



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

Bureau of Consumer Protection
Division of Enforcement

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FEDERAL EXPRESS

Karel Felipe, Owner
Lotus Computer USA
658 Douglas Ave #1114
Altamonte Springs, FL 32714

Dear Mr. Felipe:

We received your submissions on behalf of Lotus Computer USA ("Lotus"). During our review, we raised concerns that certain marketing materials may have overstated the extent to which Lotus computers are made or "built" in the United States.

As we discussed, unqualified "Made in the USA" or "Built in the USA" claims on marketing materials likely suggest to consumers that all products advertised in those materials are "all or virtually all" made in the United States. The Commission may analyze a number of different factors to determine whether a product is "all or virtually all" made in the United States, including the proportion of the product's total manufacturing costs attributable to U.S. parts and processing, how far removed any foreign content is from the finished product, and the importance of the foreign content or processing to the overall function of the product.

Furthermore, the FTC's Enforcement Policy Statement on "Made in USA" and Other U.S. Origin Claims explains that "'Assembled in USA' claims should be limited to those instances where the product has undergone its principal assembly in the United States and that assembly is substantial. In addition, a product should be last substantially transformed in the United States to properly use an 'Assembled in USA' claim."¹

In this case, Lotus completes final assembly of computers in the United States using nearly all imported parts. Accordingly, to avoid deceiving consumers, Lotus removed all unqualified U.S.-origin claims from its marketing materials, and replaced them with claims such as, "A US-Based Computer Company" and "100% USA-Based Support."

Based on your actions and other factors, the staff has decided not to pursue this

¹ *Federal Trade Commission, Issuance of Enforcement Policy Statement on "Made in USA" and Other U.S. Origin Claims*, 62 Fed. Reg. 63756, 63770 (December 2, 1997).

investigation any further. This action should not be construed as a determination that there was no violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45. The Commission reserves the right to take such further action as the public interest may require. If you have any questions, you can reach me at (202) 326-2377.

Sincerely,

Julia Solomon Ensor
Staff Attorney