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**Addendum to
Position Paper on Illegality**

by

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Some Illegality Problems

[Geographical note. Zenda is the capital of Ruritania. St Thomas is the capital of Utopia. Both Ruritania and Utopia are Member States of the European Union.]

1. X, Y and Z are directors of and shareholders in Aristotle Co. Ltd., a company incorporated in Ruritania. They enter into a scheme to buy shares in the company so as to drive up the price because they believe the company is about to be the subject of a takeover bid. X enters into contracts to buy 3 million shares, it being agreed that Y and Z will fund 1 million shares each.

The takeover bid does not materialise. The share price collapses. Y and Z refuse to indemnify X.

2. A is a major defence contractor in Ruritania. It is keen to sell numbers of its new Eurobomber airplane to the Utopian air force. It enters into an agreement with B, a senior officer of the Utopian Ministry of Defence to pay him a facilitation fee of 5% of the price paid for each aircraft.

The Utopian air force orders 100 Eurobombers at \$100,000,000 each, deliverable at the rate of 20 a year starting on 1 January 2006.

30 Eurobombers have been delivered. B has been paid his fee in respect of the first 20 and Utopia has paid for 25 planes.

The Peace Party came to power at the last Utopian election. They would be glad not to have to pay for any more planes. They have also discovered that the maximum speed of the planes is 1,000 km/hour and not 1,500 km/hour as had been claimed during the original negotiations.

3. A contracts to carry B's goods by sea from Zenda to St. Thomas. Both Ruritania and Utopia are signatories to the Hague-Visby Rules. A issues a bill of lading which is expressly to be subject to the UNIDROIT Principles. Do the Hague-Visby Rules apply?

4. A, a national of Ruritania runs a business whose main object is to provide prostitutes to work in brothels in Utopia. He procures girls by telling them that he will find jobs for them as waitresses or secretaries in Utopia.

He has a contract with the X bus company to drive the girls in buses from Zenda to St. Thomas. He does not tell X what his purpose is but X has good reason to suspect it. Is X entitled to payment?

One of X's buses crashes on the journey owing to the negligence of the driver and some of the girls are injured. Can the girls sue X? Can A sue X for his consequential financial loss?

5. Gray Boots is a major international manufacturer of sports shoes. It purchases large numbers of shoes from suppliers in Ruritania and Utopia. In both countries workers work 18 hour days in sweat shops for a pittance. This is contrary to an international convention. Ruritania has signed this convention but makes no effort to enforce it. Utopia has never signed. Representatives of Gray Boots take care not to visit Utopia or Ruritania but the price paid for the shoes is very low.

Gray Boots has been accustomed to pay for the shoes a month after delivery. It has had an attack of conscience and is now refusing to pay its suppliers.

6. A, a Ruritanian company and B, a Utopian country enter into an agreement subject to the UNIDROIT Principles. The purpose of their agreement is to form a cartel so as to control the price of a product of which A and B are the only manufacturers in the European Union. A dispute arises between A and B which is referred to arbitration in a country outside the European Union. The dispute relates to a neutral matter which has no connection with European competition policy and neither party raises any such issue but the relevant rules are well known to the arbitrator

7. A is the owner of a large car showroom in Zenda. B, a Utopian national, agrees to buy 10 Rolls Royce cars to be delivered to St. Thomas in one week for \$1,000,000. A stipulates for payment in advance. B pays in cash, using money which is the product of drug smuggling. A has not delivered the cars.

8. A contracts to carry B's goods by road from Zenda to St. Thomas. The lorry provided by A to carry out the contract is regarded by both Ruritanian law and Utopian law as unsafe for this purpose but this is not apparent to B. The goods are safely delivered. B refuses to pay the agreed price.

9. A. is the Prime Minister of Ruritania and B is his chief of staff. B enters into a plan with X, who acts on behalf of Black Sky Television, the leading channel in Utopia under which X agrees for payments of \$10,000 not to report on Black Sky Television news of A's affair with a leading member of the opposition party in Ruritania. X suppresses the story but B does not pay the \$10,000.