

Law of Obligations II – 12 October 2011

- The duration of the examination is 75 minutes.
- During the course of the examination, candidates may freely consult Statutes and dictionaries of their own.
- On each Answer sheet, candidates must write their **student number only**. Please do **not** write your name or major subject of study.
- **All** candidates **must** attempt Question 1.
- Candidates may attempt **only one** topic from the two topics presented in Question 2.

[1] Question 1

Alice has a notebook computer she has been using for a couple of years. The hard disk drive of her notebook recently began to show signs of erratic performance. Her notebook computer began to freeze often and she had to remove the battery, then put it back again and restart the computer. It was getting increasingly annoying and she decided to sell it. She advertised in a website: “Second-hand notebook computer for sale. 500,000KRW or nearest offer.”

Bob has very little knowledge of computer technology. He also has little idea about the market price of second-hand notebook computers. He got in touch with **Alice** and offered to pay 500,000KRW. **Alice** told him, however, that there are a couple of people who are interested in buying it and that they are likely to offer more. **Bob** decided to make a better offer and proposed to pay 600,000KRW, which **Alice** accepted. During their conversation, **Bob** asked **Alice**, “I suppose it's a decent computer?” **Alice** replied, “Excuse me sir, what do you expect? It's a second-hand computer, no more, no less. I cannot give you any warranty whatsoever. You take the risk. It's up to you. You don't have to buy it. It's your call.” **Bob** replied, “OK, fine. I want it.”

After the notebook computer was delivered to **Bob**, he realised that it froze quite often, which annoyed him considerably. He asked around and was told that it would cost 100,000KRW to replace the hard disk drive. **Bob** nevertheless used the notebook computer to store all his photo collections and valuable documents. About 7 months later, the computer's hard disk drive stopped completely and he lost all files irretrievably.

Bob spoke to his friend **Charles**, who is a third year law student at Y Law School. **Charles** has a good knowledge of computer hardware. **Charles** also has an accurate information about the market price of second-hand computers. **Charles** said, “This is a typical case of breach of contract! This notebook computer is worth 350,000KRW. Since you paid 600,000KRW, you suffered a loss of 250,000KRW. Under Korean law, this is called 'difference theory' and this is how much you can claim as contract damage.” **Bob** asked, “What about my photo collections and files? They are worth 300,000KRW.” **Charles** replied, “Of course, you can claim that as well.” **Charles** further advised, “If **Alice** puts forward a defence that she did not give any warranty, you can void the entire contract because you were mistaken. If you had known that this notebook computer had a faulty hard disk drive, you would not have bought it, would you? Once the contract is rescinded on the ground of mistake, her waiver of liability also goes away.”

As advised by **Charles**, **Bob** sues **Alice**. If you were a judge, how would you decide?

[Please turn to the next page]

[2] Question 2

Please choose and answer only **one** of the following topics:

What remedies are available to a buyer who purchased an item in an 'official' auction?

or

Explain 'contract deposit' under Korean law.

[End of questions]