

Introduced by Senator Cedillo

February 25, 2009

An act to amend Section 350 of the Penal Code, relating to crimes.

LEGISLATIVE COUNSEL'S DIGEST

SB 324, as amended, Cedillo. Counterfeit marks.

Existing law makes it a misdemeanor or a felony for a person to willfully manufacture, intentionally sell, or knowingly possess for sale any counterfeit registered trademark, as specified. Existing law also requires the court, in any action under those provisions resulting in a conviction or a plea of nolo contendere, to order the forfeiture and destruction of all of those marks and matter bearing the marks, and order the disposition of all devices for manufacturing, reproducing, transporting, or assembling those marks, used in connection thereof.

This bill would authorize the court, upon law enforcement request and consent from the specific registrants, to consider a motion to have the goods, *not including recordings or audiovisual works, as defined*, donated to a nonprofit organization for the purpose of distributing the goods to persons living in poverty at no charge to the persons served by the organization.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

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

1 SECTION 1. Section 350 of the Penal Code is amended to
2 read:

1 350. (a) Any person who willfully manufactures, intentionally
2 sells, or knowingly possesses for sale any counterfeit mark
3 registered with the Secretary of State or registered on the Principal
4 Register of the United States Patent and Trademark Office, shall,
5 upon conviction, be punishable as follows:

6 (1) When the offense involves less than 1,000 of the articles
7 described in this subdivision, with a total retail or fair market value
8 less than that required for grand theft as defined in Section 487,
9 and if the person is an individual, he or she shall be punished by
10 a fine of not more than five thousand dollars (\$5,000), or by
11 imprisonment in a county jail for not more than one year, or by
12 both that fine and imprisonment; or, if the person is a business
13 entity, by a fine of not more than one hundred thousand dollars
14 (\$100,000).

15 (2) When the offense involves 1,000 or more of the articles
16 described in this subdivision, or has a total retail or fair market
17 value equal to or greater than that required for grand theft as
18 defined in Section 487, and if the person is an individual, he or
19 she shall be punished by imprisonment in a county jail not to
20 exceed one year, or in the state prison for 16 months, or two or
21 three years, or by a fine not to exceed two hundred fifty thousand
22 dollars (\$250,000), or by both that imprisonment and fine; or, if
23 the person is a business entity, by a fine not to exceed five hundred
24 thousand dollars (\$500,000).

25 (b) Any person who has been convicted of a violation of either
26 paragraph (1) or (2) of subdivision (a) shall, upon a subsequent
27 conviction of paragraph (1) of subdivision (a), if the person is an
28 individual, be punished by a fine of not more than fifty thousand
29 dollars (\$50,000), or by imprisonment in a county jail for not more
30 than one year, or in the state prison for 16 months, or two or three
31 years, or by both that fine and imprisonment; or, if the person is
32 a business entity, by a fine of not more than two hundred thousand
33 dollars (\$200,000).

34 (c) Any person who has been convicted of a violation of
35 subdivision (a) and who, by virtue of the conduct that was the basis
36 of the conviction, has directly and foreseeably caused death or
37 great bodily injury to another through reliance on the counterfeited
38 item for its intended purpose shall, if the person is an individual,
39 be punished by a fine of not more than fifty thousand dollars
40 (\$50,000), or by imprisonment in the state prison for two, three,

1 or four years, or by both that fine and imprisonment; or, if the
2 person is a business entity, by a fine of not more than two hundred
3 thousand dollars (\$200,000).

4 (d) (1) Except as provided in paragraph (2), in any action
5 brought under this section resulting in a conviction or a plea of
6 nolo contendere, the court shall order the forfeiture and destruction
7 of all of those marks and of all goods, articles, or other matter
8 bearing the marks, and the forfeiture and destruction or other
9 disposition of all means of making the marks, and any and all
10 electrical, mechanical, or other devices for manufacturing,
11 reproducing, transporting, or assembling these marks, that were
12 used in connection with, or were part of, any violation of this
13 section.

14 (2) Upon request of any law enforcement agency and consent
15 from the specific registrants, the court may consider a motion to
16 have the items described in paragraph (1), *not including recordings*
17 *or audiovisual works as defined in Section 653w*, donated to a
18 nonprofit organization for the purpose of distributing the goods to
19 persons living in poverty at no charge to the persons served by the
20 organization.

21 (3) Forfeiture of the proceeds of the crime shall be subject to
22 Chapter 9 (commencing with Section 186) of Title 7 of Part 1.
23 However, no vehicle shall be forfeited under this section that may
24 be lawfully driven on the highway with a class 3 or 4 license, as
25 prescribed in Section 12804 of the Vehicle Code, and that is any
26 of the following:

27 (A) A community property asset of a person other than the
28 defendant.

29 (B) The sole class 3 or 4 vehicle available to the immediate
30 family of that person or of the defendant.

31 (C) Reasonably necessary to be retained by the defendant for
32 the purpose of lawfully earning a living, or for any other reasonable
33 and lawful purpose.

34 (e) For the purposes of this section, the following definitions
35 shall apply:

36 (1) When counterfeited but unassembled components of
37 computer software packages are recovered, including, but not
38 limited to, counterfeited computer diskettes, instruction manuals,
39 or licensing envelopes, the number of “articles” shall be equivalent

1 to the number of completed computer software packages that could
2 have been made from those components.

3 (2) “Business entity” includes, but is not limited to, a
4 corporation, limited liability company, or partnership. “Business
5 entity” does not include a sole proprietorship.

6 (3) “Counterfeit mark” means a spurious mark that is identical
7 with, or confusingly similar to, a registered mark and is used, or
8 intended to be used, on or in connection with the same type of
9 goods or services for which the genuine mark is registered. It is
10 not necessary for the mark to be displayed on the outside of an
11 article for there to be a violation. For articles containing digitally
12 stored information, it shall be sufficient to constitute a violation
13 if the counterfeit mark appears on a video display when the
14 information is retrieved from the article. The term “spurious mark”
15 includes genuine marks used on or in connection with spurious
16 articles and includes identical articles containing identical marks,
17 where the goods or marks were reproduced without authorization
18 of, or in excess of any authorization granted by, the registrant.
19 When counterfeited but unassembled components of any articles
20 described under subdivision (a) are recovered, including, but not
21 limited to, labels, patches, fabric, stickers, wrappers, badges,
22 emblems, medallions, charms, boxes, containers, cans, cases,
23 hangtags, documentation, or packaging, or any other components
24 of any type or nature that are designed, marketed, or otherwise
25 intended to be used on or in connection with any articles described
26 under subdivision (a), the number of “articles” shall be equivalent
27 to the number of completed articles that could have been made
28 from those components.

29 (4) “Knowingly possess” means that the person possessing an
30 article knew or had reason to believe that it was spurious, or that
31 it was used on or in connection with spurious articles, or that it
32 was reproduced without authorization of, or in excess of any
33 authorization granted by, the registrant.

34 (5) Notwithstanding Section 7, “person” includes, but is not
35 limited to, a business entity.

36 (6) “Registrant” means any person to whom the registration of
37 a mark is issued and that person’s legal representatives, successors,
38 or assigns.

39 (7) “Sale” includes resale.

40 (8) “Value” has the following meanings:

1 (A) When counterfeit items of computer software are
2 manufactured or possessed for sale, the “value” of those items
3 shall be equivalent to the retail price or fair market price of the
4 true items that are counterfeited.

5 (B) When counterfeited but unassembled components of
6 computer software packages or any other articles described under
7 subdivision (a) are recovered, including, but not limited to,
8 counterfeited digital disks, instruction manuals, licensing
9 envelopes, labels, patches, fabric, stickers, wrappers, badges,
10 emblems, medallions, charms, boxes, containers, cans, cases,
11 hangtags, documentation, or packaging, or any other components
12 of any type or nature that are designed, marketed, or otherwise
13 intended to be used on or in connection with any articles described
14 under subdivision (a), the “value” of those components shall be
15 equivalent to the retail price or fair market value of the number of
16 completed computer software packages or other completed articles
17 described under subdivision (a) that could have been made from
18 those components.

19 (C) “Retail or fair market value” of a counterfeit article means
20 a value equivalent to the retail price or fair market value, as of the
21 last day of the charged crime, of a completed similar genuine article
22 containing a genuine mark.

23 (f) This section shall not be enforced against any party who has
24 adopted and lawfully used the same or confusingly similar mark
25 in the rendition of like services or the manufacture or sale of like
26 goods in this state from a date prior to the earliest effective date
27 of registration of the service mark or trademark either with the
28 Secretary of State or on the Principle Register of the United States
29 Patent and Trademark Office.

30 (g) An owner, officer, employee, or agent who provides, rents,
31 leases, licenses, or sells real property upon which a violation of
32 subdivision (a) occurs shall not be subject to a criminal penalty
33 pursuant to this section, unless he or she sells, or possesses for
34 sale, articles bearing a counterfeit mark in violation of this section.
35 This subdivision shall not be construed to abrogate or limit any
36 civil rights or remedies for a trademark violation.

37 (h) This section shall not be enforced against any party who
38 engages in fair uses of a mark, as specified in Section 14247 of
39 the Business and Professions Code.

- 1 (i) When a person is convicted of an offense under this section,
- 2 the court shall order the person to pay restitution to the trademark
- 3 owner and any other victim of the offense pursuant to Section
- 4 1202.4.