

TECO Electric and Machinery Co., Ltd.

1403rd Commissioners' Meeting (2018)

Case: TECO violated the Fair Trade Law for posting false advertising on energy efficiency ratings in relation to its "fresh green series" refrigerators including model R0511 and 17 other models on the company website

Keyword(s): Household appliance, energy efficiency, false advertising

Reference: Fair Trade Commission Decision of October 3, 2018 (the 1403rd Commissioners' Meeting); Disposition Kung Ch'u Tzu No. 107081

Industry: Manufacture of Other Domestic Appliances (2859)

Relevant Law(s): Article 21 of the Fair Trade Law

Summary:

1. The FTC visited the website (<http://www.tecohome.com.tw/>) of TECO Electric and Machinery Co., Ltd. (hereinafter referred to as TECO) and then found out the "Fresh Green" refrigerator series: model numbers R0511, R1061SC/LA and R2551 HS; the "Classic Fixed Frequency 2-door" refrigerator series: R3151CS and R4151N; the "Energy-saving Inverter 3-door" series: R4762VXS and R4771VXLH; the R4801DTXW "4-door refrigerator with tempered glass shelves and freezer at the bottom"; the "Energy-saving Inverter 2-door" refrigerator series: R4871XLS, R4881XLH, R4891XM, R5161XK, R5171XM and R6161XH; and the "Energy-saving Inverter 3-door" refrigerator series: R5551VXLH, R5651VXSP, R6061VXH/K and R6071VXM, 18 models in total, were all indicated in the "Energy Efficiency Level" field as of Level 1. However, the FTC checked on the Energy Efficiency Level Labeling Management System of the Bureau of Energy of the Ministry of Economic Affairs, the 18 models were registered as belonging to Level 4. It was false advertising in violation of Article 21 of the Fair Trade Law and the FTC launched an ex officio investigation.
2. Findings of the FTC after investigation:
 - (1) According to the Bureau of Energy, as prescribed in Paragraphs 1 and 3 of Article 14 of the Energy Administration Act, manufacturers or importers of energy equipment or devices who sell to domestic users had to label on such items the amount of energy consumption and efficiency compliant with the permissible energy consumption regulation. Those failing to indicate such information may not exhibit or market their energy equipment or devices domestically. Furthermore, when the energy efficiency level standards were revised, suppliers also had to take measures in accordance with the amended version.
 - (2) On May 10, 2017, the Ministry of Economic Affairs announced the amended "Refrigerator Minimum Energy Performance Standard and Energy Efficiency Information Indication, Classification Methods and Inspection Procedures" to take effect on Jan. 1, 2018 and manufacturers and importers were supposed to register their new energy efficiency level labeling results according to the new regulations. As a result, the energy efficiency of the 18 refrigerator models were registered with the Ministry of Economic Affairs as belonging to Level 4. Therefore, TECO was supposed to label the newly registered energy efficiency

level starting on Jan. 1, 2018. However, TECO did not correct the energy efficiency level of the refrigerators to Level 4 until Apr. 9, 2018.

3. Grounds for disposition:

- (1) Businesses adopted advertising to attract unspecific consumers to make their purchases. In this case, the energy efficiency level was an important factor when people shopped for refrigerators and TECO as the advertiser had the responsibility to be truthful about the energy efficiency level of the 19 refrigerator models. The company had to assure the product information being conveyed was correct and consumers would not make wrong transaction decisions as a result of being misled by false advertising.
- (2) In the specifications of the 18 refrigerator models posted on TECO's company website between Jan. 1, 2017 and Apr. 9, 2018, the numeric value indicated in the "Energy Efficiency Level" field was Level 1, suggesting that the refrigerators consumed less energy than refrigerators of other energy efficiency levels. After the Ministry of Economic Affairs amended the refrigerator energy level classification standard on May 10, 2017 and the new standard took effect on Jan. 1, 2018, the energy efficiency level of the 18 refrigerator models were registered as Level 4 and thus TECO was supposed to revise the related specifications on Jan. 1, 2018. However, the company did not correct the energy efficiency level of the refrigerators in question until Apr. 9, 2018. As a consequence, consumers might think the 18 refrigerator models were rated as of Level-1 energy efficiency according to the current classification standard and therefore make wrong transaction decisions. For this reason, the practice was in violation of Paragraph 1 of Article 21 of the Fair Trade Law.
- (3) Based upon the abovementioned considerations, the FTC concluded that by indicating the energy efficiency of the 18 refrigerator models as of Level 1, TECO made the false and misleading representation with regard to the quality of the product and the representation could also affect transaction decision in violation of Paragraph 1 of Article 21 of the Fair Trade Law. Therefore, the FTC cited the first section of Article 42 of the same Law and imposed an administrative fine of NT\$ 400,000 on TECO.

Appendix:

TECO Electric and Machinery Co., Ltd.'s Uniform Invoice Number: 11332202

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