

ASSEMBLY BILL

No. 326

Introduced by Assembly Member Cedillo

February 10, 2011

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

LEGISLATIVE COUNSEL'S DIGEST

AB 326, as introduced, Cedillo. Counterfeit marks.

Any person who willfully manufactures, intentionally sells, or knowingly possesses for sale any counterfeit mark registered with the Secretary of State or registered on the Principal Register of the United States Patent and Trademark Office is guilty of a felony, punishable, upon conviction, by a fine, or imprisonment, or both, as specified. In any action brought pursuant to this provision, existing law authorizes, upon request of any law enforcement agency and consent from the specific registrants, the court to consider a motion to have goods, articles, or other matter bearing the marks, and other devices that were used in connection with that crime, excluding certain recordings or audiovisual works, 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. For purposes of these provisions, a person includes a business entity.

This bill would additionally provide immunity for any person, including, but not limited to, law enforcement, from liability to any person for costs, damages, or other claims or expenses as a result of actions taken or omitted in good faith in the course of donating goods pursuant to this provision. The bill would also provide that no person who is granted immunity by this provision shall be criminally prosecuted

or be subjected to any criminal penalty for or because of any action taken or omitted in good faith in the course of donating goods pursuant to this provision.

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:

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

8 (1) When the offense involves less than 1,000 of the articles
9 described in this subdivision, with a total retail or fair market value
10 less than that required for grand theft as defined in Section 487,
11 and if the person is an individual, he or she shall be punished by
12 a fine of not more than ten thousand dollars (\$10,000), or by
13 imprisonment in a county jail for not more than one year, or by
14 both that fine and imprisonment; or, if the person is a business
15 entity, by a fine of not more than two hundred thousand dollars
16 (\$200,000).

17 (2) When the offense involves 1,000 or more of the articles
18 described in this subdivision, or has a total retail or fair market
19 value equal to or greater than that required for grand theft as
20 defined in Section 487, and if the person is an individual, he or
21 she shall be punished by imprisonment in a county jail not to
22 exceed one year, or in the state prison for 16 months, or two or
23 three years, or by a fine not to exceed five hundred thousand dollars
24 (\$500,000), or by both that imprisonment and fine; or, if the person
25 is a business entity, by a fine not to exceed one million dollars
26 (\$1,000,000).

27 (b) Any person who has been convicted of a violation of either
28 paragraph (1) or (2) of subdivision (a) shall, upon a subsequent
29 conviction of paragraph (1) of subdivision (a), if the person is an
30 individual, be punished by a fine of not more than one hundred
31 thousand dollars (\$100,000), or by imprisonment in a county jail
32 for not more than one year, or in the state prison for 16 months,

1 or two or three years, or by both that fine and imprisonment; or,
2 if the person is a business entity, by a fine of not more than four
3 hundred thousand dollars (\$400,000).

4 (c) Any person who has been convicted of a violation of
5 subdivision (a) and who, by virtue of the conduct that was the basis
6 of the conviction, has directly and foreseeably caused death or
7 great bodily injury to another through reliance on the counterfeited
8 item for its intended purpose shall, if the person is an individual,
9 be punished by a fine of not more than one hundred thousand
10 dollars (\$100,000), or by imprisonment in the state prison for two,
11 three, or four years, or by both that fine and imprisonment; or, if
12 the person is a business entity, by a fine of not more than four
13 hundred thousand dollars (\$400,000).

14 (d) (1) Except as provided in paragraph (2), in any action
15 brought under this section resulting in a conviction or a plea of
16 nolo contendere, the court shall order the forfeiture and destruction
17 of all of those marks and of all goods, articles, or other matter
18 bearing the marks, and the forfeiture and destruction or other
19 disposition of all means of making the marks, and any and all
20 electrical, mechanical, or other devices for manufacturing,
21 reproducing, transporting, or assembling these marks, that were
22 used in connection with, or were part of, any violation of this
23 section.

24 (2) Upon request of any law enforcement agency and consent
25 from the specific registrants, the court may consider a motion to
26 have the items described in paragraph (1), not including recordings
27 or audiovisual works as defined in Section 653w, donated to a
28 nonprofit organization for the purpose of distributing the goods to
29 persons living in poverty at no charge to the persons served by the
30 organization. *No person, including, but not limited to, a requesting*
31 *law enforcement agency or specific registrant, shall be liable under*
32 *the laws of the state to any person for costs, damages, or other*
33 *claims or expenses as a result of actions taken or omitted in good*
34 *faith in the course of donating goods pursuant to this subdivision.*
35 *No person who is granted immunity by this subdivision shall be*
36 *criminally prosecuted or be subjected to any criminal penalty for*
37 *or because of any action taken or omitted in good faith in the*
38 *course of donating goods pursuant to this subdivision.*

39 (3) Forfeiture of the proceeds of the crime shall be subject to
40 Chapter 9 (commencing with Section 186) of Title 7 of Part 1.

1 However, no vehicle shall be forfeited under this section that may
2 be lawfully driven on the highway with a class 3 or 4 license, as
3 prescribed in *former* Section 12804 of the Vehicle Code, and that
4 is any of the following:

5 (A) A community property asset of a person other than the
6 defendant.

7 (B) The sole class 3 or 4 vehicle, *as described in former Section*
8 *12804 of the Vehicle Code*, available to the immediate family of
9 that person or of the defendant.

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

13 (e) For the purposes of this section, the following definitions
14 shall apply:

15 (1) When counterfeited but unassembled components of
16 computer software packages are recovered, including, but not
17 limited to, counterfeited computer diskettes, instruction manuals,
18 or licensing envelopes, the number of “articles” shall be equivalent
19 to the number of completed computer software packages that could
20 have been made from those components.

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

24 (3) “Counterfeit mark” means a spurious mark that is identical
25 with, or confusingly similar to, a registered mark and is used, or
26 intended to be used, on or in connection with the same type of
27 goods or services for which the genuine mark is registered. It is
28 not necessary for the mark to be displayed on the outside of an
29 article for there to be a violation. For articles containing digitally
30 stored information, it shall be sufficient to constitute a violation
31 if the counterfeit mark appears on a video display when the
32 information is retrieved from the article. The term “spurious mark”
33 includes genuine marks used on or in connection with spurious
34 articles and includes identical articles containing identical marks,
35 where the goods or marks were reproduced without authorization
36 of, or in excess of any authorization granted by, the registrant.
37 When counterfeited but unassembled components of any articles
38 described under subdivision (a) are recovered, including, but not
39 limited to, labels, patches, fabric, stickers, wrappers, badges,
40 emblems, medallions, charms, boxes, containers, cans, cases,

1 hangtags, documentation, or packaging, or any other components
2 of any type or nature that are designed, marketed, or otherwise
3 intended to be used on or in connection with any articles described
4 under subdivision (a), the number of “articles” shall be equivalent
5 to the number of completed articles that could have been made
6 from those components.

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

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

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

17 (7) “Sale” includes resale.

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

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

23 (B) When counterfeited but unassembled components of
24 computer software packages or any other articles described under
25 subdivision (a) are recovered, including, but not limited to,
26 counterfeited digital disks, instruction manuals, licensing
27 envelopes, labels, patches, fabric, stickers, wrappers, badges,
28 emblems, medallions, charms, boxes, containers, cans, cases,
29 hangtags, documentation, or packaging, or any other components
30 of any type or nature that are designed, marketed, or otherwise
31 intended to be used on or in connection with any articles described
32 under subdivision (a), the “value” of those components shall be
33 equivalent to the retail price or fair market value of the number of
34 completed computer software packages or other completed articles
35 described under subdivision (a) that could have been made from
36 those components.

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

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

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

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

18 (i) When a person is convicted of an offense under this section,
19 the court shall order the person to pay restitution to the trademark
20 owner and any other victim of the offense pursuant to Section
21 1202.4.