapid signing of Nakamura, may have pushed them beyond the FIA's cost cap. Nebula Racing has also alleged that Moretti's demands, including private jet transport and additional bonus payments, led to an increase in expenditure. His contract included a private jet clause, which clashed with Nebula Racing's sustainability goals and disrupted logistics, requiring last-minute adjustments to freight plans. Moretti's demands placed an unnecessary burden on the team.

Financially, Moretti has faced collateral damage. His sponsor, Titan Oil, was abruptly removed from Nebula's livery in favor of Nakamura's backer, Shogun Electronics, severing a lucrative partnership. The team's public blame-shifting, accusing him of "erratic driving" and "unreasonable demands," has tarnished his marketability. To escalate tensions further, Nebula's insinuations that his private-jet clause and bonus requests strained their budget have painted him as a diva, despite the team's alleged financial irregularities.

The controversy has drawn widespread attention, impacting the team's reputation and standing in the paddock. The public allegations made by Moretti have inflicted severe reputational damage on Nebula Racing, with measurable consequences across commercial, sporting, and financial dimensions. From a brand equity perspective, the team's association with unfair treatment of drivers has triggered a 22% decline in positive brand sentiment across social and traditional media, according to reputation analytics firm RepTrak. Operationally, the scandal has impaired talent acquisition—three junior drivers have rejected development contracts citing "toxic environment" concerns. To prevent financial and reputational fallout, Nebula Racing is keen to resolve these disputes through mediation rather than prolonged litigation or regulatory action.

The mediation will involve two parties—Team Principal of Nebula Racing, Marco Visconti, who has requested the mediation and Luca Moretti, along with their respective legal counsels. The goal is to reach a resolution that addresses the contractual, financial, and regulatory concerns while minimizing further damage to both parties' reputations.