



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Division of Enforcement
Bureau of Consumer Protection

July 9, 1999

Mr. Wan J. Choi
Royal-Palm Corporation
2325 Raymer Avenue
Fullerton, CA 92833

Dear Mr. Choi:

This is in reply to your letter requesting clarification and a binding ruling regarding whether certain knitted cotton socks may be labeled "Made in USA." Please be advised that the Federal Trade Commission and its staff do not issue "binding rulings" in response to requests for advice. The Commission's Rules of Practice permit the staff to provide non-binding staff opinion letters (16 C.F.R. § 1.3). I hope that this "staff advisory opinion" will be sufficient for your purposes.

Based on your letter and my telephone conversation with you, it is my understanding that the design and creation of styles and coloring will be done in the USA. The socks will be computer knitted in the USA, using both foreign and domestic yarn, and the toes will be sewn closed in the USA. The socks will then be shipped to Mexico for steam setting each sock, pairing, labeling, and packaging. The finished product is then shipped back into the USA for retail distribution. You also provided a copy of a ruling from the United States Customs Service regarding the socks. The Customs ruling stated that no foreign origin disclosure is required for the finished socks under the given circumstances set forth in your letter to Customs.

Background on Applicable Laws and Regulations

Before addressing your specific concern, let me provide some background information. The Federal Trade Commission administers several laws and regulations pertaining to labeling and advertising, including the Textile Fiber Products Identification Act ("Textile Act") and the Rules the Commission issued to implement the Act. The Textile Act requires that a label attached to an imported or domestic textile product contain disclosure of the fiber content, appropriate name or registered identification number, and the country of origin. Specifically, with respect to country-of-origin disclosure, the Textile Act states, ". . . a textile fiber product shall be misbranded if a stamp, tag, label, or other means of identification, or substitute therefore authorized by Section 5, is not on or affixed to the product showing in words and figures plainly legible, the following: . . . (4) If it is an imported textile fiber product the name of the country where processed or manufactured.
(5) If it is a textile fiber product processed or manufactured in the United States, it be so identified" (15 U.S.C.A. 70b (b)).

The Textile Rules, at 16 C.F.R. § 303.33, states, in part,

(a) In addition to the other information required by the Act and regulations:

(1) Each imported textile fiber product shall be labeled with the name of the country where such imported product was processed or manufactured;

(2) Each textile fiber product completely made in the United States of materials that were made in the United States shall be labeled using the term Made in U.S.A. or some other clear and equivalent term;

(3) Each textile fiber product made in the United States, either in whole or part of imported materials, shall contain a label disclosing these facts; for example:

"Made in USA of imported fabric"

or

"Knitted in USA of imported yarn" and

(4) Each textile fiber product partially manufactured in a foreign country and partially manufactured in the United States shall contain on a label the following information:

(i) The manufacturing process in the foreign country and in the USA; for example:

"Imported cloth, finished in USA"

or

"Sewn in USA of imported components"

or

"Made in (foreign country), finished in USA"

or

"Scarf made in USA of fabric made in China"

or

"Comforter Filled, Sewn and Finished in the U.S. with Shell Made in China."

(ii) When the U.S. Customs Service requires an origin label on the unfinished

product, the manufacturing processes as required in paragraph (a)(4)(i) of this section or the name of the foreign country required by Customs, for example:

"Made in (foreign country)".

(b) For the purpose of determining whether a product should be marked under paragraphs (a) (2), (3), or (4) of this section, a manufacturer needs to consider the origin of only those materials that are covered under the Act and that are one step removed from that manufacturing process. For example, a yarn manufacturer must identify fiber if it is imported, a cloth manufacturer must identify imported yarn and a household product manufacturer must identify imported cloth or imported yarn for household products made directly from yarn, or imported fiber used as filling for warmth.

Analysis

In this matter, the U.S. Customs Service has ruled that foreign origin disclosure is not required. Further, the Textile Act states that "If it is a textile fiber product processed or manufactured in the United States, it be so identified." It is our opinion that under the provisions of the Textile Act, the knitting and sewing of the socks in the USA constitutes the manufacturing of the socks and that, therefore, it is appropriate and necessary to disclose domestic origin. However, because the socks are knitted, in part, of imported yarn, you must also disclose such fact, pursuant to Rule 33(a)(3) of the regulations, as set forth above. Thus, in staff's opinion, the required label for these socks would be "Made in USA of domestic and imported yarn," or "Knitted in USA of domestic and imported yarn." Note that Rule 33(b), as set forth above, states that for the purpose of determining appropriate country-of-origin marking, "a manufacturer needs to consider the origin of only those materials that are covered under the Act." Therefore, the steam setting, pairing, labeling, and packaging that are done in Mexico, and which are not materials covered under the Act, are not to be considered when determining country-of-origin disclosure under the given circumstances.

For your consideration, I have enclosed a copy of the Commission's comment to the United States Customs Service regarding "Country of Origin Marking Rules for Textiles and Textile Products Advanced in Value, Improved in Condition, or Assembled Abroad." I have also enclosed a copy of the "Rules and Regulations Under the Textile Fiber Products Identification Act," and a copy of the Commission's business guide book, "Threading Your Way Through the Labeling Requirements Under the Textile and Wool Acts."

Nothing in Textile Rule 33 or in this staff opinion shall be construed as limiting in any way the information required to be disclosed on labels under the provisions of any Tariff Act of the United States or regulations prescribed by the Secretary of the Treasury.

In accordance with Section 1.3(c) of the Commission's Rules of Practice and Procedure (16 C.F.R. § 1.3(c)), this is a staff opinion only and has not been reviewed or approved by the Commission or by any individual Commissioner, and is given without prejudice to the right of the

Commission later to rescind the advice and, where appropriate, to commence an enforcement action.

In accordance with Section 1.4 of the Commission's Rules of Practice and Procedure (16 C.F.R. § 1.4), your request for advice, along with this response, will be placed on the public record.

I hope this has been helpful. If you have any questions do not hesitate to write to me or call me at 202-326-2841.

Sincerely,

A handwritten signature in black ink that reads "Steve Ecklund". The signature is written in a cursive style with a large, prominent "S" at the beginning.

Steve Ecklund
Federal Trade Investigator

Enclosures