

Check to See if a MLM Company is Legal or a Pyramid Scheme



Prospective distributors often ask how they can find out if a MLM, network marketing, or direct selling company is legal or if it's a pyramid scheme. There are a number of ways to research the company yourself; to be sure of its legality before joining.

Here are some ways which you can investigate a MLM company:

- 1) Check to see if it is a member of any industry associations, like the [DSA](#) or [DSWA](#).
- 2) Call your state's attorney general's office or consumer protection division. Most states regulate direct selling companies through these agencies.
- 3) Check with the [Better Business Bureau](#).
- 4) You can check the company's financial information (especially if they are publicly traded – corporate reports are available from online services) by accessing a credit reporting service, like Dun & Bradstreet.
- 5) Ask your sponsor (or potential sponsors) for the names and numbers of some other distributors. Check the company's references just as you would check a job applicant's references.
- 6) Attend one of the company's training seminars to see how the company operates first hand.
- 7) Check industry trade publications for any information on the company, like *Entrepreneur* magazine.
- 8) Many times the company's products will be regulated by government agencies, like the FDA. You can check the credibility of the products in some cases by contacting such government agencies.
- 9) Do some digging: gather as much information from the company itself, like the number of years they've been in business, the number of distributors they have, what countries they operate in, etc. This information will give you an idea as to the company's credibility. A good source for this information is available [here](#).

Checking a company's legitimacy can be time consuming but highly beneficial in the long term.

Information about pyramid schemes is available [here](#).

And if you are wondering how to make sure that the direct selling company that you're starting is not an unintentional pyramid scheme, be sure to contact us for your free legal consultation: 503-226-6600 or www.mlmlegal.com.

MLMLegal.com is bustling with educational content for direct sellers and startup/existing MLM companies! Be sure to visit us often!

If you are interested in attending the *Starting and Running the Successful MLM Company* conference visit our [conference page](#), view our [speaker list](#), or [get more details](#). All executives/owners of direct selling companies are welcome to attend. Call 800-231-2162 to register.

Join the next *Starting and Running the Successful MLM Company* Conference in Las Vegas. View our [conference flyer and speaker](#) list online.

If you're reading this blog post and the conference dates above have passed, check our [website](#) for the current conference dates.

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ABOUT THE AUTHOR, JEFF BABENER

Jeffrey A. Babener, of Portland, Oregon, www.mlmlegal.com, is the principal attorney in the law firm of Babener & Associates. He represents leading U.S. and foreign companies in the direct selling industry. He has been a key advisor to such companies as Avon, Herbalife, Discovery Toys, Nikken, Shaklee NuSkin, Excel, Usana, Fuller Brush, Cell Tech, Enagic, Sunrider, Melaleuca, Nerium International, etc. He is a frequent lecturer and has been interviewed on the industry, and published, in such publications as Money, Inc., Atlantic Monthly, Success, Entrepreneur, Kiplinger's Personal Finance, Home Office Computing, Business Start-Ups, Direct Selling News Magazine, and Money Maker's Monthly. He is editor of the industry publication, Direct

Sales Legaline. Mr. Babener is also the author of the books; Tax Guide for MLM/Direct Selling Distributors, Network Marketer's Guide to Success, The MLM Corporate Handbook, Network Marketing: Window of Opportunity, and Network Marketing: What You Should Know (used as the college curriculum textbook at Utah Valley State course on network marketing). He is editor of one of most frequented network marketing educational web sites, www.mlmlegal.com. He has served as Chair of more than 70 national conferences on starting and running the direct selling company. He serves on the Lawyers Council and Government Relations Committees of the Direct Selling Association (DSA), and he has served as General Counsel and on the board of the MLMIA (Multilevel Marketing International Association). He has lectured at major industry trade meetings and at such educational institutions as the Univ. of Illinois, University of Texas, University of Houston, etc. He is a graduate of the University of Southern California Law School where he served as an editor of the USC Law Review, followed by the

appointment as a law clerk to Hon. David Williams, U.S. District Court for the Central District of California.

A number of Babener & Associates client companies have been success stories over the last several decades, including several billion dollar and NYSE companies such as Avon, Herbalife, NuSkin, Usana. Other successful companies, to which the law firm has provided varying level of advisory, have included Melaleuca, Nikken, Enagic, Discovery Toys, Amazon Herbs, TriVita, Nerium International, Shaklee, PrePaid Legal, Tupperware, Primerica, Arbonne, Longaberger, Excel Communications, ACN, etc.

Mr. Babener has served as lead trial counsel for multiple cases on direct selling throughout the U.S. Further background material on direct selling will be found at the website, www.mlmllegal.com, where he is editor.