

Tennessee Recognizes *Personal Use* in New Legislation

On July 1st, 2014, Tennessee became the latest government/regulatory entity to adopt updated MLM/Pyramid legislation recognizing "personal use" in pyramiding analysis.

The Tennessee language is similar to language adopted in more than a dozen state statutes, which recognizes personal use, so long as it is coupled with consumer safeguards to avoid inventory loading and to provide for a reasonable inventory repurchase policy. In 2014, the state of Tennessee adopted such a pyramid test:

(8) "Pyramid promotional scheme":

(A) Means any plan or operation by which a participant gives consideration for the opportunity to receive compensation that is derived primarily from the introduction of other persons into the plan or operation rather than from the sale and consumption of goods, services, or intangible property by a participant or other persons introduced into the plan or operation; and

(B) Includes a plan or operation under which:

.... (ii) A participant, on giving any consideration, obtains any goods, services, or intangible property in addition to the right to receive compensation.

(C) Nothing in this part may be construed to prohibit a plan or operation, or to define a plan or operation as a pyramid promotional scheme, based on the fact that participants in the plan or operation give consideration in return for the right to receive compensation based upon purchases of goods, services, or intangible property by participants for personal use, consumption, or resale so long as the plan or operation does not promote or induce inventory loading and the plan or operation implements an appropriate inventory repurchase program.

(House Bill 2356 approved by the Governor, April 25, 2014 and effective July 1, 2014)

For the complete language of the new Tennessee legislation, visit the Tennessee Statute page located at MLMLegal.com's MLM Law in 50 States section.

<http://www.mlmllegal.com/tennessee.html>

In the last 10 years, distributor personal use, as a legitimate end destination for product/service has been increasingly recognized by courts, legislatures and regulators: In 2013 and 2014, two EU tribunals; now counting, more than a dozen U.S. states have amended MLM statutes; in 2004, an FTC advisory opinion applauded efficiencies of MLM "buying clubs"; even the most recent U.S. Ninth Circuit Court of Appeals decision, *BurnLounge*, recognized personal use purchases that were not *merely incidental to the business opportunity*. The emerging legal standard, *legitimate vs. pyramid*, is not the existence of personal use, but rather, whether the

predominant motivation for distributor expenditure is to qualify for reward in the MLM program as opposed to purchase for personal use or resale.

[Read Tennessee State Law at our website.](#)

For more information on the network marketing industry visit www.mlmlegal.com and www.mlmattorney.com.

Find us on our social networks:

[Google+](#)

[LinkedIn](#)

[Twitter](#)

[Facebook](#)

Our next [Starting and Running the Successful MLM Company Conference](#) takes place May 15th & 16th, 2014 in Las Vegas. Call 503-226-6600 or 800-231-2162 to register. If you'd like to see how you can get free tickets to the next MLM Startup Conference, visit our [Innovation Campaign](#) page.

Read the blog post at: <http://mlmlegal.com/MLMBlog/?p=874>