

Yuvog

1576th Commissioners' Meeting (2021)

Case: Yuvog was complained for violating the Fair Trade Law by imposing resale price restrictions on agents

Keyword(s): Skincare product, healthcare product

Reference: Fair Trade Commission Decision of December 29, 2021 (the 1576th Commissioners' Meeting); Letter Kung Zhi Tzu No.1101360774

Industry: Wholesale of Other Food (4549), Wholesale of Cosmetics (4572)

Relevant Law(s): Article 19 of the Fair Trade Law

Summary:

1. The FTC received complaints from private citizens saying that Yuvog Co., Ltd. (hereinafter referred to as "Yuvog") signed agency agreements (hereinafter referred to as "the agreements") with agents so that they would market the company's skincare and healthcare products, but it was stipulated in the agreements that the agents had to sell the products at prices determined by the company. Otherwise, the deposit from the agents would be confiscated whereas the agreements with those failing to comply repeatedly would be terminated. As a result, the agents could not engage in price competition. The practice was in violation of Article 19 the Fair Trade Law.
2. Findings of the FTC after investigation:
 - (1) The agents signed the agreements with Yuvog, paid the deposit according to their ranking levels and were allowed to sell the company's products in accordance with the stipulations set forth in the agreements. The agents were divided into five levels, namely director, joint founder, general agent, regional agent and VIP. The product purchase prices of agents of each level were different, but the agents could be promoted to higher levels by purchasing products or recruiting new agents in order to get lower purchase prices.
 - (2) The FTC's investigation showed that Yuvog only sold directly to directors and did not make transactions with agents of the remaining levels. In other words, the company did not interfere with the transactions between the directors and other agents, nor did it interfere in the pricing. As a matter of fact, Yuvog had no idea where the products it sold to directors would end up. Even if the agents of each level had to sign the agreements with Yuvog, there was no

evidence indicating the company controlled the transactions between the agents, imposed restrictions on the resale prices of the agents, or actually disconnected supply or terminated any agreements to force the agents to comply.

- (3) Another finding revealed that the agents of each level made the decision to sell products according to the suggested prices stipulated in the agreements. Yuvog did not force them to comply. Moreover, all the agents said no one had ever had the deposit confiscated because of not selling product at prices suggested by the company. In addition, no agent had ever had the agency or agreement terminated. Apparently, the agents could determine their product prices and thus price competition had never been affected.
- (4) There were a lot of different brands of healthcare and skincare products in the domestic market and therefore competition was rather fierce. The FTC looked into the online retail prices of such products and found no vendors marketed products from Yuvog at prices exactly as the company suggested. There were also sellers marketing combinations of different products. In the end, the FTC concluded that, according to available evidences, it was difficult to consider Yuvog had imposed restrictions on the resale prices of its agents.

Appendix:

Yuvog Co., Ltd.'s Uniform Invoice Number: 59660013

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