AMENDED IN SENATE JULY 9, 2009 AMENDED IN ASSEMBLY JUNE 1, 2009 AMENDED IN ASSEMBLY MAY 6, 2009 AMENDED IN ASSEMBLY APRIL 15, 2009

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL

No. 819

Introduced by Assembly Member Charles Calderon (Coauthors: Assembly Members *Blumenfield*, *Jones*, Lieu, Portantino, and Smyth Smyth, and Tran)

February 26, 2009

An act to-amend Sections 13848 and 13848.6 of, and to add Chapter 5.8 (commencing with Section 13849) to Title 6 of Part 4 of, the Penal Code, relating to intellectual property piracy, *making an appropriation therefor*, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 819, as amended, Charles Calderon. Intellectual property piracy. Existing law establishes various crime prevention and prosecution programs.

This bill would establish the Intellectual Property Piracy Prevention and Prosecution Program to fund grants for local law enforcement and district attorneys for purposes of preventing and prosecuting intellectual property piracy, as specified.

This bill would create, within the Department of Justice, the Division of Organized Crime and Intellectual Piracy (OCIP) to investigate and prosecute organized crime in connection with crimes of intellectual property theft, with emphasis on intellectual property theft within the

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motion picture industry. The bill would require the OCIP to submit a report to the Legislature with information on disbursements from the Intellectual Property Piracy Prevention and Prosecution Fund.

The bill would establish the Intellectual Property Piracy Prevention and Prosecution Fund, a continuously appropriated fund, to provide funding for costs incurred by local law enforcement agencies that provide assistance to the OCIP, as specified. This bill would become operative only if an appropriation is made for its operation AB 711 of the 2009–10 Regular Session is enacted. The bill would make other technical, conforming changes.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: ²/₃. Appropriation: no-yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 13848 of the Penal Code is amended to read:

13848. (a) It is the intent of the Legislature in enacting this chapter to provide local law enforcement and district attorneys with the tools necessary to successfully interdict the promulgation of high technology crime. According to the federal Law Enforcement Training Center, it is expected that states will see a tremendous growth in high technology crimes over the next few years as computers become more available and computer users more skilled in utilizing technology to commit these faceless crimes. High technology crimes are those crimes in which technology is used as an instrument in committing, or assisting in the commission of, a crime, or which is the target of a criminal act.

- (b) Funds provided under this program are intended to ensure that law enforcement is equipped with the necessary personnel and equipment to successfully combat high technology crime which includes, but is not limited to, the following offenses:
- (1) White-collar crime, such as check, automated teller machine, and credit card fraud, committed by means of electronic or computer-related media.
- (2) Unlawful access, destruction of or unauthorized entry into and use of private, corporate, or government computers and

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networks, including wireless and wireline communications networks and law enforcement dispatch systems, and the theft, interception, manipulation, destruction, or unauthorized disclosure of data stored within those computers and networks.

- (3) Money laundering accomplished with the aid of computer networks or electronic banking transfers.
- (4) Theft and resale of telephone calling codes, theft of telecommunications service, theft of wireless communication service, and theft of cable television services by manipulation of the equipment used to receive those services.
- (5) Theft and resale of computer components and other high technology products produced by the high technology industry.
- (6) Remarking and counterfeiting of computer hardware and software.
 - (7) Theft of trade secrets.

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- (c) This program is also intended to provide support to law enforcement agencies by providing technical assistance to those agencies with respect to the seizure and analysis of computer systems used to commit high technology crimes or store evidence relating to those crimes.
- SEC. 2. Section 13848.6 of the Penal Code is amended to read: 13848.6. (a) The High Technology Crime Advisory Committee is hereby established for the purpose of formulating a comprehensive written strategy for addressing high technology erime throughout the state, with the exception of crimes that occur on state property or are committed against state employees, and to advise the California Emergency Management Agency on the appropriate disbursement of funds to regional task forces.
- (b) This strategy shall be designed to be implemented through regional task forces. In formulating that strategy, the committee shall identify various priorities for law enforcement attention, including the following goals:
- (1) To apprehend and prosecute criminal organizations, networks, and groups of individuals engaged in the following activities:
- (A) Theft of computer components and other high technology
 products.
- 38 (B) Violations of Penal Code Sections 211, 350, 351a, 459, 496, 39 537e, 593d, 593e, 653h, 653s, and 635w.

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1 (C) Theft of telecommunications services and other violations of Penal Code Sections 502.7 and 502.8.

- (D) Counterfeiting of negotiable instruments and other valuable items through the use of computer technology.
- (2) To apprehend and prosecute individuals and groups engaged in the unlawful access, destruction, or unauthorized entry into and use of private, corporate, or government computers and networks, including wireless and wire line communications networks and law enforcement dispatch systems, and the theft, interception, manipulation, destruction, and unauthorized disclosure of data stored within those computers.
- (3) To apprehend and prosecute individuals and groups engaged in the theft of trade secrets.
- (4) To investigate and prosecute high technology crime cases requiring coordination and cooperation between regional task forces and local, state, federal, and international law enforcement agencies.
- (c) The Secretary of California Emergency Management shall appoint the following members to the committee:
 - (1) A designee of the California District Attorneys Association.
- (2) A designee of the California State Sheriffs Association.
- (3) A designee of the California Police Chiefs Association.
- (4) A designee of the Attorney General.
- 24 (5) A designee of the California Highway Patrol.
- 25 (6) A designee of the High Technology Crime Investigation
 26 Association.
- 27 (7) A designee of the California Emergency Management 28 Agency.
 - (8) A designee of the American Electronic Association to represent California computer system manufacturers.
- 31 (9) A designee of the American Electronic Association to represent California computer software producers.
 - (10) A designee of CTIA The Wireless Association.
- 34 (11) A representative of the California Internet industry.
- 35 (12) A designee of the Semiconductor Equipment and Materials
 36 International.
- 37 (13) A designee of the California Cable & Telecommunications
 38 Association.
- 39 (14) A designee of the Motion Picture Association of America.

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1 (15) A designee of the California Communications Associations 2 (CalCom).

- (16) A representative of the California banking industry.
- (17) A representative of the Office of Information Security and Privacy Protection.
 - (18) A representative of the Department of Finance.
 - (19) A representative of the State Chief Information Officer.
- 8 (20) A representative of the Recording Industry of America.
 - (21) A representative of the Consumers Union.

- (d) The Secretary of California Emergency Management shall designate the Chair of the High Technology Crime Advisory Committee from the appointed members.
- (e) The advisory committee shall not be required to meet more than 12 times per year. The advisory committee may create subcommittees of its own membership, and each subcommittee shall meet as often as the subcommittee members find necessary. It is the intent of the Legislature that all advisory committee members shall actively participate in all advisory committee deliberations required by this chapter.

Any member who, without advance notice to the Secretary of California Emergency Management and without designating an alternative representative, misses three scheduled meetings in any calendar year for any reason other than severe temporary illness or injury (as determined by the secretary) shall automatically be removed from the advisory committee. If a member wishes to send an alternative representative in his or her place, advance written notification of this substitution shall be presented to the executive director. This notification shall be required for each meeting the appointed member elects not to attend.

Members of the advisory committee shall receive no compensation for their services, but shall be reimbursed for travel and per diem expenses incurred as a result of attending meetings sponsored by the California Emergency Management Agency.

(f) The Secretary of California Emergency Management, in consultation with the High Technology Crime Advisory Committee, shall develop specific guidelines and administrative procedures for the selection of projects to be funded by the High Technology Theft Apprehension and Prosecution Program, which guidelines shall include the following selection criteria:

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(1) Each regional task force that seeks funds shall submit a written application to the committee setting forth in detail the proposed use of the funds.

- (2) In order to qualify for the receipt of funds, each proposed regional task force submitting an application shall provide written evidence that the agency meets either of the following conditions:
- (A) The regional task force devoted to the investigation and prosecution of high technology-related crimes is comprised of local law enforcement and prosecutors, and has been in existence for at least one year prior to the application date.
- (B) At least one member of the task force has at least three years of experience in investigating or prosecuting cases of suspected high technology crime.
- (3) Each regional task force shall be identified by a name that is appropriate to the area that it serves. In order to qualify for funds, a regional task force shall be comprised of local law enforcement and prosecutors from at least two counties. At the time of funding, the proposed task force shall also have at least one investigator assigned to it from a state law enforcement agency. Each task force shall be directed by a local steering committee composed of representatives of participating agencies and members of the local high technology industry.
- (4) The California High Technology Crimes Task Force shall be comprised of each regional task force developed pursuant to this subdivision.
- (5) Additional criteria that shall be considered by the advisory committee in awarding grant funds shall include, but not be limited to, the following:
- (A) The number of high technology crime cases filed in the prior year.
- (B) The number of high technology crime cases investigated in the prior year.
 - (C) The number of victims involved in the cases filed.
- (D) The total aggregate monetary loss suffered by the victims, including individuals, associations, institutions, or corporations, as a result of the high technology crime cases filed, and those under active investigation by that task force.
- (6) Each regional task force that has been awarded funds authorized under the High Technology Theft Apprehension and Prosecution Program during the previous grant-funding cycle,

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upon reapplication for funds to the committee in each successive year, shall be required to submit a detailed accounting of funds received and expended in the prior year in addition to any information required by this section. The accounting shall include all of the following information:

- (A) The amount of funds received and expended.
- (B) The use to which those funds were put, including payment of salaries and expenses, purchase of equipment and supplies, and other expenditures by type.
- (C) The number of filed complaints, investigations, arrests, and convictions that resulted from the expenditure of the funds.
- (g) The committee shall annually review the effectiveness of the California High Technology Crimes Task Force in deterring, investigating, and prosecuting high technology crimes and provide its findings in a report to the Legislature and the Governor. This report shall be based on information provided by the regional task forces in an annual report to the committee which shall detail the following:
 - (1) Facts based upon, but not limited to, the following:
- (A) The number of high technology crime cases filed in the prior year.
- (B) The number of high technology crime cases investigated in the prior year.
 - (C) The number of victims involved in the cases filed.
 - (D) The number of convictions obtained in the prior year.
- (E) The total aggregate monetary loss suffered by the victims, including individuals, associations, institutions, corporations, and other relevant public entities, according to the number of cases filed, investigations, prosecutions, and convictions obtained.
- (2) An accounting of funds received and expended in the prior year, which shall include all of the following:
 - (A) The amount of funds received and expended.
- (B) The uses to which those funds were put, including payment of salaries and expenses, purchase of supplies, and other expenditures of funds.
- 36 (C) Any other relevant information requested.
- 37 SEC. 3.

- 38 SECTION 1. Chapter 5.8 (commencing with Section 13849)
- is added to Title 6 of Part 4 of the Penal Code, to read:

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Chapter 5.8. Intellectual Property Piracy Prevention and Prosecution Act of 2009

13849. (a) This act shall be known and may be cited as the Intellectual Property Piracy Prevention and Prosecution Act of 2009.

- (b) The Legislature finds and declares the following:
- (1) According to a 2007 study by the Institute for Policy Innovation, intellectual property piracy, meaning the theft of movies, music, software, and video games, costs the United States economy fifty-eight billion dollars (\$58,000,000,000) each year.
- (2) The problem of intellectual property piracy continues to grow worse. A 2005 Gallup study found that 5 percent of Americans had purchased, copied, or downloaded counterfeit music in the preceding year. By 2007, this number had jumped to 9 percent. The percentage of respondents that admitted buying a pirated movie rose from 3 percent in 2005, to 6 percent in 2007. At the same time, once robust DVD sales have flattened over the past few years, while CD shipments to retailers have plummeted.
- (3) The effect of intellectual property piracy on California and its citizens is particularly dire. Intellectual property piracy adversely affects the California economy, eliminates jobs, and damages industry. According to the Business Software Alliance, in 2003, software piracy alone cost the California economy more than 13,000 jobs, over eight hundred two million dollars (\$802,000,000) in wages and salaries, over one billion dollars (\$1,000,000,000) in retail sales of business software applications, and roughly two hundred thirty-nine million dollars (\$239,000,000) in total tax losses.
- (4) A growing number of criminal organizations worldwide are involved in intellectual property piracy.

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- (5) This act will send a strong signal that California is committed to protecting the intellectual property created by California's innovation and entertainment industries.
- (5) By creating a technical advisory committee, California will be able to draw upon the expertise and insight of those on the front lines of the antipiracy effort.
- (6) Grants awarded Funds provided pursuant to this act will be used to foster innovation and to provide local law enforcement

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and prosecutors the tools they need to effectively fight intellectual property piracy.

- (7) Finally, by safeguarding the legitimate sale of intellectual property, California will increase its tax base, and stimulate the economy.
- (c) Funds provided under this program pursuant to this act are intended to ensure that law enforcement and prosecutors are equipped with the necessary personnel and equipment to combat successfully intellectual property piracy, which includes piracy of movies, music, software, and video games.
- 13849.1. (a) There is hereby created, within the Bureau of Investigation and Intelligence of the Department of Justice, the Division of Organized Crime and Intellectual Piracy (OCIP) to investigate and prosecute organized crime in connection with crimes involving intellectual property theft, with an emphasis on intellectual property theft within the motion picture industry.
- (b) The OCIP shall prepare and submit to the Legislature an annual report with information on the number and types of investigations and prosecutions funded by the Intellectual Property Piracy Prevention and Prosecution Fund.
- (c) For purposes of this chapter, "organized crime" shall have the same meaning as is specified in subdivision (d) of Section 186.2.
- (d) For purposes of this chapter, "intellectual property" means property that results from original creative thought, as patents, copyright material, and trademarks.
- 13849.2. (a) There is hereby established the Intellectual Property Piracy Prevention and Prosecution Fund to provide total or partial reimbursement for costs incurred by local law enforcement agencies assisting the Division of Organized Crime and Intellectual Piracy (OCIP) in the Department of Justice in ongoing investigations or prosecutions, or both, of organized crimes involving intellectual property theft.
- (b) All funds collected pursuant to Section 6225 of the Revenue and Taxation Code shall be deposited in the fund. Notwithstanding Section 13340 of the Government Code, moneys in the fund are continuously appropriated for the purposes specified in this chapter.
- (c) The Controller shall make payments from the fund, upon the approval of the Attorney General, to local law enforcement

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1 agencies that provide substantial assistance to the OCIP of the

- 2 Department of Justice in connection with open investigations or
- 3 court proceedings, or both, against organized crime involving
- 4 intellectual property theft, including, but not limited to, all of the 5 following:
 - (1) Counterfeit goods.
- 7 (2) Copyright infringement.
- 8 (3) Trademark infringement.
 - (4) Pirated CDs.
- 10 (5) Pirated DVDs.

- 11 (6) Pirated computer software.
 - (d) Investigations of intellectual property theft related to motion pictures shall receive the highest priority in making disbursements from the fund.
 - (e) Notwithstanding Section 1463.001, all fines resulting from prosecutions by the OCIP shall be deposited in the fund.
 - 13849.3. This section shall become operative only if Assembly Bill 711 of the 2009–10 Regular Session is enacted.
 - 13849.1. (a) There is hereby established in the Department of Justice, a program of financial assistance for law enforcement and district attorneys' offices, designated the Intellectual Property Piracy Prevention and Prosecution Program. Upon appropriation by the Legislature, all funds appropriated to the Department of Justice for the purposes of this chapter shall be administered and disbursed by the Attorney General in consultation with the Intellectual Property Piracy Prevention and Prosecution Advisory Committee as established in Section 13849.2.
 - (b) All funds designated for use for purposes of this chapter shall be deposited in the Intellectual Property Piracy Prevention and Prosecution Fund, which is hereby established. The fund shall be under the direction and control of the office of the Attorney General.
 - (c) The advisory committee shall review grant applications and, on a majority vote of the membership, submit those applications to the Attorney General for formal approval.
 - (d) The advisory committee shall monitor and audit the use of grant funds.
 - (e) Grant money shall be used exclusively to combat intellectual property piracy within the state. Grants shall be made on an annual basis, and may not be used to pay existing staff, absent

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extraordinary circumstances and approval by the Attorney General. Grant recipients may receive funding for no more than three years without submitting another grant application. Grants shall only be made to applicants with an existing budget dedicated to fighting intellectual property piracy.

- (f) In order to receive a grant, prospective recipients shall agree in writing to the following terms, as conditions of receiving a grant:
- (1) The recipient is authorized to accept grant funds under all applicable state and local laws.
- (2) The recipient will vigilantly safeguard grant funds and ensure that use of the grant funds fully comports with the purposes specified in the application for the grant funds, as approved or modified by the advisory committee.
- (3) Grant funds shall be used to augment, but shall not be used to supplant, a grant recipient's budget.
- (4) If the grant funds are used for the purpose of investigation, litigation, or prosecution, any remedy, settlement, judgment, or restitution award shall provide for full reimbursement to the Intellectual Property Piracy Protection and Prosecution Fund of all grant funds used for that investigation, litigation, or prosecution.
- (5) The recipient shall notify the advisory committee in writing of litigation or prosecution results, including any settlement, judgment, or other resolution, within 30 days.
- (6) The recipient shall notify the advisory committee in writing of the status of all outstanding investigations, litigation, or prosecutions funded in whole or in part by the grant six months after the funds are disbursed, and every 12 months thereafter until all disbursed funds have been expended and reported on.
- (7) The recipient shall fully cooperate with the advisory committee and its agents in providing all information and documents concerning the use of grant funds.
- (8) Except as otherwise expressly agreed by the advisory committee, within 60 days after the conclusion of the investigation, litigation, or prosecution, training, or other activity for which the disbursement was awarded, the recipient shall return all unused funds to the advisory committee by check made payable to the Intellectual Property Piracy Prevention and Prosecution Fund.
- (9) If grant funds are used for the production of any materials, the recipient shall permit the Attorney General's office and the

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advisory committee to use and distribute those materials without restriction, for their intended purposes.

- (10) The advisory committee is authorized to audit, review, and inspect the recipient's activities, books, documents, papers, and records during the project and thereafter for three years following the final allocation of funds.
- 13849.2. (a) The Intellectual Property Piracy Prevention and Prosecution Advisory Committee is hereby established for the purpose of formulating a comprehensive written strategy for addressing intellectual property piracy prevention and prosecution throughout the state, and to advise the Attorney General on the appropriate disbursement of funds to local law enforcement agencies and district attorneys' offices.
- (b) In formulating that strategy, the committee shall identify various priorities for law enforcement attention regarding the following:
- (1) The apprehension and prosecution of criminal organizations, networks, and groups of individuals engaged in the theft of, counterfeiting of, or unauthorized distribution, sale, or reproduction of, the following types of intellectual property:
- 21 (A) Movies.
- 22 (B) Music.

- 23 (C) Computer software.
- 24 (D) Video games.
 - (2) The investigation and prosecution of violations of criminal and civil provisions of law, including, but not limited to, Sections 653h, 653s, and 653w.
 - (3) The advising of local law enforcement and district attorneys regarding current aspects of intellectual property piracy, in order to respond quickly to the most serious threats of piracy.
 - (c) The advisory committee, which shall meet at least four times per year, shall consist of 10 members, of whom six shall be appointed by the Governor, two by the Speaker of the Assembly, and two by the Senate Committee on Rules. Members shall be paid a one hundred dollar (\$100) per diem for each meeting, as well as all necessary travel expenses. The advisory committee shall be composed of the following members:
 - (1) At least two representatives of the general public.
- 39 (2) At least one representative with demonstrable knowledge 40 of the movie industry.

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- (3) At least one representative with demonstrable knowledge of the music industry.
- (4) At least one representative with demonstrable knowledge of the computer software industry.
- (5) At least one representative with demonstrable knowledge of the video gaming industry.
- (6) At least one representative with experience in law enforcement, specifically relating to intellectual property piracy offenses.
- (7) At least one representative with experience prosecuting intellectual property piracy offenses at the local, state, or federal level.
- (d) In deciding which grant applications to fund, the advisory committee shall consider the following factors:
 - (1) The purpose for which the funds are sought.
- (2) The proposal's specificity, including whether the proposal identifies anticipated costs, along with materials and personnel to be used.
 - (3) The anticipated public benefit.
- 20 (4) The ability of the advisory committee to audit the use of the 21 funds.
 - (5) The number, amount, and use of previous grants awarded to the prospective recipient, if any.
 - (e) Members of the advisory committee shall be entitled to the same immunity from liability that is provided to public employees.
 - SEC. 4. This act shall become operative only if an appropriation is provided for its operation.

SEC. 5.

- SEC. 2. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:
- In order to ensure public peace against the accelerating problem of intellectual property piracy, it is necessary for this act to take effect immediately.