

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: December 5, 2014

CAO File No. 0220-04537-0009

Council File No. 14-1374

Council District: All

To: The City Council

From: Miguel A. Santana, City Administrative Officer



Reference: Transmittal from the Board of Police Commissioners dated October 7, 2014

Subject: **2014-16 INTELLECTUAL PROPERTY ENFORCEMENT PROGRAM GRANT**

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### SUMMARY

The Los Angeles Police Department (LAPD) requests authority to accept the 2014-16 Intellectual Property (IP) Enforcement Program Grant (Grant) from the United States Department of Justice, Bureau of Justice Assistance (BJA). The Grant award is \$456,413, with a term of October 1, 2014 through September 30, 2016. The Grant will fund Sworn Overtime for LAPD investigators to implement strategies and tactics for reducing IP crimes (\$300,000) and half of the cost for one Deputy City Attorney II (\$156,413) to prosecute IP related crimes and participate in task force efforts, training, and outreach. No matching funds are required.

### BACKGROUND

In February 2007, the Los Angeles County Economic Development Corporation (LACEDC) issued a report entitled *A False Bargain: The Los Angeles County Economic Consequences of Counterfeit Products* (<http://tinyurl.com/cp5zg7u>) which estimated that: 1) In 2005, legitimate retail store transactions of approximately \$2 billion were diverted to the black-market for counterfeit and pirated goods in Los Angeles County; 2) Approximately 106,000 legitimate jobs in Los Angeles County were lost due to counterfeiting; and, 3) At least \$483 million of State tax revenue (\$17 million for the City of Los Angeles) was lost due to counterfeiting. The LAPD created the Anti-Piracy Unit (APU) in July 2004 to respond to the many negative impacts of counterfeiting crime, including those identified in the LACEDC report. The APU handles investigations involving the enforcement of middle to high-level organized manufacturing and distribution rings of counterfeit DVDs/CDs and IP crimes at retail/wholesale locations that are involved in the sale of counterfeit items including jewelry, purses, wallets, clothing, food and drugs.

The Grant is designed to provide support for increasing the capacity of state, local, and tribal criminal justice systems to address IP criminal enforcement, including prosecution, prevention, training, and technical assistance. Awards are made by the BJA to support law enforcement agencies in coordinating the goals, objectives, and activities of their intellectual property task forces in close collaboration with the relevant state, local, tribal, and federal agencies, including local U.S. Attorneys' Offices (USAOs). The table below demonstrates that during years the Department has received the Grant, its capacity to act on IP crime has been significantly increased:

<b>IP Related Crime Stats.</b>	<b>2009 (No Grant)</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013 (No Grant)</b>	<b>2014 (YTD)</b>
Search Warrants Served	22	28	27	40	25	37
Arrests	46	124	140	109	58	108
Undercover Operations	39	90	102	107	46	106
Buy/Bust Operations	0	42	64	69	33	74
Cash Value of Counterfeit Goods Removed	\$15,123,754	\$29,885,582	\$26,945,035	\$14,258,924	\$18,402,348	\$56,486,753

Source: LAPD

From October 1, 2014 through September 30, 2016, the Grant will provide \$300,000 in Sworn Overtime funding for one Lieutenant, four Detectives, and one Police Officer assigned to the APU and \$156,413 for one new Deputy City Attorney II (DCA II) position assigned to the Counterfeit Abatement Prosecution Program within the Office of the City Attorney. The DCA II will be responsible for prosecuting possession and sales of counterfeit goods and sales of counterfeit audio and audiovisual goods cases as well as participating in task force efforts, training, and outreach. The Grant will fund half the cost of the DCA II for two years. The Consumer Protection Trust Fund will provide the balance of the position cost through an appropriation to be provided to the City Attorney's Office in a future Financial Status Report.

Specific project goals and strategies for the FY 2014-16 Grant term include:

1. Reducing the supply side of IP crime by focusing enforcement on repeat IP crime offenders and the number of chronic IP crime locations or "hot spots." This will be done by tracking IP crime probationers, coordinating probation checks with the Los Angeles County Probation Department, sharing arrestee information with law enforcement partners, and coordinating the prosecution of criminal and civil violations with appropriate government agencies.
2. Developing and evaluating additional strategies to address changing trends and types of IP crime, including preventing IP crime linkages to other national/international crimes, adding new IP Task Force members, and sharing information with law enforcement partners.
3. Reducing the demand for IP crime by educating the public about the economic and personal dangers of IP crime through assemblies/classroom presentations at elementary and junior high schools, public service announcements, and other venues as appropriate.
4. Preventing IP crime displacement by sharing best practices with law enforcement partners.

Further details on the grant are provided in the correspondence from the Board of Police Commissioners dated October 7, 2014 (C.F. 14-1374).

**RECOMMENDATIONS**

That the Council, subject to the approval of the Mayor:

1. Authorize the Chief of Police, or designee to:
  - a. Accept the 2014-2016 Intellectual Property Enforcement Program Grant from the United States Department of Justice, Bureau of Justice Assistance in the amount of \$456,413 for the period of October 1, 2014 through September 30, 2016;
  - b. Negotiate and execute the Cooperative Agreement, subject to City Attorney approval as to form and legality.
  
2. Authorize the Los Angeles Police Department to:
  - a. Spend up to the grant amount of \$456,413 in accordance with the grant award agreement;
  - b. Submit grant reimbursement requests to the grantor and deposit grant receipts into the Police Department Grant Trust Fund No. 339, Department 70;
  
3. Authorize the Controller to:
  - a. Establish a grant receivable in Fund 339 in the amount of \$456,413 and establish an appropriation account, account number to be determined, within Fund No. 339, Department 70 for the receipt and disbursement of grant funds in accordance with the grant award agreement;
  - b. Increase appropriations for the 2014-2016 Intellectual Property Enforcement Grant on an as-needed basis as follows:

From:	<u>Fund/Dept</u> 339/70	<u>Account No.</u> 70XXXX	<u>Account Name</u> 2014-2016 Intellectual Property Enforcement Grant	<u>Amount</u> \$344,121
To:	<u>Fund/Dept</u> 100/70	<u>Account No.</u> 001092	<u>Account Name</u> Sworn Overtime	<u>Amount</u> \$300,000
	100/12	001010	Salaries General	44,121
			<b>TOTAL</b>	<b>\$344,121</b>

- c. Transfer up to \$38,756 from Fund No. 339, Department No. 70, appropriation account number to be determined, to the General Fund 100, Department No. 12, Revenue Source Code 5301, for reimbursement of grant-funded fringe benefits.
  
4. Instruct the City Clerk to place on the City Council agenda for the dates specified below, or the first meeting day thereafter, the following instructions:

- a. On July 1, 2015, authorize the Controller to transfer \$58,821 from the appropriation account to be determined in Fund 339, Department 70 for the 2014-16 Intellectual Property Enforcement Program Grant, to the City Attorney's Office, Fund 100, Department 12, Account 001010, for Fiscal Year 2015-16 expenditures;
  - b. On July 1, 2016, authorize the Controller to transfer \$14,715 from the appropriation account to be determined in Fund 339, Department 70 for the 2014-16 Intellectual Property Enforcement Program Grant, to the City Attorney's Office, Fund 100, Department 12, Account 001010, for Fiscal Year 2016-17 expenditures;
5. Authorize one Deputy City Attorney II (Class Code 0595) for the City Attorney's Office for the period of October 1, 2014 to June 30, 2015, and exempt this position from the Managed Hiring process; and,
  6. Authorize the LAPD to prepare Controller's instructions for any technical adjustments, subject to the approval of the City Administrative Officer, and authorize and instruct the Controller to implement the instructions.

#### **FISCAL IMPACT STATEMENT**

The FY 2014-2016 Intellectual Property Enforcement Program Grant will fully reimburse the City for Sworn Overtime and half of the Salaries General expenses associated with the program. Funding for the balance of Salaries General costs will be provided by the Consumer Protection Trust Fund through an appropriation to the Office of the City Attorney in a future Financial Status Report. There is no impact on the General Fund. This action complies with the City's Financial Policies in that one-time revenue is supporting one-time expenditures.

*MAS:TJM:04150043c*