

AMENDED IN SENATE JUNE 24, 2008

AMENDED IN SENATE JUNE 2, 2008

AMENDED IN ASSEMBLY JANUARY 9, 2008

AMENDED IN ASSEMBLY JANUARY 7, 2008

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1394**

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**Introduced by Assembly Member Krekorian**

February 23, 2007

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

LEGISLATIVE COUNSEL'S DIGEST

AB 1394, as amended, Krekorian. Counterfeit: trademarks.

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 provides, upon conviction, for the forfeiture and destruction of all the counterfeit trademarks and related articles, as specified. Existing law regarding counterfeited trademarks also applies to unassembled components of computer software packages. Under existing law, a court is required to order restitution, as specified, to a victim of a crime.

~~This bill would, in addition, make it a misdemeanor or a felony for a person or business entity, as specified, to intentionally transport, offer for sale, or distribute any counterfeit registered trademark, as specified. This bill would also increase the maximum fine allowed to be imposed upon conviction. This bill would require the forfeiture of all proceeds from the willful manufacture, intentional transport, sale, offering for~~

sale, distribution, or knowing possession for sale of any counterfeit registered trademark. This bill would also apply provisions related to counterfeited trademarks to unassembled components, as specified, and would require restitution to be paid to the victim of a trademark offense.

*This bill would remove the requirement that the sale of the counterfeit mark be intentional. This bill would, in addition, make it a misdemeanor or a felony for a business entity, as defined, to willfully manufacture, sell, or knowingly possess for sale any counterfeit registered trademark, as specified. This bill would specify the procedure for the forfeiture of the counterfeited items. This bill would also expand the definition of a “counterfeit mark.”*

Because this bill would expand the definition of an existing crime, it would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

*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 or business entity who willfully
- 4 manufactures, ~~intentionally transports, sells, offers for sale, or~~
- 5 ~~distributes;~~ or knowingly possesses for sale any counterfeit mark
- 6 registered with the Secretary of State or registered on the Principal
- 7 Register of the United States Patent and Trademark Office, shall,
- 8 upon conviction, be punishable as follows:
- 9 (1) When the offense involves less than 1,000 of the articles
- 10 described in this subdivision, with a total retail or fair market value
- 11 less than that required for grand theft as defined in Section 487,
- 12 and if the person is an individual, he or she shall be punished by
- 13 a fine of not more than five thousand dollars (\$5,000), or by
- 14 imprisonment in a county jail for not more than one year, or by
- 15 both that fine and imprisonment; or, if the person is a business
- 16 entity, by a fine of not more than one hundred thousand dollars
- 17 (\$100,000).

1 (2) When the offense involves 1,000 or more of the articles  
2 described in this subdivision, or has a total retail or fair market  
3 value equal to or greater than that required for grand theft as  
4 defined in Section 487, and if the person is an individual, he or  
5 she shall be punished by imprisonment in a county jail not to  
6 exceed one year, or in the state prison for 16 months, or two or  
7 three years, or by a fine not to exceed ~~the greater of two hundred~~  
8 ~~fifty thousand dollars (\$250,000), or three times the total retail or~~  
9 ~~fair market value of the articles described in this subdivision, or~~  
10 by both that imprisonment and fine; or, if the offender is a business  
11 entity, by a fine not to exceed ~~the greater of five hundred thousand~~  
12 ~~dollars (\$500,000) or three times the total retail or fair market~~  
13 ~~value of the articles described in this subdivision.~~

14 (b) Any offender who has been convicted of a violation of either  
15 paragraph (1) or (2) of subdivision (a) shall, upon a subsequent  
16 conviction of paragraph (1) of subdivision (a), if the offender is  
17 an individual, be punished by a fine of not more than fifty thousand  
18 dollars (\$50,000), or by imprisonment in a county jail for not more  
19 than one year, or in the state prison for 16 months, or two or three  
20 years, or by both that fine and imprisonment; or, if the offender is  
21 a business entity, by a fine of not more than two hundred thousand  
22 dollars (\$200,000).

23 (c) Any offender who has been convicted of a violation of  
24 subdivision (a) and who, by virtue of the conduct that was the basis  
25 of the conviction, has directly and foreseeably caused death or  
26 great bodily injury to another through reliance on the counterfeited  
27 item for its intended purpose shall, if the person is an individual,  
28 be punished by a fine of not more than fifty thousand dollars  
29 (\$50,000), or by imprisonment in the state prison for two, three,  
30 or four years, or by both that fine and imprisonment; or, if the  
31 offender is a business entity, by a fine of not more than two  
32 hundred thousand dollars (\$200,000).

33 (d) In any action brought under this section resulting in a  
34 conviction or a plea of nolo contendere, the court shall order the  
35 forfeiture and destruction of all of those marks and of all goods,  
36 articles, or other matter bearing the marks, and the forfeiture and  
37 destruction or other disposition of all means of making the marks,  
38 and any and all electrical, mechanical, or other devices for  
39 manufacturing, reproducing, transporting, or assembling these  
40 marks, that were used in connection with, or were part of, any

1 violation of this section, and the forfeiture of all proceeds of the  
2 ~~crime~~. *Forfeiture of the proceeds of the crime shall be*  
3 *subject to Chapter 9 (commencing with Section 186) of Title 7 of*  
4 *Part 1.* However, no vehicle shall be forfeited under this section  
5 that may be lawfully driven on the highway with a class 3 or 4  
6 license, as prescribed in Section 12804 of the Vehicle Code, and  
7 that is any of the following:

8 (1) A community property asset of a person other than the  
9 defendant.

10 (2) The sole class 3 or 4 vehicle available to the immediate  
11 family of that person or of the defendant.

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

15 (e) For the purposes of this section, the following definitions  
16 shall apply:

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

23 (2) “Business entity” includes, but is not limited to, a  
24 corporation, ~~or a limited liability company, or sole proprietorship.~~  
25 *company. “Business entity” does not include a sole proprietorship.*

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

1 limited to, labels, patches, fabric, stickers, wrappers, badges,  
2 emblems, medallions, charms, boxes, containers, cans, cases,  
3 hangtags, documentation, or packaging, or any other components  
4 of any type or nature that are designed, marketed, or otherwise  
5 intended to be used on or in connection with any articles described  
6 under subdivision (a), the number of “articles” shall be equivalent  
7 to the number of completed articles that could have been made  
8 from those components.

9 ~~(4) “Intentionally transports,” “intentionally offers for sale,” or~~  
10 ~~“intentionally distributes” requires knowing possession, custody,~~  
11 ~~or control.~~

12 ~~(5)~~

13 (4) “Knowingly possess” means that the person or business  
14 entity possessing an article knew or had reason to believe that it  
15 was spurious, or that it was used on or in connection with spurious  
16 articles, or that it was reproduced without authorization of, or in  
17 excess of any authorization granted by, the registrant.

18 ~~(6)~~

19 (5) “Registrant” means any person or business entity to whom  
20 the registration of a mark is issued and that person’s or business  
21 entity’s legal representatives, successors, or assigns.

22 ~~(7)~~

23 (6) “Sale” includes resale.

24 ~~(8)~~

25 (7) “Value” has the following meanings:

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

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

1 completed computer software packages or other completed articles  
2 described under subdivision (a) that could have been made from  
3 those components.

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

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

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

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

25 (i) When a person or business entity is convicted of an offense  
26 under this section, the court shall order the person to pay restitution  
27 to the trademark owner and any other victim of the offense pursuant  
28 to Section 1202.4.

29 SEC. 2. No reimbursement is required by this act pursuant to  
30 Section 6 of Article XIII B of the California Constitution because  
31 the only costs that may be incurred by a local agency or school  
32 district will be incurred because this act creates a new crime or  
33 infraction, eliminates a crime or infraction, or changes the penalty  
34 for a crime or infraction, within the meaning of Section 17556 of  
35 the Government Code, or changes the definition of a crime within  
36 the meaning of Section 6 of Article XIII B of the California  
37 Constitution.

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