

An Individual

1601st Commissioners' Meeting (2022)

Case: Mr. A violated the Multi-level Marketing Supervision Act for starting multi-level marketing operation without filing a report with the FTC in advance

Keyword(s): Multi-level marketing, fail to file a report

Reference: Fair Trade Commission Decision of June 1, 2022 (the 1601st Commissioners' Meeting); Disposition Kung Ch'u Tzu No.111037

Industry: Direct Selling Establishments (4872)

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

Summary:

1. The FTC was informed in June, 2021 that NMN iHealth Innovation Tech Corp. (hereinafter referred to as "NMN iHealth") claimed to be an American company called NMN iHealth Global and engaging in multi-level marketing domestically and recruited participants to join the company's marketing schemes or organization without filing a written report with the FTC in advance. It was in violation of Article 6 of the Multi-level Marketing Supervision Act.
2. Findings of the FTC after investigation:
 - (1) Mr. A was a member of NMN iHealth Global in the US. He admitted introducing the company's multi-level marketing organization in October 2020. He told the public that NMN iHealth Team Global was in management of the multi-level marketing organization but he did not set up a company. The team under his leadership held presentations to recruit participants to become members of NMN iHealth.
 - (2) The bonus system, including the Expansion Award, Luck Award, Achievement Award and Leadership Award in question had the characteristics of team-based remuneration and issuance of multi-level bonuses and commissions. The system fell under the category of the multi-level marketing systems described in Article 3 of the Multi-level Marketing Supervision Act. In other words, NMN iHealth was a foreign multi-level marketing business adopting multi-level marketing to sell products, its members were participants as defined in Article 5(1) of the same Act.
3. Grounds for disposition:
 - (1) As the leader of the iHealth Team Global, Mr. A had the authority to make decisions with regard to business operations of the team, the agenda of

presentations and arrangement of speakers. He was responsible for planning and led the iHealth Team Global to promote the sales system and localization of NMN iHealth. Unquestionably, Mr. A was the person responsible for the multi-level marketing conduct in this case.

- (2) Before a foreign business engages in multi-level marketing, the participant or a third party responsible for planning or bringing in the marketing schemes or organization is required to file a report with the FTC as specified in Article 6(1) of the Multi-level Marketing Supervision Act. Between October 2020 and April 2022, Mr. A introduced the iHealth marketing organization, served as the leader and held presentations. He was responsible for planning and promoting the marketing system and products of NMN iHealth. The organization recruited more than 500 participants to join the team and become members of NMN iHealth Global, a US company. In other words, Mr. A's conduct of introducing a foreign marketing organization and recruiting participants for it had fallen under the definition of multi-level marketing in Article 4(2) of the Multi-level Marketing Supervision Act and the operation was considered a multi-level marketing business according to Article 4(1). Nonetheless, he did not file a report with the FTC before starting operation. It was in violation of Article 6(1) of the Multi-level Marketing Supervision Act. Therefore, the FTC cited Article 32(1) of the same Act and imposed an administrative fine of NT\$300,000 on Mr. A.

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