

2015.02

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FTC International Exchanges in November and December 2014

The Merger between Dafeng TV Ltd. and DigiTai TV Ltd. was Not Prohibited by the FTC

The FTC decided at the 1192nd Commissioners' Meeting on Sept. 10, 2014 not to prohibit Dafeng TV Ltd. from acquiring 100% of the shares of DigiTai TV Ltd. in accordance with Article 12 (2) of the Fair Trade Act, and attached conditions for non-prohibition.

The FTC pointed out that although the merging businesses owned 100% of the cable broadcasting and television system service market in Banqiao District (including Tucheng District), New Taipei City, there is potential competition as the National Communications Commission has permitted new operators to enter the market, as well as existing operators to expand their business across districts. Hence, this merger does not restrict competition, but rather promotes the digital development of cable television, which is beneficial to the development of the video media industry, fosters the development of digital convergence, and provides consumers with more options.

After comprehensively considering the possibility and timeliness of new operators entering the market, the current legal framework, market structure and competition, and the development of digital convergence, the FTC attached 7 conditions to the non-prohibition decision in accordance with Article 12 (2) of the Fair Trade Act, so as to eliminate any possible competition restrictions and ensure overall economic benefits:

- 1.The merging enterprises, their subsidiaries and the companies they control may not use improper means to restrict or hinder consumers from freely changing trading counterparts.
- 2.The merging enterprises, their subsidiaries and the companies they control shall ensure that the prices of cable TV services, broadband network service, and digital channel value-added service are not higher than before the merger within 3 years after receiving the merger decision.



- 3.The merging enterprises, their subsidiaries and the companies they control may not establish any contract or agreement of any form with other cable TV services, their subsidiaries or companies under their control to make consolidated purchases from cable TV program suppliers, engage in joint pricing or boycotting activities, or undertake any conduct described in the Fair Trade Act as a concerted action.
- 4.The merging enterprises, their subsidiaries and the companies they control may not demand that their upstream program suppliers exclusively license programs in their operating area, or use improper means to obstruct transactions between their upstream program suppliers and other cable TV services, their subsidiaries or companies under their control.
- 5.The merging enterprises, their subsidiaries and the companies they control may not hinder transactions between upstream program suppliers and other cable TV services, their subsidiaries or the companies under their control by adjusting the channel of a program, taking down a program, lowering the program licensing fee, or using other improper means.
- 6. The merging enterprises, their subsidiaries and the companies they control shall carry out the following

- to ensure that the overall economic benefits apply beginning on the day after receiving the merger decision:
- (1)Complete the cable TV digitalization and twoway cable TV system network construction to increase program options for consumers.
- (2)Achieve the digital cable TV prevalence target stated in the Digital Convergence Development Project approved by the Executive Yuan on July 8, 2010 for the expedition of digital convergence.
- (3)Support HD digital content and programs to drive the development of the cultural and creative industry.
- 7.Dafeng TV Ltd. shall submit the following documents to the FTC before July 1 each year within 3 years after receiving the merger decision.
 - (1) The price, quantity, discounts, and termination conditions of cable TV services, broadband network services, and digital channel valueadded services provided by the merged enterprises, their subsidiaries and the companies they control.
 - (2)A report on the achievements in the improvement of the overall economic benefits.

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4 Tutorial Institutes in Kaohsiung City Violated the Fair Trade Act by Jointly Offering Courses

The FTC decided at the 1190th Commissioners' Meeting on Aug. 27, 2014 that 4 tutorial institutes in Kaohsiung City, namely, Beiyi Tutorial Institute, Beiyi Mingzhi Tutorial Institute, Tongyi Tutorial Institute, and Mingzhi Tutorial Institute, violated Article 14 (1) of the Fair Trade Act. The 4 tutorial institutes agreed in July 2013 to jointly offer specialized courses based on the number of students they recruited, and designated the tutorial institute where the course would be offered. The 4 tutorial institutes also offered the same teachers and teaching materials for most of the specialized courses. It was a concerted action to not engage in competition and affected the supply and demand in the tutorial service market for entering universities of science and technology or 4-year colleges. The FTC therefore imposed administrative fines of NT\$50,000 on each of the 4 tutorial institutes (a total of NT\$200,000) in accordance with the first section of Article 41 (1) of the Fair Trade Act.

The FTC indicated that the 4 tutorial institutes in Kaohsiung City collected tuitions for tutorial services to enter universities of science and technology or 4-year colleges, and engaged in horizontal competition. The 4 tutorial institutes agreed to jointly

offer courses based on their student recruitment, and designated a tutorial institute to offer the course. At least 37 specialized courses were jointly offered under this agreement. The concerted action caused them not to engage in competition by offering the same teachers and teaching materials for specialized courses, and was a restraint on business operations.

The FTC further indicated that the National Joint College Entrance Exam is divided into roughly 20 occupational categories, and that courses jointly offered by the 4 tutorial institutions cover 12 of the occupational categories. When students choose different tutorial institutes, they will obtain the same content when taking specialized courses. Hence, the concerted action by the 4 tutorial institutes to not engage in competition indeed hindered effective competition to gain trading counterparts with better quality and service. This concerted action was deemed sufficient to affect the supply and demand of the tutorial service market for entering universities of science and technology or 4-year colleges, and violated Article 14 of the Fair Trade Act. ҈



Hsin Tai Gas Engineering Co. Violated the Fair Trade Act by Using Inappropriate Marketing Methods

The FTC decided at the 1182nd Commissioners' Meeting on July 2, 2014 that "Hsinhu Natural Gas Co. (originally Hsin Tai Gas Engineering Co.)" had violated Article 24 of the Fair Trade Act by printing and distributing misleading service notices that caused users to believe it was part of the same business entity as the district's natural gas company, and selling its gas safety equipment by pretending to perform safety inspections. The FTC determined that this was a deceptive act sufficient to affect trading order in violation of the Fair Trade Act, ordered the company to immediately cease its unlawful act in accordance with Article 41 of the Act, and imposed an administrative fine of NT\$200,000.

The FTC indicated that the company sold gas safety equipment, but intentionally used a similar name to the local natural gas company, and sent out service notices within the operating area of the local natural gas company a few days before making a visit to sell its gas safety equipment, misleading residents to believe that they were part of the same business entity in order to use the residents' trust in the local natural gas company. The company deceived and misled residents into believing that it was part of the local natural gas company, and attempted to sell its product by pretending to perform safety inspections. The FTC determined that this was a deceptive act sufficient to affect trading order.

The FTC reminds consumers to ask about the real company and purpose when an agent arrives to sell gas safety equipment, and to consider whether or not the product meets their requirements to avoid damaging their rights and interests. In the event that consumers made the wrong decision and would like a refund, they may return the product for a refund or terminate the sales contract in writing within 7 days after receiving the product as the situation is classified as door-to-door sales in accordance with the Consumer Protection Act. Consumers do not need to give any reason or pay any fees or part of the product's price when demanding a refund. In the event that the gas safety equipment company has performed any deceptive act or has forcibly installed their product, residents should directly contact the police.

Finally, the FTC indicated that it has always attached great importance to trading order in the gas safety equipment market, and will continue to monitor companies that change their name and sales area to match local natural gas companies, as well as agents of the companies that use inappropriate marketing methods, such as selling gas safety equipment by pretending to perform safety inspections. The FTC will not grant a pardon once it obtains any evidence of unlawful acts.

Tongyi Water Purification Company Violated the Fair Trade Act by Using Improper Sales Practices

The FTC decided at the 1196th Commissioners' Meeting on Oct. 8, 2014 that Tongyi Water Purification Company (hereinafter referred to as Tongyi) had violated Article 24 of the Fair Trade Act for a deceptive and obviously unfair act that was sufficient to affect trading order. Tongyi acquired the personal information of participants in a lucky draw during a government-organized event, and then claimed that participants were the winners of a prize while concealing important trading information, thereby misleading consumers to purchase Tongyi's water purifier and filter. The FTC thus ordered the company to immediately cease the unlawful act, and imposed an administrative fine of NT\$100,000.

The FTC indicated that Tongyi set up a booth in the "Xinshe Cuisine Area" of the Xinshe Flower Sea Festival, which was organized by the Taichung City Government and the Council of Agriculture, Executive Yuan, and held a lucky draw at the booth. The organizer of the lucky draw in contention was not specified on the raffle tickets. It is hard to determine that Tongyi did not intend to mislead visitors into believing that the lucky draw was organized by a government agency. Furthermore, even though Tongyi produced a certificate of purchase for prizes included in the lucky draw, there was no evidence that Tongyi did indeed purchase the scooter, smart phone, tablet PC, and electric rice cooker that were specified as prizes on the raffle ticket. Even though Tongyi provided the list of winners of other prizes (including the water purifier), not all of the winners were the same as those on the list announced on Tongyi's website, and there remains suspicion as to whether or not Tongyi gave the winners of the lucky draw their prizes.

The FTC also indicated that consumers not only consider the cost of a water purifier alone when making a purchase decision, and that the cost of replacing the filters is also a consideration. When

Tongyi notified the winners of their water purifier by phone, although it notified them of the price of the water purifier, and the winners agreed to pay 10% of the amount for installation (Tongyi claimed that the fee was a management expense for organizing the activity and was unrelated to the tax on prizes and awards won by chance), the cost of the water purifier was clearly lower than the amount paid for installation. Tongyi obviously overestimated the value of its water purifier and caused consumers to have wrong expectations regarding the quality of the water purifier. Only after completing the installation did Tongyi make consumers aware of the prices for replacing the filters, thereby preventing consumers from comparing the prices of filters. Such transactions based on information asymmetry can easily result in disputes.

Finally, the FTC indicated that Tongyi misled visitors into believing that the lucky draw was held by a government agency or organization during an event organized by a government agency, and used the lucky draw to attract visitors who were not prepared to engage in a transaction. Tongyi obtained the personal information of participants in the lucky draw, and falsely claimed that they were winners, even though their names were not listed on the website. Tongyi's inappropriate representation of the water purifier's price misled consumers by creating a situation of information asymmetry, in which consumers believed that the relatively small amount they paid would include subsequent replacements of materials (filters). This affected the consumers' purchase decision and was a deceptive or obviously unfair act in violation of Article 24 of the Fair Trade Act. The FTC therefore ordered Tongyi to cease its unlawful act in accordance with the first section of Article 41 (1) of the Fair Trade Act, and imposed an administrative fine of NT\$100,000. ∕



4Life Violated the Multilevel Marketing Supervision Act by Changing their Products without Notifying the FTC

The FTC decided at the 1190th Commissioners' Meeting on Aug. 27, 2014 that the Taiwan Branch of 4Life (hereinafter referred to as 4Life) violated Article 7 (1) of the Multilevel Marketing Supervision Act by changing their products without notifying the FTC. The FTC imposed an administrative fine of NT\$50,000 on 4Life.

The FTC indicated that 4Life began selling its "250 point beginner's package," "250 point experience package," "automatically ordered package 1 to 9," "celebrity recommended package," "product experience package," and "entrepreneur package"

on Jan. 1, 2014, and began selling its "Glucoach Package," "Energy Package," "2-in-1 New Product Package," and "New Product Dual Discount Package," in which the "entrepreneur package" contained the new product "enummi® Life C Energizing Serum." The sales of the above listed products were changes that require that the competent authority be notified, and 4Life did not notify the FTC until Mar. 26, 2014. Failing to notify the FTC before making the product changes is a violation of Article 7 (1) of the Multilevel Marketing Supervision Act.

Han Yao Construction Co. and Hong Yuan Advertising Marketing Ltd. Violated the Fair Trade Act by Posting False and Untrue Advertisements

The FTC decided at the 1196th Commissioners' Meeting on Oct. 8, 2014 that Han Yao Construction Co. (hereinafter referred to as Han Yao) and Hong Yuan Advertising Marketing Ltd. (hereinafter referred to as Hong Yuan) violated Article 21 (1) of the Fair Trade Act by making a false and misleading representation of the contents and purpose of their product; the balcony was included as part of the indoor floor space in furniture layouts A1 and A3 for the project "Jing Yao." The FTC therefore imposed an administrative fine of NT\$400,000 on Han Yao and an administrative fine of NT\$200,000 on Hong Yuan.

The FTC indicated that furniture layouts A1 and A3 were used at the sales site of the "Jing Yao" construction project to introduce the housing units to consumers. The layouts included space outside

the dotted line as part of the indoor floor space, and gave consumers the impression that space outside the dotted line could be used for other purposes, such as planning the living room. Han Yao indicated that customers were notified during sales that the space outside the dotted line was the balcony, and that upon completion the balcony would become a part of the indoor space. The Taoyuan County Government indicated that the usage license of the building had to apply for alteration to turn the balcony into indoor space in accordance with the law, and that the usage license for buildings A1 and A3 still included the balcony space. In other words, Han Yao did not apply for alteration in the building usage license. Hence, the furniture layouts A1 and A3 were inconsistent with the facts and were false and misleading representations in violation of Article 21 (1) of the Fair Trade Act.



Statistics on Administrative Remedy Case

An administrative remedy is a remedial measure based on filing an administrative lawsuit with the Executive Yuan in accordance with the "Administrative Litigation Act" in the event that citizens are unwilling to accept the ruling on their appeal. Citizens may file an appeal in accordance with the "Administrative Appeal Act" in the event that they believe that an administrative penalty was illegally or improperly imposed by a central or local government agency, and that it damaged their interests or rights. According to the statistics of the Fair Trade Commission (FTC), administrative penalties were imposed on 372 companies from January to November 2014. Of these, 73 companies filed an appeal, which is equal to 20 out of every 100 companies filing an appeal (Figure 1).

After the new Administrative Appeal Act and Administrative Litigation Act took effect in July 2000, the FTC imposed administrative penalties on 8,053 companies up to the end of November 2014. Of these, 2,007 companies filled an appeal, which is equal to 25 out of every 100 companies filing an appeal. A total of 773 companies were unwilling to accept the ruling on their appeal and filed an administrative lawsuit, which is equal to 39 out of every 100 companies that filed an appeal further filing an administrative lawsuit. The administrative procedure was changed to a three-levels-two-instances system on September 6th, 2012. Besides the high administrative court, local administrative courts were added for the first instance, and from September 2012 to the end of November 2014, local administrative courts had accepted 9 administrative lawsuits. (Table 1)



Figure 1 Ratio of companies that appealed after receiving an administrative penalty

	Number of	Stage of Administrative Remedy				
Date of Original Disposition	companies that received administrative penalties	Petitions and Appeals Committee, Executive Yuan		Number of Companies that Filed an Administrative Lawsuit		
		Appeals	Ratio of Appeals	Local Administrative Court	High Administrative Court	Supreme Administrative Court
	(Companies)	(Companies)	(%)	(Companies)	(Companies)	(Companies)
July 2000 to November 2014	8,053	2,007	24.92	9	733	358
2010	507	87	17.16	-	27	11
2011	634	89	14.04	-	28	21
2012	671	148	22.06	4	45	17
2013	597	97	16.25	3	20	5
January-						
November 2014	372	73	19.62	2	19	

Table 1 Overview of Administrative Remedies

- Notes:1. The stage of the administrative remedy in this table is based on the system that was changed on July 1st, 2000.
 - 2. The number of companies that received administrative penalties includes both cases that received administrative penalties and cases that did not. The number of appeals and administrative lawsuits may be filed by companies unwilling to accept the ruling on dispositions and non-dispositions. Statistics only consider cases when they are first accepted.
 - One disposition may include several companies or individuals, which is the basis of administrative remedies. Hence, statistics on administrative remedy cases are based on the number of companies that received administrative penalties from the FTC.

In the past five years (2010 to the end of November 2014), the FTC issued 981 dispositions and imposed administrative penalties on 1,441 companies, in which 1,362 companies received administrative fines. If administrative penalties are divided into 6 intervals, 475 companies (34.9%) received a fine of NT\$50,000 or less (inclusive), of which 23.8% of the companies filed an appeal; 156 companies (11.5%) received a fine of NT\$1.01 million or more, of which 82.1% filed an appeal. (Figure 2)

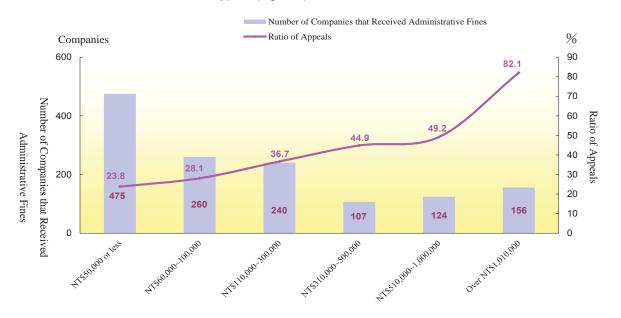


Figure 2 Administrative Fines and Appeals – By Amount of Fine

2015.02 NO.061 FTC Activities

FTC Activities in November and December 2014

Nov. 4, the FTC held the "FTC Presentation on Multilevel Marketing Supervision and Protection" in Taipei City.

- On Nov. 13, the Commissioner Tsai Hwei-An was invited to give a speech on "International Competition Norms" at the Taiwan External Trade Development Council.
- Nov. 14, the FTC held the "FTC Presentation on Multilevel Marketing Regulations for Universities" in Kaohsiung City.
- Nov. 14, the FTC held the "2014 Fair Trade Act Lecture Series" in Kaohsiung City.
- On Nov. 15, the FTC held the "Transaction Traps" propaganda at the Women and Children Care Association of Gueihua Township in Tainan City.
- On Nov. 18, the FTC held the "Presentation on Online Operations and Notices for Multilevel Marketing Systems" in Taipei City.
- On Nov. 18, the FTC invited Associate Professor Lin Yi-Tian of the Department of Law, National Cheng Kung University to give a speech on "Actions of Enterprises that Damage the Business Reputation of Others."
- On Nov. 28, the FTC held the "21st Academic Conference on Competition Policy and the Fair Trade Act" at the Competition Policy Information and Research Center.
- On Dec. 3, the FTC held the "Forum on the Establishment, Operation, and Standard Fees of Multilevel Marketing Enterprises."
- On Dec. 16, the FTC invited Professor Lu Hsi-Peng of the Department of Information Management, National Taiwan University of Science and Technology to give a speech on "Happiness and Competitiveness."
- On Dec. 18, the FTC held the "Fair Trade Act and Multilevel Marketing Supervision Act Training Camp" at the Competition Policy Information and Research Center, for faculty members and students of the Department of Communication Management, Shih-Hsin University.
- On Dec. 24, the FTC held the "Forum on the Current Status and Competition Issues of Automobile After-sales Services in Taiwan."





1. The FTC held the "FTC Presentation on Multilevel Marketing Supervision and Protection" in Taipei City.

2.The FTC held the "2014 Fair Trade Act Lecture Series" in Kaohsiung City.

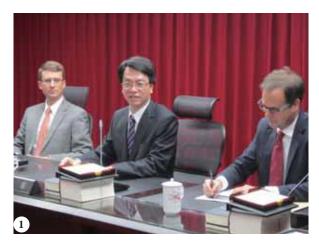


- 3. The FTC held the "21st Academic Conference on Competition Policy and the Fair Trade Act" at the Competition Policy Information and Research Center.
- 4. The FTC held the "Forum on the Establishment, Operation, and Standard Fees of Multilevel Marketing Enterprises."
- 5.The FTC held the "Fair Trade Act and Multilevel Marketing Supervision Act Training Camp" at the Competition Policy Information and Research Center for faculty members and students of the Department of Communication Management, Shih-Hsin University.
- 6. The FTC held the "Forum on the Current Status and Competition Issues of Automobile After-sales Services in Taiwan."



FTC International Exchanges in November and December 2014

- Mac On Nov. 11, Logan Breed and Adrian Emch, lawyers of the American law firm Hogan Lovells, visited the FTC and gave a speech on the "Development of Antitrust Laws in the US and China in Recent Years."
- Mr On Nov. 11 and 18, the FTC attended the telephone conferences of the ICN Cartel Working Group.
- Nov. 19 to 20, the FTC attended the "39th Taiwan-Japan Economic and Trade Conference" and "Meeting of the working level between the Taiwan-Japan Competent Authorities for Competition Law" in Taipei City.





- 1.Logan Breed (left) and Adrian Emch (right) of the American law firm Hogan Lovells visited the FTC.
- 2.Personnel of the Taiwanese and Japanese parties at the "39th Taiwan-Japan Economic and Trade Conference" and "Meeting of the working level between the Taiwan-Japan Competent Authorities for Competition Law."

TAIWAN FTC NEWSLETTER

| FTC International Exchanges

- No Dec. 3 to 5, the FTC attended the "Workshop on Competition Issues in the Retail Sector" in Busan, South Korea.
- ☼ On Dec. 15 to 18, the FTC attended the meeting of the OECD Competition Committee.





- 3. The FTC attended the "2014 ICN Merger Workshop" in New Delhi, India.
- 4. The FTC attended the "Workshop on Competition Issues in the Retail Sector" in Busan, South Korea.

Dear Readers,

In order to improve the quality of our Taiwan FTC Newsletter, we would like to request a few minutes of your time to fill in the questionnaire below. It would be appreciated if you could please directly fill in the questionnaire at the website(http://www.ftc.gov.tw). Thank you for your assistance and cooperation.

Regards Fair Trade Commission
Taiwan FTC Newsletter Reader's Survey
Nationality: Category of your organization Government Private Corporation Embassy NGO Media Scholars Other (please specify)
1. What do you think of the design of the Taiwan FTC Newsletter, including style and photos? ☐ Very Good ☐ Good ☐ Average ☐ Bad ☐ Very Bad
2. Are the articles clear and understandable or difficult to understand? Ury Clear Average Difficult Too Difficult
3. Are you satisfied with the contents of the Taiwan FTC Newsletter, including choice of subjects, length and thoroughness of articles? Ury satisfied Satisfied Average Dissatisfied Very Dissatisfied
4. Which section is your favorite one? ☐ Selected Cases ☐ FTC Statistics ☐ FTC Activities ☐ FTC International Exchanges
5. What more would you like to see in the Taiwan FTC Newsletter, e.g. different subjects? Do you have any other suggestions?
Your advice:

Taiwan FTC Newsletter

Publisher Wu, Shiow-Ming
Editor- in-Chief Hsu, Shu-Hsin
Deputy Editor-in-Chief Wu, Te-Sheng
Co-editor Cho, Chiu-Jung

Chen, Chung-Ting Sun, Ya -Chuan Wu,Ting-Hung Yeh, Tien-Fu Cheng, Chia-Lin Li, Yueh-Chiao Lai, Hsiao-Ling

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Date of Publication February 2015
First Date of Publication February 2008

Frequency of Publication Bimonthly(the Chinese language edition during odd-number month,

and the English language edition during even-number month.)

Price NT\$ 15 per single copy, NT\$ 180 per year

(both Chinese version and Englishversion) and NT\$ 90 per

language version

Subscription Phone Line 886-2-2351-0022 Subscription Fax 886-2-2397-4997

Exhibition Place Service Center on the 13th Floor of the Commission

Telephone:886-2-2351-0022

Address:13 F, No. 2-2 Jinan Rd., Sec. 1, Taipei, Taiwan, R.O.C.

Wunan Book Co., Ltd.

Telephone: 886-4-2226-0330

Address: No. 6, Chungshan Road, Taichung City, Taiwan, R.O.C.

Government Publications Bookstore

Telephone: 886-2-2518-0207

Address: 1F, No. 209, Sung Chiang Rd., Taipei, Taiwan, R.O.C.

Printer Hon Yuan Printing Co., Ltd.

Address: 9F-1, No. 602, Pa The Rd., Sec 4 Taipei, Taiwan, R.O.C.

Telephone: 886-2-2768-2833



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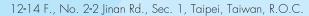
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GPN:2009700036 PRICE:NT\$15