

56:3-13.1

LEGISLATIVE HISTORY CHECKLIST

NJSA: 56:3-13.1

(Trademarks--
counterfeit--permit
civil actions)

LAWS OF: 1987

CHAPTER: 454

Bill No: A2696

Sponsor(s): Collins and Stulhtrager

Date Introduced: May 22, 1986

Committee: Assembly: Economic Development

Senate: Labor, Industry & Professions

Amended during passage: Yes Amendment during passage
denoted by asterisks

Date of Passage: Assembly: September 15, 1987

Senate: January 11, 1988

Date of Approval: January 19, 1988

Following statements are attached if available:

Sponsor statement: Yes

Committee Statement: Assembly: Yes

Senate: Yes

Fiscal Note: No

Veto Message: No

Message on signing: No

Following were printed:

Reports: No

Hearings: No

P. L. 1987, CHAPTER 454, *approved January 19, 1988*

1986 Assembly No. 2696 (*Official Copy Reprint*)

AN ACT concerning the protection of marks, amending and supplementing P. L. 1966, c. 263 and repealing sections 11 and 12 thereof.

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

1 1. Section 1 of P. L. 1966, c. 263 (C. 56:3-13.1) is amended to
2 read as follows:

3 1. Definitions.

4 (A) The term "trademark" as used herein means any word, name,
5 symbol, or device or any combination thereof adopted and used by
6 a person to identify goods made or sold by him and to distinguish
7 them from goods made or sold by others.

8 (B) The term "service mark" as used herein means a mark used
9 in the sale or advertising of services to identify the services of one
10 person and distinguish them from the services of others.

11 (C) The term "mark" as used herein includes any trademark or
12 service mark entitled to registration under this act whether regis-
13 tered or not.

14 (D) The term "person" as used herein means any individual,
15 firm, partnership, corporation, association, union or other organiza-
16 tion.

17 (E) The term "applicant" as used herein embraces the person
18 filing an application for registration of a trademark under this act,
19 his legal representatives, successors or assigns.

20 (F) The term "registrant" as used herein embraces the person
21 to whom the registration of a trademark under this act is issued,
22 his legal representatives, successors or assigns.

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.

Matter printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

*—Assembly committee amendments adopted June 9, 1986.

Additionally, the court is authorized to prevent and restrain trafficking in counterfeit marks through the issuance of temporary restraining orders with notice to the defendant; ex parte temporary restraining orders and ex parte orders for seizure of counterfeit goods, business records and spurious marks and items used in making spurious marks. Seizure could only be ordered if the court finds a temporary restraining order inadequate to protect the interests of the persons applying for the order.

Under this bill, the court may order the destruction of counterfeit marks or goods bearing counterfeit marks. Such goods may also be given to the State, the plaintiff, a charitable institution or other appropriate person.

The sections of law repealed by the bill, sections 11 and 12 of P.L. 1966, c. 263 (C. 56:3-13.11 and 56:3-13.12), are the sections which currently authorize civil actions to collect damages and obtain injunctions against the users of counterfeit trademarks. They differ from the provisions of the bill in that: (1) they do not provide penalties for trafficking in the counterfeit marks unless the marks are actually used; (2) they provide for the payment of damages not greater than the actual damages suffered or the profits of the violator rather than triple those amounts; and (3) they do not provide for ex parte seizure of counterfeit goods.

The committee has adopted amendments to permit civil actions against persons who traffic products identified by a counterfeit trademark as well as persons who traffic counterfeit trademarks and to clarify that the bill's definition of "traffic" is intended to cover only those offered or intended transfers, assignments and dispositions which are for remuneration.

23 (G) For the purposes of this act, a trademark shall be deemed to
24 be "used" in this State (a) on goods when it is placed in any
25 manner on the goods or their containers or the displays associated
26 therewith or on the tags or labels affixed thereto and [such] the
27 goods are sold or otherwise distributed in the State, and (b) on
28 services when it is used or displayed in the sale or advertising of
29 services and the services are rendered in this State.

30 (II) The term "counterfeit mark" as used herein means a spurious
31 mark that is identical with or substantially indistinguishable from
32 a genuine mark that is registered on the principal register in the
33 United States Patent and Trademark Office or registered in the New
34 Jersey Secretary of State's Office; that is used or is intended to be
35 used on or in connection with goods or services for which the
36 genuine mark is so registered and is in use; that is specifically
37 protected by federal statute; or that is registered pursuant to this
38 act. This term does not include any mark used in connection with
39 goods or services of which the manufacturer or producer was, at
40 the time of the manufacture or production in question or a reason-
41 able time before the manufacture or production, in a contractual or
42 other relationship, permitting the use of the mark for the type of
43 goods or services so manufactured or produced, with the holder of
44 the right to use the mark, unless the user has knowledge of the
45 termination of the relationship.

46 (I) The term "traffic" as used herein means to transfer, assign,
47 or dispose of, to another, for value; to manufacture, advertise, pro-
48 mote, or offer to transfer, assign or dispose of *for value*; to
49 receive, possess, transport, or exercise control of, with intent to
50 transfer, assign, or dispose of *for value*; or to assist another in
51 doing any of the foregoing.

1 2. (New section) a. An owner *[of]* *or* the designee of an
2 owner of a mark registered pursuant to P. L. 1966, c. 263 (C.
3 56:3-13.1 et seq.) or registered on the principal register in the
4 United States Patent and Trademark Office may bring a civil action
5 against a person causing him injury to his business or property
6 as a result of knowing trafficking or attempt to traffic in counterfeit
6A marks *or goods identified by counterfeit marks* in the commerce
7 of this State with the intent to deceive or defraud, or to assist in
8 deceiving or defrauding, directly or indirectly, another person.

9 In determining the existence of defendant's intent to deceive or
10 defraud, the trier of fact shall consider, among other pertinent
11 factors, the likelihood that the goods or services on or in connection
12 with which the counterfeit mark is used or intended to be used will
13 be mistaken for goods or services for which the genuine mark is
14 registered and is in use.

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

18 c. The plaintiff in the civil action shall establish violation of sub-
19 section a. by a preponderance of the evidence. A jury trial shall be
20 available at the request of either party.

21 d. Upon establishing a violation of this section, a plaintiff shall
22 recover treble his damages or treble defendants' profits, whichever
23 is greater, and the costs of investigating the violation and prosecut-
24 ing the suit, including reasonable investigator's and attorney's
25 fees. In assessing defendant's profits, plaintiff shall be required to
26 prove defendant's sales only; defendant must prove all elements of
27 cost or deduction claimed therefrom.

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

36 f. Any provisional or equitable remedy that would be available
37 in a comparable civil action commenced under the act entitled "An
38 act to provide for the registration and protection of trademarks
39 used in commerce, to carry out the provisions of certain interna-
40 tional conventions, and for other purposes," approved July 5, 1946
41 60 Stat. 427; 15 U. S. C. 1051 et seq.) may, to the same extent and
42 upon a comparable showing, be made available to a party in an
43 action commenced under this section, subject to the conditions and
44 requirements imposed by the Civil Practice Rules of the Rules
45 Governing the Courts of the State of New Jersey.

46 g. If after a trial on the merits the defendant prevails and has
47 proven by a preponderance of the evidence that the action was filed
48 in bad faith, the defendant shall be entitled to recover the cost
49 of litigation and all reasonable attorney's fees expended in the
50 defense.

51 h. In any civil proceeding brought under this section, the court
52 shall have jurisdiction to prevent and restrain trafficking in counter-
53 feit marks by issuing appropriate orders, including, in appropriate
54 circumstances, a temporary restraining order on notice to the
55 defendant, or an ex parte temporary restraining order without a
56 seizure, or an ex parte order without notice for the seizure of
57 counterfeit goods and the following materials:

- 58 (1) Spurious marks;
59 (2) The means of making the spurious marks;
60-61 (3) Articles in the defendant's possession bearing the
62 spurious marks, or on or in connection with which the spurious
63 marks are intended to be used;
64 (4) Business records documenting the manufacture, pur-
65 chase or sale of counterfeit marks.

66 Any business records seized through an ex parte seizure order
67 under this section shall be taken into the custody of the court. The
68 applicant or its representatives shall not be permitted to see these
69 records during the course of the search or thereafter, except under
70 an appropriate protective order, issued on notice to the person
71 from whom the business records were seized, with respect to con-
72 fidential business information.

73 i. Ex parte seizure orders under this section shall not be issued
74 unless the applicant:

75 (1) Provides an affidavit clearly setting forth specific facts
76 in support of the need for the seizure order, and

77 (2) Provides security in an amount as the court deems
78 adequate for the payment of damages as any person may suffer
79 as a result of a wrongful seizure or wrongful attempted seizure
80 of his property under this subsection. These damages shall
81 include but not be limited to lost profits, the cost of materials,
82 and loss of good will. In any case in which it is shown that the
83 applicant caused the seizure without adequate evidence that the
84 goods or materials were counterfeit, damages shall include
85 reasonable attorney's fees.

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

91 j. No order for an ex parte seizure under this section shall be
92 issued unless the court finds that a temporary restraining order on
93 notice to the defendant or an ex parte temporary restraining order
94 would be inadequate to protect the applicant's interest. In partic-
95 ular, no court shall issue an order for an ex parte seizure under this
96 section unless it clearly appears from specific facts offered under
97 oath or affirmation that:

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

100 (2) The applicant will suffer immediate and irreparable

101 injury, loss or damage if the goods or materials are not seized
102 through execution of an ex parte order, in that:

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

108 (b) The person from whom the goods or materials are to
109 be seized will otherwise act to frustrate the court in a pro-
110 ceeding under this section: and

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

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

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

123 m. Where an order for seizure is made, the court shall direct the
124 sheriff of the county in which the property is located to make the
125 seizure or, where the property to be seized is located in more than
126 one county, the direction shall issue to the sheriff of each of those
127 counties. The sheriff shall make the seizure within 72 hours of the
128 order.

1 3. (New section) In any civil action brought pursuant to this act,
2 if the court determines that a mark is counterfeit, the court may
3 order the destruction of all marks, all means of making the marks,
4 and all goods, articles or other matter bearing the marks, and all
5 goods, articles or other matter bearing the marks, which are in the
6 possession or control of the court or any party to the action: or,
7 after obliteration of the counterfeit mark, the court may order the
8 disposal of the aforesaid materials to the State, a civil plaintiff, an
9 eleemosynary institution, or any appropriate private person other
10 than the person from whom the materials were obtained.

1 4. (New section) Nothing in this act shall supersede any pro-
2 vision of federal, State, or other law imposing criminal penalties or
3 affording civil remedies in addition to those provided for in this
4 act, except that no plaintiff who recovers treble damages or treble
5 profits pursuant to subsection d. of section 3 of this act shall also

6 be entitled to corresponding recovery under any other federal,
7 State or other law in connection with the same underlying occur-
8 rences or transactions.

1 5. (New section) A final judgment or decree rendered in favor of
2 the State in a criminal proceeding brought under Chapters 20 or 21
3 of Title 2C of the New Jersey Statutes shall estop the defendant
4 in the action or proceeding in any subsequent civil action as to all
5 matters as to which the judgment in the action or proceeding
6 would be an estoppel between the parties to it.

1 6. Sections 11 and 12 of P. L. 1966, c. 263 (C. 56:3-13.11 and C.
2 56:3-13.12) are repealed.

1 7. This act shall take effect immediately.

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2 56:3-13.12) are repealed.

1 7. This act shall take effect immediately.

STATEMENT

This bill expands the scope of New Jersey's trademark law to reach persons and corporations who traffic goods identified with counterfeit trademarks or service marks. As defined in the bill, "traffic" means to manufacture, transfer, assign, advertise, promote, possess, transport or to assist in any of these activities.

The bill authorizes any person who owns a registered trademark to bring a civil action against a person causing injury to his business as the result of the use of counterfeit marks with the intent to deceive or defraud. In determining the existence of the defendant's intent, the court is to consider the likelihood that the goods on which the counterfeit mark appears will be mistaken for goods on which the genuine mark appears.

If a plaintiff is successful in an action brought pursuant to the provisions of this bill he may recover treble his damages or treble the defendant's profits, whichever is greater, along with reasonable investigator's and attorney's fees. The court is also authorized to award prejudgment interest and any other provisional or equitable remedy available under the federal trademark protection statute.

If a defendant prevails in an action brought under this bill and could prove that the action was filed in bad faith, the defendant would be entitled to the cost of litigation and all reasonable attorney's fees.

Additionally, the court is authorized to prevent and restrain trafficking in counterfeit marks through the issuance of temporary restraining orders with notice to the defendant; ex parte temporary restraining orders and ex parte orders for seizure of counterfeit goods, business records and spurious marks and items used in making spurious marks. Seizure could only be ordered if the court

finds a temporary restraining order inadequate to protect the interests of the persons applying for the order.

Under this bill, the court may order the destruction of counterfeit marks or goods bearing counterfeit marks. Such goods may also be given to the State, the plaintiff, a charitable institution or other appropriate person.

COURTS

Provides for civil actions against persons trafficking in counterfeit trademarks.

ASSEMBLY ECONOMIC DEVELOPMENT
AND AGRICULTURE COMMITTEECL-0084
ST-0014
TR-STATEMENT TO
Assembly Bill No. 2696 Aca

DATED: June 9, 1986

This bill expands the scope of New Jersey's trademark law to reach persons who traffic counterfeit trademarks or service marks. As defined in the bill, "traffic" means to manufacture, transfer, assign, advertise, promote, possess, transport or to assist in any of these activities.

The bill, as amended by the committee, authorizes any person who owns a registered trademark to bring a civil action against a person causing injury to his business as the result of the trafficking of counterfeit marks or in goods identified by counterfeit marks with the intent to deceive or defraud. In determining the defendant's intent, the court is to consider the likelihood that the goods on which the counterfeit mark appears will be mistaken for goods on which the genuine mark appears.

If a plaintiff is successful in an action brought pursuant to the provisions of this bill he may recover treble his damages or treble the defendant's profits, whichever is greater, along with reasonable investigator's and attorney's fees. The court is also authorized to award prejudgment interest and any other provisional or equitable remedy available under the federal trademark protection statute.

If a defendant prevails in an action brought under this bill and proves that the action was filed in bad faith, the defendant would be entitled to the cost of litigation and all reasonable attorney's fees.

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SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2696

[OFFICIAL COPY REPRINT]

STATE OF NEW JERSEY

DATED: JUNE 11, 1987

This bill expands the scope of New Jersey's trademark law to reach persons who traffic counterfeit trademarks or service marks. As defined in the bill, "traffic" means to manufacture, transfer, assign, advertise, promote, possess, transport or to assist in any of these activities.

The bill authorizes any person who owns a registered trademark to bring a civil action against a person causing injury to his business as the result of trafficking in counterfeit marks or in goods identified by counterfeit marks with the intent to deceive or defraud. In determining the defendant's intent, the court is to consider the likelihood that the goods on which the counterfeit mark appears will be mistaken for goods on which the genuine mark appears.

If a plaintiff is successful in an action brought pursuant to the provisions of this bill, he may recover treble his damages or treble the defendant's profits, whichever is greater, along with reasonable investigator's and attorney's fees. The court is also authorized to award prejudgment interest and any other provisional or equitable remedy available under the federal trademark protection statute.

If a defendant prevails in an action brought under this bill and proves that the action was filed in bad faith, the defendant would be entitled to the cost of litigation and all reasonable attorney's fees.

Additionally, the court is authorized to prevent and restrain trafficking in counterfeit marks through the issuance of temporary restraining orders with notice to the defendant; *ex parte* temporary restraining orders without seizure and *ex parte* orders without notice for seizure of counterfeit goods, business records and spurious marks and items used in making spurious marks. *Ex parte* seizure could only be ordered if the court finds a temporary restraining order with notice to the defendant or an *ex parte* temporary restraining order inadequate to protect the interests of the persons applying for the order. Before a court may issue an *ex parte* seizure order, it must find, based on sworn affidavits, that a sufficient basis exists for concluding that counterfeit goods are located at the location, and that the plaintiff will be irrepar-

ably harmed if the goods are not seized on an *ex parte* basis. In addition, a party seeking an *ex parte* seizure order must post a bond in an amount specified by the court. Any party subjected to a wrongful *ex parte* seizure would be able to collect damages from the party that sought the seizure.

Under this bill, the court may order the destruction of counterfeit marks, goods bearing counterfeit marks, or the means of making the marks. After obliteration of the counterfeit trademark, such goods may also be given to the State, the plaintiff, a charitable institution or other appropriate person.

The sections of law repealed by the bill, sections 11 and 12 of P. L. 1966, c. 263 (C. 56:3-13.11 and C. 56:3-13.12), are the sections which currently authorize civil actions to collect damages and obtain injunctions against the users of counterfeit trademarks. They differ from the provisions of the bill in that: (1) they do not provide penalties for trafficking in the counterfeit trademarks unless the marks are actually used; (2) they provide for the payment of damages not greater than the actual damages suffered or the profits of the violator rather than triple those amounts; and (3) they do not provide for *ex parte* seizure of counterfeit goods.
