

## **Shiweitian Co., Ltd.**

1388<sup>th</sup> Commissioners' Meeting (2018)

Case: Shiweitian Co., Ltd. was complained for failing to fully disclose important franchise information and not giving reasonable time for contract review in violation of the Fair Trade Law

Keyword(s): Franchise, important information, information disclosure

Reference: Fair Trade Commission Decision of June 13 (the 1388<sup>th</sup> Commissioners' Meeting)

Industry: Beverage Serving Activities via Shops (5631)

Relevant Law(s): Article 25 of the Fair Trade Law

### Summary:

1. The FTC received complaints from a citizen about Shiweitian Co., Ltd. (hereinafter referred to as Shiweitian) failing to disclose important franchise information, including expenses needed during operation, contents and approaches of management assistance and training, and the number of franchisees of the same system in all counties and cities, when recruiting for the "Battlefield Dessert Chain". The company also did not give a reasonable period for contract review. The practices were suspicious for violation of the Fair Trade Law.
2. Findings of the FTC after investigation:
  - (1) The FTC requested both the informer and the offender to present written statements and related evidences. The informer accused Shiweitian of providing only an equipment price quotation and in contrast Shiweitian contested that the company did provide the Battlefield Dessert Franchise Description, a franchise brochure, franchise contract and company menu. The FTC reviewed the documents and concluded Shiweitian did not fully disclose important franchise information.
  - (2) Although each side insisted on its own argument about the contract review period, the FTC's inspection of photocopies of franchise contracts Shiweitian signed with other franchisees showed that each one of them carried the signatures of signers and also indicated the period of contract review. Therefore, what the informer described was an individual case of dispute.
3. As Shiweitian only recruited a handful of franchisees, the scale could not have any effect on the trading order of the market and it was difficult to conclude that the company had violated Article 25 of the Fair Trade Law. However, to prevent violation of law or any impact on trading order in the future, the FTC issued a warning letter to Shiweitian.

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