

Fucheng Enterprises

1433rd Commissioners' Meeting (2019)

Case: Fair Trade Commission initiated an ex officio investigation into Fucheng Enterprises using deceptive means to recruit individuals to engage in household production and collect expensive material fees from them in violation of the Fair Trade Law

Keyword(s): household production, production contract

Reference: Fair Trade Commission Decision of April 24, 2019 (the 1433rd Commissioners' Meeting); Disposition Kung Ch'u Tzu No. 108020

Industry: Other Manufacturing Not Elsewhere Classified (3399)

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

Summary:

1. The FTC received complaints from home workers that they signed a production contract with Fucheng Enterprises and at the same time paid a material fee of 12,000 New Taiwan dollars (same currency applies hereinafter), but after the products were finished, the company only purchased a very small percentage of the products and even demanded home workers to pay 10 dollars to cover the cost of each unqualified piece. In other words, the home workers claimed that Fucheng Enterprises used deceptive means to recruit domestic home workers and collect high material fees from them to make a profit. They believed that the practice was in violation of the Fair Trade Law. Therefore, the FTC launched an ex officio investigation.
2. Findings of the FTC after investigation:
 - (1) In local newspapers for job seekers, Fucheng Enterprises posted the message that home consignment jobs were available, but interested parties had to produce at least 1,200 pieces, sign a production contract and also pay 12,000 dollars for the ink (including four separately packed sets). The molds for the home consignment were free of charge.
 - (2) When people applied for the home consignment, the company provided each of them with a piece of qualified hanging ornament as the sample for reference with the purpose of demonstrating how to make the product and 100 molds were also provided at the same time. Each home worker had to assess whether his/her finished products were qualified before submitting them to Fucheng Enterprises. If the pass rate achieved over 60%, the company would pay 50 dollars for each piece. However, if the percentage of unqualified products went beyond 50%, the worker had to pay 10 dollars to compensate for the wear-out of the molds.
3. Grounds for disposition:
 - (1) Fucheng Enterprises posted the wordings of "cash payment," "products to be picked up at the workplace," and "no tight schedules" to attract Home consignment applicants. Nonetheless, when signing the contract, the company did not tell the applicants the level of production difficulty would be high and pass rates would be low. An inspection of the information provided by the informer showed that the pass rates of the finished product were extremely low, meaning that the company did not fully disclose the high likelihood of compensating for

unqualified products would be high and the reward being lower than the compensation. Instead, only a persuasive but misleading written product description was provided by Fucheng Enterprises to make the prospective home workers believe that they could handle the work and get paid for it.

- (2) Fucheng Enterprises paid 7,800 dollars for the 4 sets of separately packed ink and sold them for 12,000 dollars, but each home worker was only given one set at the time when the contract was signed. When a worker quit, the company did not have the remaining ink returned or buy it back at a discount. In other words, purchasing the material for workers was merely an excuse. As a matter of fact, the money collected from selling the material was the main source of income for the company. An on-site investigation revealed that the company actually had no fixed channels to market the finished products. Its management cost and sales were disproportionate. It was impossible for normal businesses to afford for a long period of time. Moreover, the company's management was different from normal businesses.
- (3) Fucheng Enterprises adopted deceptive means to recruit unspecific individuals to do domestic Home consignment and abused excuses to collect charges from them to make a profit. The practice was deceptive conduct able to affect trading order in violation of Article 25 of the Fair Trade Law. In addition to ordering the company to cease the unlawful act, the FTC also imposed on it an administrative fine of 500,000 dollars.

Appendix:

Fucheng Enterprises' Uniform Invoice Number: 13551250

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