

CHAPTER 150

AN ACT concerning the enforcement of trademark violations and the forfeiture of counterfeit goods and other contraband, and amending and supplementing P.L.1987, c.454 and amending N.J.S.2C:64-1.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

C.56:3-13.22 Additional enforcement action for certain trademark violations.

1. a. In addition to any civil action brought pursuant to subsection a. of section 2 of P.L.1987, c.454 (C.56:3-13.16) or any criminal prosecution brought for violation of N.J.S. 2C:21-21, N.J.S.2C:21-32 or any other criminal law, or any forfeiture proceeding brought pursuant to N.J.S. 2C:64-1 et seq., if the Attorney General determines that the sale or other distribution of goods or services related to the conduct specified in paragraph (1) or (2) of subsection a. of section 2 of P.L.1987, c.454 (C.56:3-13.16) poses a threat to the health, safety or welfare of any member of the public, the Attorney General may institute a civil action to enforce any or all of the remedies provided in subsection d. or e. of this section against any person who engages in the conduct specified in paragraphs (1) and (2) of subsection a. of section 2 of P.L.1987, c.454 (C.56:3-13.16).

b. (1) The action shall be brought in the Superior Court of the county in which the defendant resides, is found, has an agent, transacts business, or in which the reproduction, counterfeit, copy or imitation of the mark is found.

(2) The Attorney General may institute an action under subsection a. of this section without regard to whether the owner or the designee of the owner of the mark has brought a civil action pursuant to subsection a. of section 2 of P.L.1987, c.454 (C.56:3-13.16); however, a civil action brought by an owner or designee of an owner of the mark pursuant to subsection a. of section 2 of P.L.1987, c.454 (C.56:3-13.16) may be joined with an action brought by the Attorney General pursuant to subsection a. of this section, and the Attorney General also may seek to enforce the remedies provided in subsection d. or e. of this section by intervening in a pending civil action brought by an owner or designee of an owner of the mark pursuant to subsection a. of section 2 of P.L.1987, c.454 (C.56:3-13.16).

c. The Attorney General shall establish violation of subsection a. of this section by a preponderance of the evidence. A jury trial shall be available at the request of either party.

d. (1) In an action brought pursuant to subsection a. of this section, the court may grant temporary restraining orders and injunctions, as may be deemed just and reasonable by the court, to prevent any conduct specified in paragraphs (1) and (2) of subsection a. of section 2 of P.L.1987, c.454 (C.56:3-13.16).

(2) Upon proof, by a preponderance of the evidence, of a defendant's violation of subsection a. of this section, the court shall order that any reproduction, counterfeit, copy or imitation in the possession or under the control of any defendant in the case be disposed of or destroyed in accordance with the provisions of section 3 of P.L.1987, c.454 (C.56:3-13.17), and the defendant shall also be liable to the State for the costs of the suit, including reasonable attorney's fees, costs of investigation and litigation.

e. In any civil proceeding brought by the Attorney General under this section relating to the manufacture, use, display or sale of a counterfeit mark, in addition to the remedies in subsection d. of this section, the court shall have jurisdiction to prevent and restrain the manufacture, use, display or sale of a counterfeit mark by issuing appropriate orders, including, in appropriate circumstances, an ex parte temporary restraining order without a seizure, or an ex parte order without notice for the seizure of counterfeit goods and the following materials:

- (1) Spurious marks;
- (2) The means of making the spurious marks;
- (3) Articles in the defendant's possession bearing the spurious marks, or on or in connection with which the spurious marks are intended to be used;
- (4) Business records documenting the manufacture, purchase or sale of counterfeit marks.

Any business records seized through an ex parte seizure order under this subsection shall be taken into the custody of the court. The applicant or its representatives shall not be permitted to see these records during the course of the search or thereafter, except under an appropriate protective order, issued on notice to the person from whom the business records were seized, with respect to confidential business information.

f. Ex parte seizure orders under subsection e. of this section shall not be issued unless the Attorney General provides an affidavit clearly setting forth specific facts in support of the need for the seizure order.

(1) The court shall place under seal any order for an ex parte seizure under subsection e. of this section, together with the papers upon which the order was granted, until the party in possession of the goods or materials has been given an opportunity to contest the order.

(2) No order for an ex parte seizure under subsection e. of this section shall be issued unless the court finds that a temporary restraining order on notice to the defendant or an ex parte temporary restraining order would be inadequate to protect the health, safety or welfare of any member of the public.

(3) An order for a seizure under subsection e. of this section shall particularly describe the goods or materials to be seized and the place from which they are to be seized.

(4) The court shall set a hearing date not more than 10 court days after the last date on which seizure is ordered at which any person from whom goods are seized may appear and seek release of the seized goods.

(5) Where an order for seizure is made, the court shall authorize the Attorney General to make the seizure.

g. Nothing in this section shall be deemed to limit the authority of the Attorney General to investigate and prosecute violations of the criminal code, and the forfeiture procedures provided in this subsection are intended to supplement the forfeiture procedures set forth in chapter 64 of Title 2C of the New Jersey Statutes.

2. Section 2 of P.L.1987, c.454 (C.56:3-13.16) is amended to read as follows:

C.56:3-13.16 Action for trafficking in counterfeit marks; remedies.

2. a. Subject to the provisions of section 13 of P.L.1966, c.263 (C.56:3-13.13), and with respect to a mark registered pursuant to this act and a mark protected at common law, any person who engages in the conduct specified in paragraphs (1) and (2) of this subsection shall be liable in a civil action by the owner or the designee of the owner of the mark for any or all of the remedies provided in subsections d., e. and f. of this section, except that under paragraph (2) of this subsection, the owner or designee shall not be entitled to recover profits or damages unless the conduct has been committed with the intent to cause confusion or mistake or to deceive.

(1) The use, without consent of the owner or designee, of any reproduction, counterfeit, copy, or colorable imitation of a mark in connection with the sale, distribution, offering for sale, or advertising in this State of any goods or services on or in connection with which the use is likely to cause confusion or mistake or to deceive as to the source of origin of the goods or services; or

(2) The reproduction, counterfeiting, copying or colorable imitation of a mark and the application of a reproduction, counterfeit, copy or colorable imitation of a mark to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with the sale or other distribution in this State of the goods or services.

b. The action shall be brought in the Superior Court of the county in which the defendant resides, is found, has an agent, transacts business, or in which the reproduction, counterfeit, copy or imitation of the mark is found.

c. (1) The plaintiff in the civil action shall establish violation of subsection a. of this section by a preponderance of the evidence. A jury trial shall be available at the request of either party.

(2) If the Attorney General determines that the sale or distribution of goods or services related to the conduct specified in paragraph (1) or (2) of subsection a. of this section poses a threat to the health, safety or welfare of any member of the public, the Attorney General may intervene in a pending civil action filed by the owner or designee of the owner of a mark pursuant to subsection a. of this section in order to enforce the remedies provided in subsection d. or e. of section 1 of P.L.2004, c.150 (C.56:3-13.22).

d. In an action brought pursuant to subsection a. of this section, the court may grant temporary restraining orders and injunctions, as may be deemed just and reasonable by the court,

to prevent any conduct described in paragraphs (1) and (2) of subsection a. of this section, and may require the defendants to pay to the owner or designee of the owner all profits derived from or all damages suffered by reason of such conduct, or both. The court may also order that any reproduction, counterfeit, copy or imitation in the possession or under the control of any defendant in the case be disposed of or destroyed in accordance with the provisions of section 3 of P.L.1987, c.454 (C.56:3-13.17). The court, in its discretion, may enter judgment for an amount not to exceed three times the profits or damages and may also award reasonable attorneys' fees and costs of suit to the prevailing party in cases where the court finds the other party committed the wrongful acts with knowledge or in bad faith or if the court finds the other party's conduct so egregious as to justify such an award. In assessing defendant's profits, plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed therefrom. In an action in which the Attorney General successfully intervenes in order to enforce the remedies provided in subsection d. or e. of section 1 of P.L.2004, c.150 (C.56:3-13.22)), the defendant also shall be liable to the State for the costs of the suit, including reasonable attorney's fees, costs of investigation and litigation.

e. Upon finding a violation of subsection a. of this section, the court may, in its discretion, award prejudgment interest on the monetary recovery awarded under subsection d. of this section, at an annual interest rate established pursuant to Rule 4:42-11 of the Rules Governing the Courts of the State of New Jersey, commencing on the date of the service of the plaintiff's pleadings which set forth the claim for monetary recovery and ending on the date the judgment is awarded or for a shorter time as the court deems appropriate.

f. Any provisional or equitable remedy that would be available in a comparable civil action commenced under the federal Trademark Act of 1946, 15 U.S.C. s.1051 et seq. may, to the same extent and upon a comparable showing, be made available to a party in an action commenced under this section, subject to the conditions and requirements imposed by the Civil Practice Rules of the Rules Governing the Courts of the State of New Jersey.

g. (Deleted by amendment, P.L.1995, c.171.)

h. In any civil proceeding brought under this section relating to the manufacture, use, display or sale of a counterfeit mark, in addition to the remedies available to an owner as provided in subsections d., e. and f. of this section, the court shall have jurisdiction to prevent and restrain the manufacture, use, display or sale of a counterfeit mark by issuing appropriate orders, including, in appropriate circumstances, an ex parte temporary restraining order without a seizure, or an ex parte order without notice for the seizure of counterfeit goods and the following materials:

- (1) Spurious marks;
- (2) The means of making the spurious marks;
- (3) Articles in the defendant's possession bearing the spurious marks, or on or in connection with which the spurious marks are intended to be used;
- (4) Business records documenting the manufacture, purchase or sale of counterfeit marks.

Any business records seized through an ex parte seizure order under this subsection shall be taken into the custody of the court. The applicant or its representatives shall not be permitted to see these records during the course of the search or thereafter, except under an appropriate protective order, issued on notice to the person from whom the business records were seized, with respect to confidential business information.

i. Ex parte seizure orders under subsection h. of this section shall not be issued unless the applicant:

- (1) Provides an affidavit clearly setting forth specific facts in support of the need for the seizure order, and
- (2) Provides security in an amount as the court deems adequate for the payment of damages as any person may suffer as a result of a wrongful seizure or wrongful attempted seizure of his property under subsection h. of this section. These damages shall include but not be limited to lost profits, the cost of materials, and loss of good will. In any case in which it is shown that the applicant caused the seizure without adequate evidence that the goods or materials were counterfeit, damages shall include reasonable attorney's fees.
- (3) The court shall place under seal any order for an ex parte seizure under subsection h. of

this section, together with the papers upon which the order was granted, until the party in possession of the goods or materials has been given an opportunity to contest the order.

j. No order for an ex parte seizure under subsection h. of this section shall be issued unless the court finds that a temporary restraining order on notice to the defendant or an ex parte temporary restraining order would be inadequate to protect the applicant's interest. In particular, no court shall issue an order for an ex parte seizure under subsection h. of this section unless it clearly appears from specific facts offered under oath or affirmation that:

(1) Counterfeit goods or the materials described above are located at the place identified in the affidavit;

(2) The applicant will suffer immediate and irreparable injury, loss or damage if the goods or materials are not seized through execution of an ex parte order, in that:

(a) The person from whom the goods or materials are to be seized would not comply with an order directing him to retain the goods or materials and to make them available to the court, but would instead make the goods or materials inaccessible by destroying, hiding or transferring them; or

(b) The person from whom the goods or materials are to be seized will otherwise act to frustrate the court in a proceeding under this section; and

(3) The applicant has made no effort to publicize the requested seizure and will refrain from doing so until the party in possession of the goods and materials has been given an opportunity to contest the order.

k. An order for a seizure under subsection h. of this section shall particularly describe the goods or materials to be seized, the place from which they are to be seized, and the amount of security provided by the applicant.

l. The court shall set a hearing date not more than 10 court days after the last date on which seizure is ordered at which any person from whom goods are seized may appear and seek release of the seized goods.

m. Except where the court authorizes the Attorney General to make the seizure in a matter in which the Attorney General has intervened in accordance with paragraph (2) of subsection c. of this section, where an order for seizure is made, the court shall direct the sheriff of the county in which the property is located to make the seizure or, where the property to be seized is located in more than one county, the direction shall issue to the sheriff of each of those counties. The sheriff shall make the seizure within 72 hours of the order.

3. N.J.S.2C:64-1 is amended to read as follows:

Property subject to forfeiture.

2C:64-1. Property Subject to Forfeiture.

a. Any interest in the following shall be subject to forfeiture and no property right shall exist in them:

(1) Controlled dangerous substances, firearms which are unlawfully possessed, carried, acquired or used, illegally possessed gambling devices, untaxed cigarettes, untaxed special fuel, unlawful sound recordings and audiovisual works and items bearing a counterfeit mark. These shall be designated prima facie contraband.

(2) All property which has been, or is intended to be, utilized in furtherance of an unlawful activity, including, but not limited to, conveyances intended to facilitate the perpetration of illegal acts, or buildings or premises maintained for the purpose of committing offenses against the State.

(3) Property which has become or is intended to become an integral part of illegal activity, including, but not limited to, money which is earmarked for use as financing for an illegal gambling enterprise.

(4) Proceeds of illegal activities, including, but not limited to, property or money obtained as a result of the sale of prima facie contraband as defined by subsection a. (1), proceeds of illegal gambling, prostitution, bribery and extortion.

b. Any article subject to forfeiture under this chapter may be seized by the State or any law enforcement officer as evidence pending a criminal prosecution pursuant to section 2C:64-4 or,

when no criminal proceeding is instituted, upon process issued by any court of competent jurisdiction over the property, except that seizure without such process may be made when not inconsistent with the Constitution of this State or the United States, and when

(1) The article is prima facie contraband; or

(2) The property subject to seizure poses an immediate threat to the public health, safety or welfare.

c. For the purposes of this section:

"Items bearing a counterfeit mark" means items bearing a counterfeit mark as defined in N.J.S.2C:21-32.

"Unlawful sound recordings and audiovisual works" means sound recordings and audiovisual works as those terms are defined in N.J.S.2C:21-21 which were produced in violation of N.J.S.2C:21-21.

"Untaxed special fuel" means diesel fuel, No. 2 fuel oil and kerosene on which the motor fuel tax imposed pursuant to R.S.54:39-1 et seq. is not paid that is delivered, possessed, sold or transferred in this State in a manner not authorized pursuant to R.S.54:39-1 et seq. or P.L.1938, c.163 (C.56:6-1 et seq.).

4. This act shall take effect immediately.

Approved September 14, 2004.