

Is It Illegal to Have Distributors Earn Income by Referring Others?

© Jeffrey Babener 2014

We are often asked by executives starting a network marketing company if they can have consultants earn income by referring others and if it's legal.

Effectively, multilevel marketing is the sale of products through person-to-person, "referral" marketing. It is very illegal to pay headhunting fees, i.e., paying commissions merely for distributors to recruit other distributors. However, if a distributor builds a sales organization and receives override commissions on the sales activity of those in his or her downline, this is the essence of multilevel marketing, and is quite acceptable, assuming all other elements of legitimate direct selling (vs. pyramiding) are in place.

MLMLegal.com has launched the *Innovation Campaign* for its February 2014 MLM Startup Conference. Read how to get your two free tickets by clicking [HERE!](#)

Visit www.mlmlegal.com and www.mlmattorney.com for more information on the network marketing industry.

Find us on our social networks:

[Google+](#)

[LinkedIn](#)

[Twitter](#)

[Myspace](#)

[Facebook](#)

Our next [Starting and Running the Successful MLM Company Conference](#) takes place February 27th & 28th, 2014 in Las Vegas. Call 503-226-6600 or 800-231-2162 to register.

This article is also available online at: <http://mlmattorney.com/blog/2014/01/16/is-it-illegal-to-have-distributors-earn-income-by-referring-others/>

www.mlmlegal.com

Welcome to MLM Legal - a valuable resource to the Multi-Level Marketing and Direct Sales Industry. Use this site to review interesting articles about this high growth industry. Keep current with the law and how it is affecting large and small companies throughout the United States. MLM Legal is sponsored by Jeffrey Babener of [Babener and Associates](#).



Jeffrey Babener
On Assignment

On any given day you can catch [Jeffrey Babener](#) lecturing on Network Marketing at the University of Texas or the University of Illinois, addressing thousands of distributors in Los Angeles, Bangkok, Tokyo and Russia, or writing a new book on Network Marketing, an article for Entrepreneur Magazine or a chapter for a University textbook. Over two decades he has served as marketing and legal advisor to some of the world's largest direct selling companies, the likes of Avon, Nikken, Melaleuca, Discovery Toys, NuSkin, and he has provided counsel to the most successful telecom network marketing companies...Excel, ACN, World Connect, ITI, AOL Select and Network 2000. An active spokesperson for the industry, he has assisted in new legislation and served on the Lawyer's Council, Government Relations Committee and

Internet Task Force of the Direct Selling Association (DSA) as well as serving as General Counsel for the Multilevel Marketing International Association. He is an MLM attorney supplier member of the DSA and has served as legal counsel and MLM consultant on MLM law issues for many DSA companies.

www.mlmlegal.com