

FTC v. Trek Alliance, Inc. et al.

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FTC v. Trek Alliance, Inc. et al.

Case: FTC v. Trek Alliance, Inc. et al. (2002)

Subject Category: Federal agencies, FTC, Pyramid schemes

Agency Involved: Federal Trade Commission

[Trek Alliance Complaint](#)

[Trek Alliance Preliminary Injunction](#)

[Trek Alliance Stipulated Final Order](#)

Complaint Synopsis: Trek Alliance ran a multi-level marketing program selling water filters, cleaning products, nutritional supplements and beauty aids. Trek's rules included a "6 Receipt rule," requiring sales representatives to have six retail sales per month, a "70% rule," requiring representatives to have sold or used 70% of previously purchased product before placing a new order, and a buy-back policy. The FTC brought a complaint alleging that Trek Alliance engaged in false and deceptive business practices and was in fact a pyramid scheme. The FTC alleged that Trek would induce people to show up for recruiting meetings by implying that there were salaried positions available, induced people to sign up as representatives and purchase starter kits by representing that Trek representatives were likely to realize substantial financial gain and that Trek was in fact a pyramid scheme because, in practice, Trek's focus was on making money by recruiting more representatives, rather than selling product.

Additionally, the FTC alleged that Trek's "6 Receipt rule," "70% rule" and buyback rules were routinely disregarded and not enforced, and even if they were would still not tie compensation to retail sales or prevent inventory loading under Trek's compensation plan.

Consent Details: Under the stipulated consent Trek Alliance was prohibited from engaging in a multi-level marketing program, from making materially false statements regarding potential income, or failing to disclose information material to acquire any business venture it offers. Further, Trek Alliance agreed to pay \$15 million dollars.

Practical Importance to Business of MLM/Direct Sales/Direct Selling/Network Marketing/Party Plan/Multilevel Marketing: Multi-level marketing programs which in practice operate like a pyramid scheme, but on paper are legitimate multi-level marketing programs, will be treated as how they actually operate.

FTC v. Trek Alliance, Inc. et al., No. 02-9270 DSF (AJWx) (C.D. Cal. 2002): Trek Alliance ran a multi-level marketing program selling water filters, cleaning products, nutritional supplements and beauty aids. Trek's rules included a "6 Receipt rule," requiring sales representatives to have six retail sales per month, a "70% rule," requiring representatives to have sold or used 70% of previously purchased product before placing a new order, and a buy-back policy. The FTC brought a complaint alleging that Trek Alliance engaged in false and deceptive business practices and was in fact a pyramid scheme. The FTC alleged that Trek would induce people to show up for recruiting meetings by implying that there were salaried positions available, induced people to sign up as representatives and purchase starter kits by representing that Trek representatives were likely to realize substantial financial gain and that Trek was in fact a pyramid scheme because, in practice, Trek's focus was on making money by recruiting more representatives, rather than selling product. Additionally, the FTC alleged that Trek's "6 Receipt rule," "70% rule" and buyback rules were routinely disregarded and not enforced, and even if they were would still not tie compensation to retail sales or prevent inventory loading under Trek's compensation plan.

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