

Jing Bing Enterprise Co., Ltd.

1532nd Commissioners' Meeting (2021)

Case: Jing Bing Enterprises violated the Fair Trade Law for failing to disclose important franchise information completely before signing a franchise contract

Keyword(s): Franchise, important information, raw material cost

Reference: Fair Trade Commission Decision of March 24, 2021 (the 1532nd Commissioners' Meeting); Disposition Kung Ch'u Tzu No. 110018

Industry: Restaurants (5611)

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

Summary:

1. The FTC received complaints from a citizen accusing Jing Bing Enterprise Co., Ltd. (hereinafter referred to as "Jing Bing Enterprises") of violating the Fair Trade Law by failing to provide information regarding various expenses before and during operation when recruiting franchisees for the "Iruka" Japanese Ramen Chain.
2. Findings of the FTC after investigation:
 - (1) The FTC's investigation revealed that during the recruitment process, Jing Bing Enterprises provided parties interested in joining the chain with certain documents, but important franchise information such as the "expenses needed to purchase products and raw materials before operation, the amount or estimated amount" and the "expenses needed to purchase raw materials during operation, the amount or estimated amount" were not included.
 - (2) At the same time, the questionnaire survey administered by the FTC and interviews with franchisees showed that before franchise contract signature, Jing Bing Enterprises only gave an oral explanation and did not provide the aforementioned important franchise information. Some franchisees expressed that by failing to disclose complete aforesaid important franchise information, Jing Bing Enterprises had affected their transaction decisions or interests.
3. Grounds for disposition:
 - (1) Before signing franchise contracts, Jing Bing Enterprises did not fully disclose important franchise information regarding the "expenses needed to purchase products and raw materials before operation, the

amount or estimated amount” and the “expenses needed to purchase raw materials during operation, the amount or estimated amount.” As a result, parties interested in joining the chain found it difficult to assess the amount of capital they needed to invest and the expenses they had to pay during their operations. The aforesaid important franchise information was a significant concern for people interested in becoming franchisees and what they needed to evaluate whether they would join the chain or choose other franchisers. Being the party with information advantages, Jing Bing Enterprises could impede trading counterparts from making correct transaction judgments and jeopardize their interests by not fully disclosing important franchise information. Moreover, the practice could also cause competitors to lose the opportunity to acquire franchisees, lead to unfair competition and damage trading order. It was obviously unfair conduct likely to have an impact on trading order in violation of Article 25 of the Fair Trade Law.

- (2) After assessing the sales of Jing Bing Enterprises, the total number of its franchisees, the duration of the unlawful conduct, the attitude of cooperation during the investigation, and the violation being the first one and the conduct having been corrected, 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:

Jing Bing Enterprise Co., Ltd.’s Uniform Invoice Number: 53583784

Summarized by: Jhou, You-Lin; Supervised by: Ho, Yen-Jung