

Law of Obligations I

16 June 2014

- The duration of the examination is 75 minutes.
- During the course of the examination, candidates may freely consult materials in their possession, including Statutes (in Korean or in English), lecture notes, on-line resources.
- On each Answer sheet, candidates must write their **student number only**. Please do **not** write your name anywhere in the Answer sheet.

[1] Question 1

Alice bought a plot of land from Bob at the price of 500 million KRW. The contract deposit (50 million KRW) was paid upon conclusion of the contract on 1 April 2013. A partial payment in the amount of 200 million KRW was to be paid on 15 April 2013. The final payment (250 million KRW) was to be paid on 30 April 2013 simultaneously with Bob handing over the possession of the land together with title deed and all necessary documents to complete the title transfer.

Bob is a busy man and he also owes money to a lot of creditors. David is one of those to whom Bob owes money. Bob and David agreed that David will receive 200 million partial payment directly from Alice. Bob sent an email to Alice as follows:

Dear Alice,

Please send the money directly to David. He will telephone you shortly to give you his account details. I owe David some money and it would simplify matters if you send the payment directly to him.

Thanks.

Bob

Alice sent money as requested by Bob on 15 April. On 30 April, David telephoned Alice to inform that the final payment must also be paid directly to David as instructed in the previous email of Bob. As Bob was again travelling abroad on an urgent business trip on 30 April, Alice sent the final payment to David after trying to reach Bob on the phone without success.

But when Bob returned from the trip the following day, he refused to hand over the title deed and refused to deliver the possession of the land arguing that David had no power to receive final payment. Bob demanded Alice to pay the final payment. Alice claims that Bob himself gave a written notice to Alice informing that David had the power to receive money on behalf of Bob. Alice maintained that she had already paid the final payment as requested by Bob. Alice demanded Bob to hand over the land and the title deed.

On 1 June 2013, Bob informed Alice that the sale contract is terminated because Alice fails to pay the final payment. On 1 September 2013 Alice files a lawsuit against Bob demanding transfer of possession and the title of the land.

Discuss how the dispute should be resolved.

[2] Question 2

Alpha Apparel Co. (“**Alpha**”) sold 20,000 T-shirts to Beta Clothing Co. (“**Beta**”) at the price of 200 million KRW. Beta has a distribution network in North America. Beta sold T-shirts to these retailers with 30% markup. Beta was to receive from its retailers a total of 260 million KRW.

Consumers, however, discovered that when these T-shirts are washed for the first time, the color changes. Other cloths washed together with these T-shirts are colored by them. These T-shirts also shrink considerably upon initial wash. Many customers demand full refund and claim damage for their ruined cloths which were washed together with these T-shirts.

About half of Beta’s North American retailers returned the T-shirts and demanded compensation from Beta. Beta concluded a settlement agreement with each of these retailers. The total amount of settlement payout amounted to 300 million KRW. However, about half of Beta’s retailers have not complained yet. Beta anticipates that these retailers would also demand compensation.

Beta terminates the sale contract with Alpha. Beta sues Alpha and demands 600 million KRW as damages. Alpha rejects Beta’s claim completely and points out that the sale contract has the following clause:

The parties hereby agree that once the full price has been paid and T-shirts are delivered, neither party may terminate the contract or demand a refund.

Alpha further claims that these T-shirts all carry a care instruction which clearly says “Wash Separately”. According to Alpha, Beta’s retailers had no need to pay compensation for other cloths which were damaged because the consumers who ignored the care instruction of these T-shirts have only themselves to blame.

Discuss how the dispute should be resolved.

[End of questions. You must answer both **Question 1** and **Question 2**.]