

**Supporting Statement for Information Collection
Provisions of Rules and Regulations Under the Textile Fiber Products
Identification Act
16 C.F.R. § 303
(OMB Control #: 3084-0101)**

1. Necessity for Collecting the Information

The purpose of the Textile Fiber Products Identification Act (“Textile Act” or “Act”), 15 U.S.C. § 70 *et seq.*, and its implementing Textile Act Rules and Regulations (“Textile Rules” or “Rules”) is to protect producers and consumers against misbranding and false advertising of textile fiber products. Section 7(c) of the Act directs the Federal Trade Commission (“FTC” or “Commission”) to “. . . make such rules and regulations . . . under and in pursuance of the terms of this Act as may be necessary and proper for administration and enforcement.”

The Textile Rules provide for the collection of information and fall into the following categories. These category designations will be used throughout this supporting statement.

Labeling and Invoicing

(*e.g.*, 16 C.F.R. §§ 303.2, 303.15, 303.16, 303.17, 303.21(b), 303.31, 303.32, and 303.33)

The Rules require each covered product to be labeled or invoiced to provide disclosure of: (1) fiber contents, (2) the identity of the manufacturer or other marketer of the product, and (3) country of origin information. The various sections of the Rules that comprise this category merely implement Section 4(b) of the Textile Act, which specifically mandates the disclosure of this information.¹ These disclosures are deemed necessary because they provide material information about the products; lacking this information, potential purchasers could not make informed buying decisions.

Recordkeeping

(16 C.F.R. § 303.39)

Section 303.39 implements Sections 5 and 6 of the Textile Act. It requires manufacturers and those marketers who substitute labels (*e.g.*, resellers) to maintain records, invoices, and other documents that reflect the basis relied upon in making fiber content and country of origin disclosures shown on invoices and labels attached to textile products. Records must be retained for three years “to permit a determination that the requirements of the Act and Regulations have been met and to establish a traceable line of continuity from raw material through processing to finished product.” This information collection is necessary to substantiate the stated country of

¹ The Commission revised the Textile Rules in response to amendments to the Textile Act. *See* 70 Fed. Reg. 73369 (Dec. 12, 2005). These amendments, effective March 3, 2006, concerned the placement of labels on packages of certain types of socks and did not place any additional disclosure burden on covered entities.

origin disclosure and to establish a fiber content line of continuity from raw material through sale of finished product.

Advertising Disclosures

(16 C.F.R. §§ 303.34, 303.40, 303.41, and 303.42)

Section 303.34 implements Section 4(i) of the Textile Act, which requires each item description of a covered product offered for sale in catalog or mail order promotional material to include a clear and conspicuous disclosure of whether “such textile fiber product is processed or manufactured in the United States of America, or imported, or both.”

Sections 303.40, 303.41, and 303.42 apply in situations where a written advertisement for a covered product sets forth a “triggering term” (e.g., a fiber trademark or a term implying fiber content). Where a written advertisement includes such a term, the advertisement must disclose certain additional information pertaining to fiber content. The Rules implement Section 4(c) of the Textile Act, which specifically mandates these disclosures in written advertisements. These disclosures are necessary to preclude misinformation and misleading representations.

Housemarks

(16 C.F.R. § 303.19)

As mentioned above, manufacturer or other marketer identification is a required disclosure on labels and invoices of covered products. Companies may satisfy this identity requirement by merely stating their business names. However, Section 303.19 establishes an alternative means through which manufacturers and others may meet this identity requirement in labeling. This section states: “Where a person has a word trademark, used as a housemark, registered in the United States Patent Office, such word trademark may be used on labels in lieu of the name otherwise required.”

Note that use of a housemark is voluntary. Those who opt to use a housemark must furnish the Commission with a copy of the trademark registration prior to its use in labeling. Thus, this information collection is necessary only when companies choose to meet the identity requirement via the alternative method established under Section 303.19.

Generic Name Petitions

(16 C.F.R. § 303.8)

Section 303.8 provides a mechanism whereby a manufacturer of a new, man-made fiber may petition the Commission to include the new fiber among the list of established generic fibers. The Rules require the petitioner to provide certain information, including the chemical composition of the new fiber, samples of the fiber, and a statement of the reasons why the fiber should not be identified by one of the generic names previously established by the Commission. This information collection is necessary because it provides the Commission with the scientific and other data required to make an informed decision of whether to amend the list of established generic fibers (i.e., Section 303.7) or to deny the petition and advise the applicant of the proper

method of disclosure using existing, established generic fiber categories.

2. Use of the Information

Labeling and Invoicing

Potential purchasers, both consumers and businesses, rely upon the disclosed fiber content and country of origin information to make informed buying decisions in the marketplace. Disclosure of company identification is used by the Commission for enforcement purposes, *i.e.*, to identify the manufacturer of a misbranded item. It is also used by other companies seeking to identify the manufacturer of a particular item for business reasons.

Recordkeeping

The information collected pursuant to the recordkeeping rule is used by manufacturers and marketers who choose to substitute labels. The records serve as support for the fiber content and country of origin claims made on labels and invoices and provide a deterrent against misbranding. The records are also available to the Commission and may be used in an inquiry or law enforcement action.

Advertising Disclosures

Consumers who purchase covered products by catalog or other mail order sale do not always have an opportunity to examine the label on the product before buying it. They often see the label for the first time only after the sale has been consummated. Consequently, Section 303.34 ensures that, prior to purchase, consumers will be apprised of whether a covered product offered for sale by catalog or other mail order promotional material is made in the USA, is imported, or both.

Consumers and other potential purchasers rely upon information contained in written advertisements. Where such advertisements include a “triggering term,” Sections 303.40, 303.41, and 303.42 ensure that further fiber content disclosures are made to avert the possibility of deception. The records are also available to the Commission and may be used in an inquiry or law enforcement action.

Housemarks

The information collected is a copy of the trademark registration to be used as a housemark. This must be submitted to the Commission before the housemark is used for identification purposes. The Commission uses this information for enforcement purposes. For example, where misbranding is an issue, the Commission can locate the manufacturer by accessing the file of approved housemarks.

Generic Name Petitions

The information collected pursuant to the section establishing procedures for adopting a new generic fiber is used by the Commission to determine whether to amend the list of established generic fibers (i.e., Section 303.7), or to deny the petition and advise the applicant of the proper method of disclosure using existing, established generic fiber categories. In practice, the information collected is technical in nature and is referred to and used by consultant experts (e.g., polymer chemists) who aid the Commission in the ultimate disposition of the applicant's petition.

3. Consideration of the Use of Improved Information Technology to Reduce Burden

Generally, this item does not apply to any of the categories of information collection covered by this submission.

The Rules requiring labeling and invoicing, recordkeeping, and disclosure in advertising merely set forth certain performance standards. For example, fiber content labels must clearly and conspicuously disclose the required information; however, companies may avail themselves of any improved technology (e.g., in the area of mechanization, typesetting, and printing) in meeting these performance standards. In addition, covered entities have flexibility with regard to the placement of information on labels and the attachment of labels to products.

The housemark information collection is merely a copy of a registered trademark. Under the generic name petition rule, the applicant has discretion over the amount of information to be submitted and the format in which it is presented.

For information that is required to be disclosed on textile product labels, an electronic disclosure option, pursuant to the Government Paperwork Elimination Act, Pub. L. No. 105-277, Title XVII, 112 Stat. 2681-749 ("GPEA"), is impracticable. For non-labeling disclosures, however, the Commission, in compliance with the Act, has previously amended relevant Textile Rules definitions so that they are either format-neutral or explicitly recognize and permit such disclosures in electronic format. See 16 C.F.R. § 303.1(h) ("invoice" or "invoice or other paper" – issued "in writing or in some other form capable of being read and preserved in a tangible form"), (u) ("mail order catalog" or "mail order material" – materials disseminated "in print or by electronic means"). Likewise, the rules permit the maintenance of relevant records in any format, including electronic, that a manufacturer chooses. 16 C.F.R. § 303.39.

4. Efforts to Identify Duplication/Availability of Similar Information

There is no other Federal law or regulation that requires the information collection contained in the Textile Act or Rules.

The Act and Rules were placed into effect because many companies were not voluntarily providing material product information or were not providing it in a meaningful, standardized format that facilitated informed buying decisions in the marketplace. The record collection and retention requirements do not constitute an "additional burden" to most companies, because they simply require recording and maintaining information that most covered companies would

routinely undertake in the normal course of business.

5. Efforts to Minimize Burden on Small Businesses

The provisions of the Textile Act and the Rules apply to all manufacturers and other marketers of covered textile fiber products, including small businesses and other small entities. Under the Act, the Commission has no latitude to treat small businesses differently. The Act specifically requires “any person” marketing covered products to label, invoice, and keep records; “person” is defined as, “. . . an individual, partnership, corporation, association or any other form of business enterprise” (emphasis added). Thus, Congress intended to cover all concerns, of whatever size, engaged in the marketing of textile fiber products. Further, the Act does not include language that would provide for the Commission to either exempt a particular category of firm or set forth a lesser standard of compliance for any category of firm.

Although there have been no specific efforts to minimize the burden on small companies in particular, the Rules serve to achieve this end. Small companies that fall within the sections requiring labeling and invoicing, recordkeeping, and disclosure in advertising are aided by the fact that their suppliers (e.g., mills, wholesalers) must provide them with accurate information regarding fiber content and country of origin. Consequently, their burden would appear to be minimal. Any company wishing to obtain a housemark need provide only a copy of a trademark registration. In practice, usually only large textile fiber manufacturers submit petitions for adopting a new generic fiber because only large companies have the necessary research and development capabilities to develop such a fiber.

6. Consequences of Conducting Collection Less Frequently

The disclosure of information required by the labeling and invoicing sections applies to each covered product in the marketplace. If disclosure were not required in every case, the objective of informing purchasers of important, material information would be defeated.

The recordkeeping requirement applies to manufacturers and those who substitute labels (e.g., resellers, printers, and screeners) and requires them to record and retain substantiation for the labeling claims they make concerning covered products. In the absence of this requirement, the country of origin disclosure often would be unsupported and the chain of fiber content continuity from raw material through finished product would be lost. This would remove an important deterrent against misbranding and would complicate any Commission investigation, inquiry, or enforcement action.

The sections pertaining to disclosure in advertising provide that (1) each mail order and catalog advertisement must include a country of origin disclosure, and (2) any advertisement that uses a “triggering term” implying the presence of a particular fiber must disclose the generic names of all the constituent fibers. If country of origin information were not required in mail order literature, consumers might not receive any country of origin information until after they had already purchased a product. If the “triggering term” requirements for fiber disclosure were relaxed, the objective of preventing dissemination of misinformation and misleading

representations would be more difficult to accomplish.

The issue of collecting information less frequently does not apply to the sections pertaining to housemarks and generic name petitions. These involve one-time submissions that are made voluntarily by applicant firms.

7. Circumstances Requiring Collection Inconsistent with Guidelines

The collection of information under the Rules is consistent with all applicable guidelines contained in 5 C.F.R. § 1320.5(d)(2).

8. Solicitation of Comments/Consultation Outside the Agency

Over the years, the FTC has had recurring contacts with affected companies and major trade associations. For example, Commission staff has an ongoing liaison relationship with the American Apparel and Footwear Association. Staff also has frequent contact with companies subject to these information collection rules, both large multi-national corporations and small businesses entering the market.

Based on these recurring contacts with covered companies and its own experience (e.g., from conducting routine compliance investigations), the Commission concludes that virtually all covered companies: (1) are aware of the Rules pertaining to labeling, invoicing, and advertising; (2) know that the FTC will freely provide copies of the Textile Act and Rules and additional explanatory materials upon request; and, (3) consider the Rules to be clear and reasonable. Experience further indicates that the information collection required merely calls for minimal, routine records that generally would be maintained by a responsible company, even absent the provision.

On August 24, 2007, the Commission solicited public comments relating to a petition filed by Mohawk Industries, Inc., E. I. du Pont de Nemours and Company, and PTT Poly Canada to establish a new generic fiber subclass name and definition within the existing definition of “polyester” for a specifically proposed subclass of polyester fibers made from poly (trimethylene terephthalate) (“PTT”). See 72 Fed. Reg. 48,600. After reviewing 49 comments, the Commission amended Section 307(c) on March 26, 2009, to establish a new generic fiber subclass name and definition called “triexta” within the existing definition of “polyester” for a subclass of fibers made from PTT. 74 Fed. Reg. 13,103 (March 26, 2009). This amendment did not constitute a “collection of information” and did not change the existing paperwork burden on covered companies.

Most recently, Commission staff, as it has in the past, sought public comment in connection with the FTC’s latest PRA clearance request for these Rules, in accordance with 5 C.F.R. § 1320.8(d). See 76 Fed. Reg. 77,230 (December 12, 2011) (no comments were received). Consistent with 5 C.F.R. § 1320.12(c), Commission staff is doing so again contemporaneous with this submission.

The Commission has also initiated a review of the Textile Rules under its regulatory review program. See 76 Fed. Reg. 68690 (November 7, 2011).² Among other things, the Commission seeks comment on the overall costs, benefits, necessity, and regulatory and economic impact of, and possible modifications to, the Textile Rules. The FTC also seeks comment on the benefits and costs of the Textile Act's requirement that businesses use identification issued by the FTC under certain circumstances, and the extent to which retailers obtain guarantees for textile products and whether the extent or manner of textile importation indicates that the guarantee provisions of the Textile Rules and Act should be modified.

9. Payments or Gifts to Respondents

Not applicable.

10. & 11. Assurances of Confidentiality and Matters of a Sensitive Nature

Actual submission of information pertains only to the housemark rule and the generic petition rule. The issue of confidentiality ordinarily does not apply in either case. Housemark holders are a matter of public record. Commission Rules treat petitions or filings for adoption of a new generic fiber name as public material except those for which confidential classification was sought, which occurs infrequently.³ The submitter bears the burden of proving that a document warrants confidentiality under all applicable statutes, regulations and orders.⁴

12. Annual hours burden: 7,528,142 hours (506,025 recordkeeping hours + 7,022,117 disclosure hours).

Recordkeeping: Staff estimates that approximately 20,241 textile firms are subject to the Textile Rules' recordkeeping requirements. Based on an average burden of 25 hours per firm, the total recordkeeping burden is 506,025 hours.

Disclosure: Approximately 22,218 textile firms, producing or importing about 19.4 billion textile fiber products annually, are subject to the Textile Rules' disclosure requirements.⁵

² The Commission extended the comment period until February 2, 2012, in response to a request from stakeholders. See 77 Fed. Reg. 234 (January 4, 2012).

³ 16 C.F.R. § 4.9(b)(3)(I).

⁴ 16 C.F.R. § 4.9(c).

⁵ The apparent consumption of garments in the U.S. in 2009 was 18 billion. Staff estimates that 1 billion garments are exempt from the Textile Act (*i.e.*, any kind of headwear and garments made from something other than a textile fiber product, such as leather) or are subject to a special exemption for hosiery products sold in packages where the label information is contained on the package. Based on available data, staff estimates that an additional 3 billion household textile products (non-garments, such as sheets, towels, blankets) were consumed.

Staff estimates the burden of determining label content to be 20 hours per year per firm, or a total of 444,360 hours and the burden of drafting and ordering labels to be 5 hours per respondent per year, or a total of 111,090 hours. Staff believes that the process of attaching labels is now fully automated and integrated into other production steps for about 40 percent of all affected products. For the remaining 11.64 billion items (60 percent of 19.4 billion), the process is semi-automated and requires an average of approximately two seconds per item, for a total of 6,466,667 per year. Thus, the total estimated annual burden for all firms is 7,022,117 hours (444,360 hours to determine label content + 111,090 hours to draft and order labels + 6,466,667 hours to attach labels). Staff believes that any additional burden associated with advertising disclosure requirements or the filing of generic fiber name petitions would be minimal (less than 10,000 hours) and can be subsumed within the burden estimates set forth above.

Associated labor cost: \$53,662,000, rounded to the nearest thousand (solely relating to labor costs). The chart below summarizes the total estimated costs.

Unless otherwise noted, staff's hourly wage rates are based on information received from the U.S. Department of Labor.

Task	Hourly Rate	Burden Hours	Labor Cost
Determine label content	\$ 23.00	444,360	\$10,220,280
Draft and order labels	\$ 18.00	111,090	\$1,999,620
Attach labels	\$ 5.00 ⁶	6,466,667	\$32,333,335

However, approximately 0.6 billion of all of these combined products (garments and non-garments) are subject to the Wool Act, not the Textile Act, because they contain some amount of wool. Thus, the estimated net total products subject to the Textile Act is 19.4 billion.

⁶ For imported products, the labels generally are attached in the country where the products are manufactured. According to information compiled by an industry trade association using data from the International Trade Commission, the U.S. Customs Service, and the U.S. Census Bureau, approximately 95 % of apparel and other textile products used in the United States is imported. With the remaining 5 % attributable to U.S. production at an approximate domestic hourly wage of \$9 to attach labels, staff has calculated a weighted average hourly wage of \$5 per hour attributable to U.S. and foreign labor combined. The estimated percentage of imports supplied by particular countries is based on trade data for the year ending in September 2011 compiled by the Office of Textiles and Apparel, International Trade Administration, U.S. Department of Commerce. Wages in major textile exporting countries, factored into the above hourly wage estimate, were based on 2009 data from the U.S. Department of Labor, Bureau of International Labor Affairs. See Table 1.1 Production Workers: Indexes of hourly compensation costs in manufacturing, U.S. dollar basis, 1975-2009 (Index, U.S. = 100) available at: ftp://ftp.bls.gov/pub/suppl/ichcc.ichccpwsuppl1_1.txt.

Task	Hourly Rate	Burden Hours	Labor Cost
Recordkeeping	\$ 18.00	506,025	\$9,108,450
TOTAL			\$53,661,685

13. Estimated Capital or Other Non-Labor Costs

Staff believes that there are no current start-up costs or other capital costs associated with the Rules. Because the labeling of textile products has been an integral part of the manufacturing process for decades, manufacturers have in place the capital equipment necessary to comply with the Rules' labeling requirements. Industry sources indicate that much of the information required by the Textile Act and its implementing rules would be included on the product label even absent their requirements. Similarly, recordkeeping, invoicing, and advertising disclosures are tasks performed in the ordinary course of business so that covered firms would incur no additional capital or other non-labor costs as a result of the Textile Rules.

14. Estimated Cost to Federal Government

Staff estimates a representative year's cost imposed by the Rules during the course of the three-year clearance period sought will be approximately \$90,000. Attorney, clerical, and other support staff costs are included in this estimate, as are employee benefits.

15. Program Changes or Adjustments

FTC staff has adjusted downward its prior 2009 burden estimate of 8,456,241 hours, for which the Commission currently has OMB clearance, to 7,528,142 hours in 2012. This decrease is primarily attributable to fewer covered textile products (from 21.5 billion products in 2009 to 19.4 billion products in 2012). There has also been a decrease in the number of textile firms subject to the Rules' recordkeeping provisions (from 24,936 firms in 2009 to 20,241 firms in 2012) and disclosure requirements (from 26,647 firms in 2008 down to 22,218 in 2011).

16. Statistical Use of Information

There are no plans to publish, for statistical use, any information the Rules require.

17. Display of the Expiration Date for OMB Approval

Not applicable.

18. Exceptions to the Certification for Paperwork Reduction Act Submissions

Not applicable.