

## Shengyu International Investment Co., Ltd.

1487<sup>th</sup> Commissioners' Meeting (2020)

Case: Shengyu International violated the Fair Trade Law by posting a false and misleading representation with regard to content of service when recruiting franchisees for the WooWho Coffee Shop chain

Keyword(s): Franchise, false advertising

Reference: Fair Trade Commission Decision of May 6, 2020 (the 1487<sup>th</sup> Commissioners' Meeting); Disposition Kung Ch'u Tzu No.109023

Industry: Restaurants (5611)

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

### Summary:

1. The FTC received a complaint accusing Shengyu International Investment Co., Ltd. (hereinafter referred to as "Shengyu International") of engaging in false advertising by posting the wording of "Start your business early! A 23-year-old hairstyle assistant's dream of running a dining business came true with monthly sales achieving nearly NT\$700,000" and claiming "A 23-year-old... invested his over NT\$1 million savings to open a WooWho shop in Neihu in December last year and has already broken even four months later by making the average monthly sales volume of NT\$400,000~700,000."

### 2. Findings of the FTC after investigation:

The informer, Shengyu International and the concerned party either provided their written statements or came to the FTC to offer their oral statements. The FTC's investigation revealed that the so-called Mr. A referred to in the advertisement was actually an employee working at the Neihu WooWho Coffee Shop which was under Shengyu International's direct management. He did not open a franchise shop and had no knowledge about the "average monthly sales" and "breaking even" four months after opening the shop. As for the content posted on the website, Mr. A said it had been given by Shengyu International and the company was unable to provide the record of financial dealings and objective statistics of the management performance of the Neihu shop.

### 3. Grounds for disposition:

(1) Overall, the content of the webpage delivered to the public the impression that the WooWho Coffee Shop in Neihu was a franchise store opened by the private citizen Mr. A and his friend. That is, it was not a shop under the company's direct management. Moreover, the company also claimed that the average monthly sales in the first four months was already between NT\$400,000 and NT\$700,000, enabling the business to break even. According to the private citizen referred to in the advertisement, however, he was just an employee working at the Neihu shop which was under the company's direct management. He never opened his own shop and had no knowledge about the average monthly sales in the first four months and breaking even, and the content of the web page was given by the

company. Since Shengyu International was unable to provide the record of financial dealings and objective statistics of the management performance of the Neihu shop, the claim on the web page had to be considered groundless. In other words, it was a false and misleading representation.

- (2) The claim that Shengyu International posted on the web page in question was a false and misleading representation with regard to content of service. It was in violation of Paragraph 4 of Article 21 of the Fair Trade Law and Paragraph 1 of the same Article was applicable mutatis mutandis. After assessing the motive and purpose behind Shengyu International's unlawful act, the level of harm to trading order, the duration of the act, the sales of the company in 2017 and 2018, its past violations, the degree of remorse after the violation, and the level of cooperativeness throughout the investigation, the FTC cited the first section of Article 42 of the Fair Trade Law and imposed an administrative fine of NT\$100,000 on the company.

Appendix:

Shengyu International Investment Co., Ltd.'s Uniform Invoice Number: 52567250

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