

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Commerce Committee

BILL: CS/SB 2374

INTRODUCER: Commerce Committee and Senator Diaz de la Portilla

SUBJECT: Trademarks/Protection Against Counterfeiting

DATE: April 8, 2008

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Rogers	Cooper	CM	Fav/CS
2.			CJ	
3.			JU	
4.			JA	
5.				
6.				

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

This CS reorganizes the provisions of s. 831.03, and repeals 831.05, F.S., relating to counterfeiting. New sections are created within ch. 831, F.S., to incorporate provisions from the federal model act on counterfeiting. Specifically, the CS:

- Provides that an individual possessing more than 25 pieces of property that bear a counterfeit mark gives rise to an inference that such property is being possessed with the intent to offer it for sale or distribution;
- Provides a tiered penalty system based on the quantity or total retail value of counterfeited goods that are knowingly sold, manufactured, distributed, or transported;
- Increases the penalty for offenses involving counterfeiting if a person, during the commission of the offense or as a result of the offense, knowingly, or by culpable negligence, causes bodily injury, serious bodily injury, or death;
- Increases the penalty for repeat offenders of counterfeiting;
- Authorizes the court to order an individual to pay a fine up to three times the retail value of the counterfeit goods seized, manufactured, or sold, whichever is greater;
- Requires the court to order a person convicted of a violation of this offense to pay restitution to the trademark owner and any other victim of the offense;

- Requires the court to order the forfeiture of any property constituting or derived from any proceeds that an individual obtained, directly or indirectly, as the result of the offense and forfeit any property used to commit the offense. The court must order that any forfeited item bearing or consisting of a counterfeit mark be destroyed, or be disposed of in another manner with the written consent of the trademark owner; and
- Provides that prosecuting under these provisions does not preclude the applicability of any other provision of the law which applies to any transaction that violates these provisions, unless inconsistencies exist.

This CS substantially amends s. 831.03, F.S.

This CS creates the following sections of the Florida Statutes: 831.031, 831.032, 831.033, and 831.034.

This CS repeals s. 831.05, F.S, which relates to vending goods or services having counterfeit trademarks or service marks.

II. Present Situation:

Federal Law

In 2005, in response to an increase in counterfeiting crimes, the federal government passed the “Stop Counterfeiting in Manufactured Goods Act” (act)¹. The act strengthened federal laws relating to counterfeit labels and packaging and strengthened penalties for counterfeiters.² However, according to the United States Chamber of Commerce, many states do not provide similar heightened protections.³ As a result, the United States Chamber of Commerce and the International Anti Counterfeiting Coalition prepared a model state anti-counterfeiting statute which targets those who manufacture, distribute, or possess counterfeit goods with the intent to sell, as well as those who counterfeit goods which cause bodily injury.⁴ Currently, six states have introduced legislation based in part on the model statute.⁵

The Lanham Act governs the registration of trademarks, trade names, and other identifying marks used in interstate commerce. It also protects registered trademarks from interference or infringement. Any person who, without the consent of the registrant, uses a registered mark when such use is likely to cause confusion, or to cause mistake, or to deceive may be liable in a civil action by the registrant.⁶ Further, the act prohibits any use of a false or misleading description or representation in commercial advertising or promotion that “misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods,

¹ Public Law No. 109-181.

² See <http://www.whitehouse.gov/news/releases/2006/03/20060316-6.html>.

³ “Model State Trademark Bill Factsheet” provided by the United States Chamber of Commerce.

⁴ *Id.*

⁵ The 6 states are: Virginia, New York, Missouri, Pennsylvania, California, and New Jersey. “Model State Trademark Bill Factsheet” provided by the United States Chamber of Commerce.

⁶ 15 U.S.C. Section 1114.

services, or commercial activities.”⁷ Violators may be liable in a civil action by any person who believes that he or she is, or is likely to, be damaged by such act.⁸

Florida Law

Chapter 831, F.S., addresses forgery and counterfeiting. Sections 831.03 and 831.05, F.S., define the term “forged or counterfeit trademark or service” as a mark:

- That is identical with or an imitation of a mark registered for those goods or services on the principal register in the United States Patent and Trademark Office or the trademark register for the State of Florida or any other state, or protected by the Amateur Sports Act of 1978⁹, whether or not the offender knew such mark was so registered or protected; and
- The use of which is unauthorized by the owner of the registered mark.

Section 831.03, F.S., provides that a person commits the crime of counterfeiting if they:

- Knowingly and willfully forge or counterfeit, or cause or procure to be forged or counterfeited, upon or in connection with any goods or services, the trademark or service mark of any person, entity, or association, which goods or services are intended for resale; or
- Knowingly possess tools or other reproduction materials for reproduction of specific forged or counterfeit trademarks or service marks.

This section specifies that all defenses, affirmative defenses, and limitations on remedies that would be applicable in an action under the Lanham Act, or to an action under the Trademarks Act in s. 495.131, F.S., are applicable in a counterfeiting prosecution.

In addition, counterfeiting is a first degree misdemeanor¹⁰ if the goods or services to which the forged or counterfeit trademarks or service marks are attached, affixed, or used in connection with, or to which the offender intended they be attached, affixed, or used in connection with, and have a retail sale value of less than \$1,000.¹¹ However, the crime of counterfeiting is a third degree felony:¹²

- If the goods or services to which the forged or counterfeit trademarks or service marks are attached, affixed, or used in connection with, or to which the offender intended they be attached, affixed, or used in connection with, have a retail sale value of \$1,000 or more; or

⁷ 15 U.S.C. Section 1125.

⁸ *Id.*

⁹ 36 USC 380

¹⁰ A first degree misdemeanor is punishable by a term of imprisonment not exceeding 1 year and a \$1,000 fine. *See* ss. 775.082 and 775.083.

¹¹ s. 831.03(1), F.S.

¹² A third degree felony is punishable by up to 5 years imprisonment and a \$5,000 fine. ss. 775.082, 775.083, and s. 775.084, F.S.

- When an offender has in the last 5 years been convicted of counterfeiting or vending counterfeit goods under s. 831.05, F.S., and is convicted of counterfeiting goods or services, irrespective of their retail sale value.¹³

In addition to providing criminal penalties, s. 831.03(4), F.S., states that any goods to which forged or counterfeit trademarks or service marks are attached or affixed, or any tools or other reproduction materials for the reproduction of any specific forged or counterfeit trademark or service mark, which are unlawfully produced or possessed may be seized by any law enforcement officer. Such goods must be destroyed upon the written consent of the offender or by judicial determination that the seized goods, tools, or other reproduction materials have attached or affixed to them a forged or counterfeit trademark or service mark, unless the owner of the registered or protected trademark or service mark which has been forged or counterfeited approves a different disposition. The owner of the registered or protected trademark is responsible for the actual costs incurred in the disposition of such forged or counterfeited goods.¹⁴

Section 831.03(4), F.S., also provides that certain personal property, including, but not limited to, any item, object, tool, machine, or vehicle of any kind, employed as an instrumentality in the commission of, or in aiding or abetting in the commission of, the crime of counterfeiting may be seized and is subject to forfeiture.¹⁵

Section 831.05, F.S., provides that a person commits the crime of selling or offering for sale counterfeit goods or services if they:

- Knowingly sell or offer for sale, or knowingly purchase and keep or have in his or her possession, with intent that the same shall be sold or disposed, or vend any goods having thereon a forged or counterfeit trademark; or
- Knowingly sell or offer for sale any service which service is sold in conjunction with a forged or counterfeit service mark, of any person, entity, or association, knowing the same to be forged or counterfeited.

The section specifies that all defenses, affirmative defenses, and limitations on remedies that would be applicable in an action under the Lanham Act, or to an action under the Trademarks Act in s. 495.131, F.S., is be applicable in a counterfeiting prosecution.¹⁶ Additionally, no owner, officer, employee, or agent who provides, rents, leases, licenses, or sells real property that contain a forged or counterfeit trademark is subject to criminal penalties unless he or she is proven to have actual knowledge that the mark is counterfeit and is either a principal to the offense or an accessory after the fact.¹⁷

Selling or offering for sale counterfeit goods or services is a first degree misdemeanor if the goods or services which the offenders sells or offers for sale have a retail value of less than

¹³ Section 831.03(1), F.S.

¹⁴ *Id.*

¹⁵ Section 932.704, F.S., relates to forfeiture proceedings.

¹⁶ Section 831.05(2), F.S.

¹⁷ *Id.*

\$1,000.¹⁸ However, selling or offering for sale counterfeit goods or services is a third degree felony if the goods or services to which the forged or counterfeit trademarks or service marks are attached, affixed, or used in connection with, or to which the offender intended they be attached, affixed, or used in connection with, and have a retail sale value of \$1,000 or more.

In addition to providing criminal penalties, s. 831.05(4), F.S., states that any goods to which forged or counterfeit trademarks or service marks are attached or affixed may be seized by any law enforcement officer. Such goods must be destroyed upon the written consent of the offender or by judicial determination that the seized goods have attached or affixed to them a forged or counterfeit trademark or service mark, unless the owner of the registered or protected trademark or service mark which has been forged or counterfeited approves a different disposition.¹⁹ The owner of the registered or protected trademark is responsible for the actual costs incurred in the disposition of such forged or counterfeited goods.

Section 831.05(4), F.S., also provides that certain personal property, including, but not limited to, any item, object, tool, machine, or vehicle of any kind, employed as an instrumentality in the commission of, or in aiding or abetting in the commission of, the crime of selling or offering for sale counterfeit goods or services may be seized and is subject to forfeiture.

III. Effect of Proposed Changes:

This CS reorganizes the provisions of ss. 831.03, and repeals 831.05, F.S., relating to counterfeiting. New sections of statutes are created to incorporate the provisions from the federal model act on counterfeiting.

Section 1 amends s. 831.03, F.S., to remove language relating to the offense of forging or counterfeiting private labels and replace it with the following definitions:

- “Bodily Injury” means a cut, abrasion, bruise, burn, or disfigurement; physical pain; illness; impairment of the function of a bodily member, organ, or mental faculty; or any other injury to the body, no matter how temporary.
- “Culpable negligence” means reckless disregard of human life or safety or consciously doing an act or following a course of conduct that the actor knew, or reasonably should have known, was likely to cause bodily injury.²⁰
- “Forged or counterfeit trademark or service mark” refers to a mark:
 - That is applied to or used in connection with any goods, services, labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging or any other components of any type or

¹⁸ Section 831.05(1)(b), F.S.

¹⁹ Section 831.05(4), F.S.

²⁰ The crime of culpable negligence has been defined by the courts as exposing another person to personal injury or inflicting actual personal injury through reckless indifference or grossly careless disregard for the safety of others. Culpable negligence has also been defined as the conscious doing of an act which a reasonable person would know is likely to result in death or great bodily harm to another person, even though done without any intent to injure anyone, but with utter disregard for the safety of another. *See* 15B Fla. Jur 2d Criminal Law § 3328.

- nature that are designed, marketed, or otherwise intended to be used on or in connection with any goods or services;
- That is identical with or an imitation of a mark registered for those goods or services on the principal register in the United States Patent and Trademark Office or the trademark register for the State of Florida or any other state, or protected by the Amateur Sports Act of 1978, whether or not the offender knew such mark was so registered or protected;
 - The use of which is unauthorized by the owner of the registered mark; and
 - The application or use of which is either likely to cause confusion, to cause mistake, or to deceive or is otherwise intended to be used on or in connection with the goods or services for which the mark is registered.

An otherwise legitimate mark is deemed counterfeit for purposes of this definition if, by altering the nature of any item to which it is affixed, the altered item bearing the otherwise legitimate mark is likely, in the course of commerce, to cause confusion, to cause mistake, or to deceive.

- “Retail value” means:
 - The counterfeiter's regular selling price for the goods or services, unless the goods or services bearing a counterfeit mark would appear to a reasonably prudent person to be authentic, then the retail value shall be the price of the authentic counterpart; or, if no authentic reasonably similar counterpart exists, then the retail value shall remain the counterfeiter's regular selling price.
 - In the case of labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging or any other components of any type or nature that are designed, marketed, or otherwise intended to be used on or in connection with any goods or services, the retail value shall be treated as if each component was a finished good and valued as described above.
- “Serious bodily injury” means bodily injury that involves a substantial risk of death; extreme pain; protracted and obvious disfigurement; or protracted loss or impairment of the function of a bodily member, organ, or mental faculty.

Section 2 creates s. 831.031, F.S., to provide that in counterfeiting proceedings, proof that a person is in possession of more than 25 goods, labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging or any other components of any type or nature bearing a counterfeit mark, unless satisfactorily explained, infers that such property is being possessed with intent to offer it for sale or distribution. A state or federal certificate of registration of trademark is prima facie evidence of the facts stated therein.

Section 3 creates s. 831.032, F.S., which provides the following offenses:
A person commits the crime of counterfeiting if they:

- Knowingly and willfully forge or counterfeit, or cause or procure to be forged or counterfeited, manufacture, distribute, or transport, or possess with intent to distribute or transport, upon or in connection with any goods or services, the trademark or service

- mark of any person, entity, or association, which goods or services are intended for resale; or
- Knowingly possess tools or other reproduction materials for reproduction of specific forged or counterfeit trademarks or service marks.

A person commits the crime of selling or offering for sale counterfeit goods or services if they:

- Knowingly sell or offer for sale, or knowingly purchase and keep or have in their possession, with intent that it be sold or disposed, or vend any goods that have a forged or counterfeit trademark on them; or
- Knowingly sell or offer for sale any service which service is sold in conjunction with a forged or counterfeit service mark of any person, entity, or association, knowing it to be forged or counterfeited.

If an individual has possession or control of more than 25 counterfeit items, it is assumed that the individual intends to offer for sale, sell, or distribute the items in violation of law.

If the offense involves less than 100 items bearing a counterfeit mark, or if the items in the offense have a retail value of less than \$2,500, the individual commits a first degree misdemeanor.

If the offense involves at least 100, but fewer than 1,000 items bearing a counterfeit mark; or, if the items in the offense have a retail value of more than \$2,500 but less than \$20,000, the individual commits a third degree felony.

If the offense involves more than 1,000 items bearing a counterfeit mark; or, if the items in the offense have a retail value of \$20,000 or more, the individual commits a second degree felony.

An individual who violates this section will be charged with a felony if, as a result of committing the offense, the person knowingly or by culpable negligence causes or allows to be caused to another individual:

- Bodily injury (third degree felony);
- Serious bodily injury (second degree felony); or
- Death (first degree felony).

This section reclassifies an individual's convictions for second or subsequent offenses. The reclassification is as follows:

- In the case of a first degree misdemeanor, the offense is reclassified as a third degree felony;²¹
- In the case of a third degree felony, the offense is reclassified as a second degree felony;²² and

²¹ Pursuant to ss. 775.082 and 775.083, F.S., a third degree felony is punishable by up to 5 years in state prison and a \$5,000 fine.

- In the case of a second degree felony, the offense is reclassified as a first degree felony.²³

For purposes of sentencing under ch. 921, F.S., (the Criminal Punishment Code)²⁴ the following offense severity ranking levels apply:

- An offense that is a first degree misdemeanor and that is reclassified as a third degree felony is ranked in level 4 of the offense severity ranking chart; and
- A felony offense that is reclassified is ranked one level above the ranking specified in s. 921.0022, F.S., or s. 921.0023, F.S., for the offense committed.

The court may order an individual to pay a fine up to three times the retail value of the goods seized, manufactured, or sold, whichever is greater. A hearing must be held to determine the amount of the fine.

The court must order a person convicted of a violation of this section to pay restitution to the trademark owner and any other victim of the offense. The court must also consider expenses incurred by the trademark owner in the investigation and prosecution of the offense when calculating the amount of restitution.

This section specifies that all defenses, affirmative defenses, and limitations on remedies that would be applicable in an action under the Lanham Act, or to an action under the Trademarks Act in s. 495.131, F.S., are applicable in a counterfeiting prosecution.

Section 4 creates s. 831.033, F.S., which provides that any goods to which forged or counterfeit trademarks or service marks are attached or affixed, or any tools or other reproduction materials for the reproduction of any specific forged or counterfeit trademark or service mark, which are unlawfully produced or possessed, may be seized by any law enforcement officer. Additionally, certain personal property, including, but not limited to, any item, object, tool, machine, or vehicle of any kind, employed as an instrumentality in the commission of, or in aiding or abetting in the commission of, the crime of counterfeiting may be seized and is subject to forfeiture.

The bill also requires the court, in imposing a sentence on a person convicted of the above-described counterfeiting offenses, to order that the person forfeit the following:

²² Pursuant to ss. 775.082 and 775.083, F.S., a second degree felony is punishable by up to 15 years in state prison and a \$10,000 fine.

²³ Pursuant to ss. 775.082 and 775.083, F.S., a first degree felony is generally punishable by up to 30 years in state prison and a \$10,000 fine.

²⁴ The Criminal Punishment Code (“code”), Florida’s general sentencing law, applies to all felonies, except capital felonies. Felony offenses are either ranked in the code’s offense severity level ranking chart, s. 921.0022, F.S., or if not ranked in the chart, are ranked pursuant to s. 921.0023, F.S., based on their felony degree. Sentencing points are assessed based on the ranking of the primary offense, additional offenses, and other factors, which are entered into a calculation to determine the lowest permissible sentence. Absent mitigation (reduction) of sentence based on permissible mitigating factors, the sentencing range is the lowest permissible sentence up to, and including, the maximum penalty for the felony degree of the offense. In order for a first-time offender who has committed only a single felony to score a lowest permissible sentence of state prison, the felony must be ranked in level 7 or above (there are 10 levels with level 10 being the most serious level).

- Any property constituting or derived from any proceeds the person obtained, directly or indirectly, as the result of the offense.
- Any of the person's property used, or intended to be used, in any manner or part, to commit, facilitate, aid, or abet the commission of the offense.
- Any item that bears or consists of a counterfeit mark used in committing the offense.

At the conclusion of all forfeiture proceedings, the court must order that any forfeited item bearing or consisting of a counterfeit mark be destroyed or alternately disposed of in another manner with the written consent of the trademark owners. The owners of the registered or protected mark are responsible for the costs incurred in the disposition of the forged or counterfeit items.

Section 5 creates s. 831.034, F.S., which specifies that notwithstanding any other provision of law, prosecution may be had for any and all violations of this chapter, and for any other criminal violations that may apply. Prosecution for violation of any such offenses shall not be construed to preclude the applicability of any other provision of law which presently applies or may in the future apply to any transaction that violates this chapter, unless such provision is inconsistent with the terms of this chapter.

Section 6 repeals s. 831.05, F.S, which relates to vending goods or services having counterfeit trademarks or service marks, and replaces it with the provisions of the model act incorporated in sections 3, 4 and 5 of this CS.

Section 7 provides an effective date of October 1, 2008.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

This bill creates new criminal violations. In addition, individuals who violate the law will be required to pay restitution, and may be required to pay increased fines.

C. Government Sector Impact:

The bill provides for felony and misdemeanor reclassifications, and therefore is subject to review by the Criminal Justice Impact Conference (CJIC). On March 14, 2008, the Criminal Justice Impact Conference determined that this bill would have an insignificant prison bed impact.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:**A. Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)**By Commerce Committee on April 8, 2008:**

This strike all amendment removes the proposed language from ch. 495, F.S. (the Trademark chapter) and reorganizes the provisions into ch. 831, F.S. (the Counterfeiting chapter).

Section 831.05, F.S., is repealed, and is replaced by new sections which incorporate the provisions from the federal model act on counterfeiting.

Specifically, this amendment:

- Provides definitions for “bodily injury,” “forged or counterfeit trademark or service mark,” and “serious bodily injury;”
- Deletes archaic language referencing gain-time eligibility;
- Deletes the statement that conviction for an offense under these provisions does not preclude liability for any civil remedy available under law; and
- Changes the effective date from July 1, 2008 to October 1, 2008.

B. Amendments:

None.