

**Extend Global Technology Co., Ltd. &
Extend International Co., Ltd. Taiwan Branch**

1465th Commissioners' Meeting (2019)

Case: Extend Global and Japanese Extend International violated the Multi-level Marketing Supervision Act while engaging in multi-level marketing

Keyword(s): Multi-level marketing, failing to file for record, intentionally engaging in joint operations

Reference: Fair Trade Commission Decision of December 4, 2019 (the 1465th Commissioners' Meeting); Disposition Kung Ch'u Tzu No.108070

Industry: Direct Selling Establishments (4872)

Relevant Law(s): Article 6 of the Multi-level Marketing Supervision Act

Summary:

1. In May 2018, Extend Global Technology Co., Ltd. (hereinafter referred to as "Extend Global") was accused of violating Article 6(1) of the Multi-level Marketing Supervision Act by launching a "great health, great future" sales system (hereinafter referred to as "the system") to engage in multi-level marketing and recruit participants without submitting documents carrying statutorily required information to file with the FTC in advance. Meanwhile, when the FTC's staff members visited the Taiwan branch of Japanese Extend International Co., Ltd. (hereinafter referred to as "Japanese Extend International") in May 2018 to investigate the "great health, great future" presentation indicated in the company's calendar of work for May, they discovered the presentation was intended to promote the system. Japanese Extend International appeared to be jointly engaging in unlawful multi-level marketing activities with Extend Global and was therefore also in violation of Article 6(1) of the Multi-level Marketing Supervision Act.

2. Findings of the FTC after investigation:

- (1) In January 2018, Extend Global began on the planning of entering the market of the Mainland China (including Hong Kong) and on the work of designing the system. The members in Taiwan Extend Global recruited in the beginning were participants of Japanese Extend International interested in operating in overseas markets. At the same time, these participants spread the news about the system among other Japanese Extend International participants who had not yet joined Extend Global. One of the results of the investigation showed that there had been participants joining Extend Global as early as in mid-January 2018.
- (2) Japanese Extend International was the supplier of Extend Global and their overall management and organizational promotion work was executed under the guidance of the person who founded both companies. In January 2018, when informed that Extend Global intended to start multi-level marketing in Taiwan, Japanese Extend International told its participants that they could join the system of Extend Global. Japanese Extend International did not forbid its participants to join the system of Extend Global and even recruited others to join Extend Global which was not yet

registered. As a result, its participants ended up holding the “great health, great future” presentation in the premises of the company to promote the system to outsiders.

3. Grounds for disposition:

- (1) Extend Global began to recruit the participants of Japanese Extend International, promote the system, sell products, as well as issue “referral bonuses” and “business profit dividends” of various levels and team rewards in January 2018. However, the company did not register as a multi-level marketing operation with the FTC until June 2018, and the registration was not completed until Jul. 5 of the same year. Obviously, Extend Global started operation without filing with the FTC in advance and the conduct was in violation of Article 6(1) of the Multi-level Marketing Supervision Act.
- (2) Extend Global and Japanese Extend International worked together through a consignment relationship. In addition, the founder of the two companies was in charge of the overall management and organization promotion work of both companies. Therefore, it was evident that the founder and Japanese Extend International were aware that Extend Global began its operation without filing with the FTC in advance. In the meantime, when finding out in January 2018 that Extend Global intended to engage in multi-level marketing, Japanese Extend International spread the news about the sales system of Extend Global among its participants and a number of its participants joined Extend Global consequently. Furthermore, Japanese Extend International did not prohibit its participants from using the company’s facilities to recruit others to join Extend Global which was not yet registered. Apparently, Japanese Extend International had the intention to work with Extend Global to engage in multi-level marketing since it could thus sell its own products through multi-level marketing and profit from the operation as the system Extend Global became more and more successful. Based on the above, the FTC concluded that Japanese Extend International had the intention to work with Extend Global to engage in multi-level marketing. Finally, Japanese Extend International was perfectly aware that Extend Global was yet registered, but it intentionally cooperated with Extend Global to exploit or complement each other to engage in multi-level marketing while sharing the work and responsibilities. The conduct met the description of “acting jointly and intentionally in the commission of an act in breach of duty under administrative law” set forth in Article 14 of the Administrative Penalty Act. As a result, apart from Extend Global, the FTC also sanctioned Japanese Extend International for violating Article 6(1) of the Multi-level Marketing Supervision Act.

Appendix:

Extend Global Technology Co., Ltd.’s Uniform Invoice Number: 45041245

Extend International Co., Ltd. Taiwan Branch’s Uniform Invoice Number: 53010273

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