# 34:19-3

#### LEGISLATIVE HISTORY CHECKLIST

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**LAWS OF**: 2005 **CHAPTER**: 329

NJSA: 34:19-3 (Enhances rights and remedies of employees who disclose or refuse to participate in fraudulent employer

practices)

BILL NO: S1886 (Substituted for A764)

SPONSOR(S): Sweeney and others

DATE INTRODUCED: October 4, 2004

**COMMITTEE:** ASSEMBLY: State Government

**SENATE**: Labor

AMENDED DURING PASSAGE: Yes

**DATE OF PASSAGE:** ASSEMBLY: January 9, 2006

SENATE: October 25, 2004

**DATE OF APPROVAL:** January 12, 2006

**FOLLOWING ARE ATTACHED IF AVAILABLE:** 

FINAL TEXT OF BILL (Original version of bill enacted)

S1886

**SPONSOR'S STATEMENT**: (Begins on page 4 of original bill)

Yes

COMMITTEE STATEMENT: <u>ASSEMBLY</u>: <u>Yes</u>

**SENATE**: Yes

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: No

A764

**SPONSOR'S STATEMENT**: (Begins on page 4 of original bill)

Yes

COMMITTEE STATEMENT: <u>ASSEMBLY</u>: <u>Yes</u>

SENATE: No

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: No

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: No

**FOLLOWING WERE PRINTED:** 

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No

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IS 2/8/08

# P.L. 2005, CHAPTER 329, *approved January 12*, 2006 Senate, No. 1886

AN ACT concerning the rights and remedies of employees who disclose or refuse to participate in certain fraudulent practices of employers, and amending P.L.1986, c.105 and P.L.1995, c.142.

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

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- 8 1. Section 3 of P.L.1986, c.105, (C.34:19-3) is amended to read as 9 follows:
  - 3. An employer shall not take any retaliatory action against an employee because the employee does any of the following:
  - a. Discloses, or threatens to disclose to a supervisor or to a public body an activity, policy or practice of the employer, or another employer, with whom there is a business relationship, that the employee reasonably believes:
    - (1) is in violation of a law, or a rule or regulation promulgated pursuant to law, including any violation involving deception of, or misrepresentation to, any shareholder, investor, client, patient, customer, employee, former employee, retiree or pensioner of the employer or any governmental entity, or, in the case of an employee who is a licensed or certified health care professional, reasonably believes constitutes improper quality of patient care; or
  - (2) is fraudulent or criminal, including any activity, policy or practice of deception or misrepresentation which the employee reasonably believes may defraud any shareholder, investor, client, patient, customer, employee, former employee, retiree or pensioner of the employer or any governmental entity;
- b. Provides information to, or testifies before, any public body 28 conducting an investigation, hearing or inquiry into any violation of 29 30 law, or a rule or regulation promulgated pursuant to law by the 31 employer, or another employer, with whom there is a business 32 relationship, including any violation involving deception of, or 33 misrepresentation to, any shareholder, investor, client, patient, 34 customer, employee, former employee, retiree or pensioner of the 35 employer or any governmental entity, or, in the case of an employee 36 who is a licensed or certified health care professional, provides 37 information to, or testifies before, any public body conducting an 38 investigation, hearing or inquiry into the quality of patient care; or
- 39 c. Objects to, or refuses to participate in any activity, policy or 40 practice which the employee reasonably believes:
- 41 (1) is in violation of a law, or a rule or regulation promulgated

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

- 1 pursuant to law, including any violation involving deception of, or
- 2 <u>misrepresentation to, any shareholder, investor, client, patient,</u>
- 3 <u>customer</u>, employee, former employee, retiree or pensioner of the
- 4 <u>employer or any governmental entity,</u> or, if the employee is a licensed
- 5 or certified health care professional, constitutes improper quality of
- 6 patient care;
- 7 (2) is fraudulent or criminal, including any activity, policy or 8 practice of deception or misrepresentation which the employee 9 reasonably believes may defraud any shareholder, investor, client, 10 patient, customer, employee, former employee, retiree or pensioner of
- 11 the employer or any governmental entity; or
- 12 (3) is incompatible with a clear mandate of public policy concerning 13 the public health, safety or welfare or protection of the environment.

14 (cf. P.L.1997, c.98, s.2)

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30 31 2. Section 5 of P.L.1986, c.105, (C.34:19-5) is amended to read as follows:

aggrieved employee or former employee may, within one year,

- follows:
  Upon a violation of any of the provisions of this act, an
- 20 institute a civil action in a court of competent jurisdiction. Upon the
- application of any party, a jury trial shall be directed to try the validity
- of any claim under this act specified in the suit. All remedies available
- 23 in common law tort actions shall be available to prevailing plaintiffs.
- 24 These remedies are in addition to any legal or equitable relief provided
- by this act or any other statute. The court [may] shall also order.
- 26 where appropriate and to the fullest extent possible:
- a. An injunction to restrain [continued] any violation of this act
   which is continuing at the time that the court issues its order;
  - b. The reinstatement of the employee to the same position held before the retaliatory action, or to an equivalent position;
  - c. The reinstatement of full fringe benefits and seniority rights;
- 32 d. The compensation for <u>all</u> lost wages, benefits and other 33 remuneration; <u>and</u>
- e. The payment by the employer of reasonable costs, and attorney's fees[;].
- 36 [f. Punitive damages; or
- g. An] In addition, the court or jury may order: the assessment of
- 38 a civil fine of not more than [\$1,000.00] \$10,000 for the first
- 39 violation of the act and not more than [\$5,000.00] \$20,000 for each
- 40 subsequent violation, which shall be paid to the State Treasurer for
- 41 deposit in the General Fund; punitive damages; or both a civil fine and
- 42 <u>punitive damages</u>. In determining the amount of punitive damages, the
- court or jury shall consider not only the amount of compensatory
   damages awarded to the employee, but also the amount of all damages
- 45 <u>caused to shareholders, investors, clients, patients, customers,</u>
- 46 employees, former employees, retirees or pensioners of the employer,

- 1 or to the public or any governmental entity, by the activities, policies
- 2 <u>or practices of the employer which the employee disclosed, threatened</u>
- 3 <u>to disclose, provided testimony regarding, objected to, or refused to</u>
- 4 participate in.
- 5 (cf: P.L.1990, c.12, s.4)

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- 3. Section 6 of P.L.1995, c.142 (C.2A:15-5.14) is amended to read as follows:
- 6. a. Before entering judgment for an award of punitive damages, the trial judge shall ascertain that the award is reasonable in its amount and justified in the circumstances of the case, in light of the purpose to punish the defendant and to deter that defendant from repeating such conduct. If necessary to satisfy the requirements of this section, the judge may reduce the amount of or eliminate the award of punitive damages.
  - b. No defendant shall be liable for punitive damages in any action in an amount in excess of five times the liability of that defendant for compensatory damages or \$350,000, whichever is greater.
- c. The provisions of subsection b. of this section shall not apply to causes of action brought pursuant to P.L.1993, c.137 (C.2A:53A-21 et seq.), P.L.1945, c.169 (C.10:5-1 et seq.), P.L.1989, c.303 (C.26:5C-5 et seq.), [or] P.L.1992, c.109 (C.2A:61B-1) or P.L.1986, c.105, (C.34:19-1 et seq.), or in cases in which a defendant has been convicted pursuant to R.S.39:4-50 or section 2 of P.L.1981, c.512 (C.39:4-50.4a).
- 26 (cf: P.L.1995, c.142, s.6)

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4. This act shall take effect immediately.

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#### **STATEMENT**

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This bill enhances the scope and strengthens the enforcement provisions of the "Conscientious Employee Protection Act" (CEPA) P.L.1986, c.105 (C.34:19-1 et seq.), with special emphasis on protecting any employee who discloses to a supervisor or a public body, or refuses to participate in, any deception or misrepresentation which may defraud shareholders, investors, clients, patients, customers, employees, former employees, retirees or pensioners of the employer, or governmental entities.

The bill expressly includes, among the fraudulent or criminal employer actions which an employee may disclose and refuse to participate in, any activity, policy, or practice of deception or misrepresentation which the employee reasonably believes may defraud any of the employer's shareholders, investors, clients, patients, customers, employees, former employees, retirees or pensioners, or

1 any governmental entity.

The bill requires, rather than permits, that the remedies ordered by a court in a civil action for a violation of the act include, to the fullest extent possible, all of the following:

- 1. An injunction against any continuing violation of the act;
- 2. Reinstatement of the employee to the same, or comparable, employment with full fringe benefits and seniority rights;
  - 3. Compensation for all lost remuneration; and
  - 4. Payment of reasonable costs and lawyers fees.

As is currently the case under CEPA, the court may also order civil fines and punitive damages. The bill amends that law to raise the maximum civil fine for a first violation from \$1,000 to \$10,000 and for subsequent violations from \$5,000 to \$20,000, and to direct the court, when determining the amount of any punitive damages to be ordered, to consider not only the amount of compensatory damages awarded to the employee, but also the amount of damage caused by employer actions to shareholders, investors, clients, patients, customers, employees, former employees, retirees or pensioners of the employer, or to governmental entities or the public. Finally, the bill exempts punitive damages awarded under CEPA from the maximum limit set by the "Punitive Damages Act," P.L.1995, c.142 (C.2A:15-5.9 et seq.), which is the greater of \$350,000 or five times the awarded compensatory damages.

This bill is intended to enhance the scope and strengthens the enforcement provisions of the CEPA, and is not intended to diminish, reduce or curtail the rights or remedies available to employees under that act in any way.

Enhances rights and remedies of employees who disclose or refuse to participate in fraudulent employer practices.

# **SENATE, No. 1886**

# STATE OF NEW JERSEY 211th LEGISLATURE

INTRODUCED OCTOBER 4, 2004

Sponsored by:

Senator STEPHEN M. SWEENEY
District 3 (Salem, Cumberland and Gloucester)
Assemblyman NEIL M. COHEN
District 20 (Union)
Assemblyman HERBERT CONAWAY, JR.
District 7 (Burlington and Camden)

Co-Sponsored by:

Assemblywoman Greenstein, Assemblymen Eagler and Stack

## **SYNOPSIS**

Enhances rights and remedies of employees who disclose or refuse to participate in fraudulent employer practices.

## **CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 1/10/2006)

AN ACT concerning the rights and remedies of employees who disclose or refuse to participate in certain fraudulent practices of employers, and amending P.L.1986, c.105 and P.L.1995, c.142.

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

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- 8 1. Section 3 of P.L.1986, c.105, (C.34:19-3) is amended to read as 9 follows:
- 3. An employer shall not take any retaliatory action against an employee because the employee does any of the following:
  - a. Discloses, or threatens to disclose to a supervisor or to a public body an activity, policy or practice of the employer, or another employer, with whom there is a business relationship, that the employee reasonably believes:
  - (1) is in violation of a law, or a rule or regulation promulgated pursuant to law, including any violation involving deception of, or misrepresentation to, any shareholder, investor, client, patient, customer, employee, former employee, retiree or pensioner of the employer or any governmental entity, or, in the case of an employee who is a licensed or certified health care professional, reasonably believes constitutes improper quality of patient care; or
  - (2) is fraudulent or criminal, including any activity, policy or practice of deception or misrepresentation which the employee reasonably believes may defraud any shareholder, investor, client, patient, customer, employee, former employee, retiree or pensioner of the employer or any governmental entity;
- 28 b. Provides information to, or testifies before, any public body 29 conducting an investigation, hearing or inquiry into any violation of 30 law, or a rule or regulation promulgated pursuant to law by the 31 employer, or another employer, with whom there is a business 32 relationship, including any violation involving deception of, or misrepresentation to, any shareholder, investor, client, patient, 33 34 customer, employee, former employee, retiree or pensioner of the 35 employer or any governmental entity, or, in the case of an employee who is a licensed or certified health care professional, provides 36 37 information to, or testifies before, any public body conducting an investigation, hearing or inquiry into the quality of patient care; or 38
- 39 c. Objects to, or refuses to participate in any activity, policy or 40 practice which the employee reasonably believes:
- 41 (1) is in violation of a law, or a rule or regulation promulgated 42 pursuant to law, including any violation involving deception of, or 43 misrepresentation to, any shareholder, investor, client, patient,

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

- 1 customer, employee, former employee, retiree or pensioner of the 2 employer or any governmental entity, or, if the employee is a licensed or certified health care professional, constitutes improper quality of 3 4 patient care;
- 5 (2) is fraudulent or criminal, including any activity, policy or 6 practice of deception or misrepresentation which the employee reasonably believes may defraud any shareholder, investor, client, 7 8 patient, customer, employee, former employee, retiree or pensioner of 9 the employer or any governmental entity; or
- 10 (3) is incompatible with a clear mandate of public policy concerning 11 the public health, safety or welfare or protection of the environment. 12 (cf. P.L.1997, c.98, s.2)

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- 14 2. Section 5 of P.L.1986, c.105, (C.34:19-5) is amended to read as follows:
- 5. Upon a violation of any of the provisions of this act, an 16 17 aggrieved employee or former employee may, within one year, 18 institute a civil action in a court of competent jurisdiction. Upon the 19 application of any party, a jury trial shall be directed to try the validity 20 of any claim under this act specified in the suit. All remedies available 21 in common law tort actions shall be available to prevailing plaintiffs. These remedies are in addition to any legal or equitable relief provided 22 23 by this act or any other statute. The court [may] shall also order. 24 where appropriate and to the fullest extent possible:
- 25 a. An injunction to restrain [continued] any violation of this act 26 which is continuing at the time that the court issues its order;
- 27 b. The reinstatement of the employee to the same position held 28 before the retaliatory action, or to an equivalent position;
  - c. The reinstatement of full fringe benefits and seniority rights;
- 30 The compensation for <u>all</u> lost wages, benefits and other 31 remuneration; and
- 32 e. The payment by the employer of reasonable costs, and attorney's fees[;]. 33
- 34 [f. Punitive damages; or
- 35 g. An] In addition, the court or jury may order: the assessment of 36 a civil fine of not more than [\$1,000.00] <u>\$10,000</u> for the first violation of the act and not more than [\$5,000.00] \$20,000 for each 37 38 subsequent violation, which shall be paid to the State Treasurer for 39 deposit in the General Fund; punitive damages; or both a civil fine and punitive damages. In determining the amount of punitive damages, the 40 41 court or jury shall consider not only the amount of compensatory 42 damages awarded to the employee, but also the amount of all damages 43 caused to shareholders, investors, clients, patients, customers, 44 employees, former employees, retirees or pensioners of the employer, 45 or to the public or any governmental entity, by the activities, policies or practices of the employer which the employee disclosed, threatened 46

1 to disclose, provided testimony regarding, objected to, or refused to 2 participate in. 3 (cf: P.L.1990, c.12, s.4) 4 5 3. Section 6 of P.L.1995, c.142 (C.2A:15-5.14) is amended to read 6 as follows: 6. a. Before entering judgment for an award of punitive damages, 7 8 the trial judge shall ascertain that the award is reasonable in its amount 9 and justified in the circumstances of the case, in light of the purpose 10 to punish the defendant and to deter that defendant from repeating 11 such conduct. If necessary to satisfy the requirements of this section, the judge may reduce the amount of or eliminate the award of punitive 12 13 damages. 14 b. No defendant shall be liable for punitive damages in any action 15 in an amount in excess of five times the liability of that defendant for compensatory damages or \$350,000, whichever is greater. 16 c. The provisions of subsection b. of this section shall not apply to 17 causes of action brought pursuant to P.L.1993, c.137 (C.2A:53A-21 18 19 et seq.), P.L.1945, c.169 (C.10:5-1 et seq.), P.L.1989, c.303 (C.26:5C-5 et seq.), [or] P.L.1992, c.109 (C.2A:61B-1) or P.L.1986, 20 21 c.105, (C.34:19-1 et seq.), or in cases in which a defendant has been 22 convicted pursuant to R.S.39:4-50 or section 2 of P.L.1981, c.512 23 (C.39:4-50.4a). 24 (cf: P.L.1995, c.142, s.6) 25 4. This act shall take effect immediately. 26 27 28 29 **STATEMENT** 

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This bill enhances the scope and strengthens the enforcement provisions of the "Conscientious Employee Protection Act" (CEPA) P.L.1986, c.105 (C.34:19-1 et seq.), with special emphasis on protecting any employee who discloses to a supervisor or a public body, or refuses to participate in, any deception or misrepresentation which may defraud shareholders, investors, clients, patients, customers, employees, former employees, retirees or pensioners of the employer, or governmental entities.

The bill expressly includes, among the fraudulent or criminal employer actions which an employee may disclose and refuse to participate in, any activity, policy, or practice of deception or misrepresentation which the employee reasonably believes may defraud any of the employer's shareholders, investors, clients, patients, customers, employees, former employees, retirees or pensioners, or any governmental entity.

The bill requires, rather than permits, that the remedies ordered by 46

- 1 a court in a civil action for a violation of the act include, to the fullest
- 2 extent possible, all of the following:

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- 3 1. An injunction against any continuing violation of the act;
- 4 2. Reinstatement of the employee to the same, or comparable,
- 5 employment with full fringe benefits and seniority rights;
  - 3. Compensation for all lost remuneration; and
- 7 4. Payment of reasonable costs and lawyers fees.
- 8 As is currently the case under CEPA, the court may also order civil
- 9 fines and punitive damages. The bill amends that law to raise the
- 10 maximum civil fine for a first violation from \$1,000 to \$10,000 and for
- subsequent violations from \$5,000 to \$20,000, and to direct the court,
- when determining the amount of any punitive damages to be ordered,
- 13 to consider not only the amount of compensatory damages awarded to
- 14 the employee, but also the amount of damage caused by employer
- 15 actions to shareholders, investors, clients, patients, customers,
- 16 employees, former employees, retirees or pensioners of the employer,
- 17 or to governmental entities or the public. Finally, the bill exempts
- 18 punitive damages awarded under CEPA from the maximum limit set
- 19 by the "Punitive Damages Act," P.L.1995, c.142 (C.2A:15-5.9 et
- 20 seq.), which is the greater of \$350,000 or five times the awarded
- 21 compensatory damages.
- This bill is intended to enhance the scope and strengthens the
- 23 enforcement provisions of the CEPA, and is not intended to diminish,
- 24 reduce or curtail the rights or remedies available to employees under
- 25 that act in any way.

# ASSEMBLY STATE GOVERNMENT COMMITTEE

## STATEMENT TO

# **SENATE, No. 1886**

# STATE OF NEW JERSEY

DATED: JANUARY 5, 2006

The Assembly State Government Committee reports favorably Senate, No. 1886.

This bill enhances the scope and strengthens the enforcement provisions of the "Conscientious Employee Protection Act" (CEPA) P.L.1986, c.105 (C.34:19-1 et seq.), with special emphasis on protecting any employee who discloses to a supervisor or a public body, or refuses to participate in, any deception or misrepresentation which may defraud shareholders, investors, clients, patients, customers, employees, former employees, retirees or pensioners of the employer, or governmental entities.

The bill expressly includes, among the fraudulent or criminal employer actions which an employee may disclose and refuse to participate in, any activity, policy, or practice of deception or misrepresentation which the employee reasonably believes may defraud any of the employer's shareholders, investors, clients, patients, customers, employees, former employees, retirees or pensioners, or any governmental entity.

The bill requires, rather than permits, that the remedies ordered by a court in a civil action for a violation of the act include, to the fullest extent possible, all of the following:

- 1. An injunction against any continuing violation of the act;
- 2. Reinstatement of the employee to the same, or comparable, employment with full fringe benefits and seniority rights;
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As is currently the case under CEPA, the court may also order civil fines and punitive damages. The bill amends that law to raise the maximum civil fine for a first violation from \$1,000 to \$10,000 and for subsequent violations from \$5,000 to \$20,000, and to direct the court, when determining the amount of any punitive damages to be ordered, to consider not only the amount of compensatory damages awarded to the employee, but also the amount of damage caused by employer actions to shareholders, investors, clients, patients, customers, employees, former employees, retirees or pensioners of the employer, or to governmental entities or the public. Finally, the bill exempts punitive damages awarded under CEPA from the maximum limit set by the "Punitive Damages Act," P.L.1995, c.142 (C.2A:15-5.9 et seq.),

which is the greater of \$350,000 or five times the awarded compensatory damages.

The bill states that the court must order, to the fullest extent possible, an injunction against continuing violations, reinstatement to employment, compensation for lost pay and costs of the case, but only where appropriate. The bill thus takes into consideration that not all of these measures are always applicable, as, for example, in a case where the employer retaliation did not include a termination of employment.

This bill is intended to enhance the scope and strengthens the enforcement provisions of the CEPA, and is not intended to diminish, reduce or curtail the rights or remedies available to employees under that act in any way.

Senate, No. 1886 is the same as Assembly, No. 764 of 2004.

# SENATE LABOR COMMITTEE

## STATEMENT TO

# **SENATE, No. 1886**

# STATE OF NEW JERSEY

DATED: OCTOBER 14, 2004

The Senate Labor Committee reports favorably Senate Bill No. 1886.

This bill enhances the scope and strengthens the enforcement provisions of the "Conscientious Employee Protection Act" (CEPA) P.L.1986, c.105 (C.34:19-1 et seq.), with special emphasis on protecting any employee who discloses to a supervisor or a public body, or refuses to participate in, any deception or misrepresentation which may defraud shareholders, investors, clients, patients, customers, employees, former employees, retirees or pensioners of the employer, or governmental entities.

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seq.), which is the greater of \$350,000 or five times the awarded compensatory damages.

The bill states that the court must order, to the fullest extent possible, an injunction against continuing violations, reinstatement to employment, compensation for lost pay and costs of the case, but only where appropriate. The bill thus takes into consideration that not all of these measures are always applicable, as, for example, in a case where the employer retaliation did not include a termination of employment.

This bill is intended to enhance the scope and strengthens the enforcement provisions of the CEPA, and is not intended to diminish, reduce or curtail the rights or remedies available to employees under that act in any way.

# ASSEMBLY, No. 764

# STATE OF NEW JERSEY 211th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2004 SESSION

Sponsored by:
Assemblyman NEIL M. COHEN
District 20 (Union)
Assemblyman HERBERT CONAWAY, JR.
District 7 (Burlington and Camden)

**Co-Sponsored by:** 

Assemblywoman Greenstein and Assemblyman Eagler

## **SYNOPSIS**

Enhances rights and remedies of employees who disclose or refuse to participate in fraudulent employer practices.

#### **CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



AN ACT concerning the rights and remedies of employees who disclose or refuse to participate in certain fraudulent practices of employers, and amending P.L.1986, c.105 and P.L.1995, c.142.

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

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- 8 1. Section 3 of P.L.1986, c.105, (C.34:19-3) is amended to read as 9 follows:
  - 3. An employer shall not take any retaliatory action against an employee because the employee does any of the following:
  - a. Discloses, or threatens to disclose to a supervisor or to a public body an activity, policy or practice of the employer, or another employer, with whom there is a business relationship, that the employee reasonably believes:
  - (1) is in violation of a law, or a rule or regulation promulgated pursuant to law, including any violation involving deception of, or misrepresentation to, any shareholder, investor, client, patient, customer, employee, former employee, retiree or pensioner of the employer or any governmental entity, or, in the case of an employee who is a licensed or certified health care professional, reasonably believes constitutes improper quality of patient care; or
  - (2) is fraudulent or criminal, including any activity, policy or practice of deception or misrepresentation which the employee reasonably believes may defraud any shareholder, investor, client, patient, customer, employee, former employee, retiree or pensioner of the employer or any governmental entity;
- 28 b. Provides information to, or testifies before, any public body 29 conducting an investigation, hearing or inquiry into any violation of 30 law, or a rule or regulation promulgated pursuant to law by the 31 employer or another employer, with whom there is a business 32 relationship, including any violation involving deception of, or misrepresentation to, any shareholder, investor, client, patient, 33 34 customer, employee, former employee, retiree or pensioner of the 35 employer or any governmental entity, or, in the case of an employee who is a licensed or certified health care professional, provides 36 37 information to, or testifies before, any public body conducting an investigation, hearing or inquiry into the quality of patient care; or 38
  - c. Objects to, or refuses to participate in any activity, policy or practice which the employee reasonably believes:
- 41 (1) is in violation of a law, or a rule or regulation promulgated 42 pursuant to law, including any violation involving deception of, or 43 misrepresentation to, any shareholder, investor, client, patient,

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

- customer, employee, former employee, retiree or pensioner of the employer or any governmental entity, or, if the employee is a licensed or certified health care professional, constitutes improper quality of patient care;
- 5 (2) is fraudulent or criminal, including any activity, policy or 6 practice of deception or misrepresentation which the employee 7 reasonably believes may defraud any shareholder, investor, client, 8 patient, customer, employee, former employee, retiree or pensioner of 9 the employer or any governmental entity; or
- 10 (3) is incompatible with a clear mandate of public policy 11 concerning the public health, safety or welfare or protection of the 12 environment.
- 13 (cf. P.L.1997, c.98, s.2)

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- 2. Section 5 of P.L.1986, c.105, (C.34:19-5) is amended to read as follows:
- 17 5. Upon a violation of any of the provisions of this act, an aggrieved employee or former employee may, within one year, 18 19 institute a civil action in a court of competent jurisdiction. Upon the 20 application of any party, a jury trial shall be directed to try the validity 21 of any claim under this act specified in the suit. All remedies available 22 in common law tort actions shall be available to prevailing plaintiffs. 23 These remedies are in addition to any legal or equitable relief provided 24 by this act or any other statute. The court [may] shall also order. 25 where appropriate and to the fullest extent possible:
- a. An injunction to restrain any [continued] violation of this act which is continuing at the time that the court issues its order;
- b. The reinstatement of the employee to the same position held before the retaliatory action, or to an equivalent position;
- c. The reinstatement of full fringe benefits and seniority rights;
- 31 d. The compensation for <u>all</u> lost wages, benefits and other 32 remuneration; <u>and</u>
- e. The payment by the employer of reasonable costs, and attorney's fees[;].
- 35 [f. Punitive damages; or 36 g. An] In addition, the court or jury may order: the assessment of a civil fine of not more than [\$1,000.00] \$10,000 for the first 37 violation of the act and not more than [\$5,000.00] \$20,000 for each 38 39 subsequent violation, which shall be paid to the State Treasurer for deposit in the General Fund; punitive damages; or both a civil fine and 40 41 punitive damages. In determining the amount of punitive damages, the 42 court or jury shall consider not only the amount of compensatory 43 damages awarded to the employee, but also the amount of all damages caused to shareholders, investors, clients, patients, customers, 44 45 employees, former employees, retirees or pensioners of the employer, or to the public or any governmental entity, by the activities, policies 46

#### A764 COHEN, CONAWAY

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1 or practices of the employer which the employee disclosed, threatened 2 to disclose, provided testimony regarding, objected to, or refused to 3 participate in. 4 (cf: P.L.1990, c.12, s.4) 5 6 3. Section 6 of P.L.1995, c.142 (C.2A:15-5.14) is amended to read 7 as follows: 8 6. a. Before entering judgment for an award of punitive damages, 9 the trial judge shall ascertain that the award is reasonable in its amount 10 and justified in the circumstances of the case, in light of the purpose 11 to punish the defendant and to deter that defendant from repeating 12 such conduct. If necessary to satisfy the requirements of this section, 13 the judge may reduce the amount of or eliminate the award of punitive 14 damages. 15 b. No defendant shall be liable for punitive damages in any action in an amount in excess of five times the liability of that defendant for 16 compensatory damages or \$350,000, whichever is greater. 17 18 c. The provisions of subsection b. of this section shall not apply to 19 causes of action brought pursuant to P.L.1993, c.137 (C.2A:53A-21 20 et seq.), P.L.1945, c.169 (C.10:5-1 et seq.), P.L.1989, c.303 21 (C.26:5C-5 et seq.), [or] P.L.1992, c.109 (C.2A:61B-1) or P.L.1986, 22 c.105, (C.34:19-1 et seq.), or in cases in which a defendant has been 23 convicted pursuant to R.S.39:4-50 or section 2 of P.L.1981, c.512 24 (C.39:4-50.4a). (cf: P.L.1995, c.142, s.6) 25 26 27 4. This act shall take effect immediately. 28 29 30 **STATEMENT** 31 32 This bill enhances the scope and strengthens the enforcement 33 provisions of the "Conscientious Employee Protection Act" (CEPA) 34 P.L.1986, c.105 (C.34:19-1 et seq.), with special emphasis on 35 protecting any employee who discloses to a supervisor or a public 36 body, or refuses to participate in, any deception or misrepresentation 37 which may defraud shareholders, investors, clients, patients, 38 customers, employees, former employees, retirees or pensioners of the 39 employer, or governmental entities. 40 The bill expressly includes, among the fraudulent or criminal 41 employer actions which an employee may disclose and refuse to 42 participate in, any activity, policy, or practice of deception or 43 misrepresentation which the employee reasonably believes may defraud 44 any of the employer's shareholders, investors, clients, patients,

customers, employees, former employees, retirees or pensioners, or

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any governmental entity.

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- The bill requires, rather than permits, that the remedies ordered by a court in a civil action for a violation of the act include, to the fullest extent possible, all of the following:
- 4 1. An injunction against any continuing violation of the act;
- 5 2. Reinstatement of the employee to the same, or comparable, 6 employment with full fringe benefits and seniority rights;
- 7 3. Compensation for all lost remuneration; and
- 8 4. Payment of reasonable costs and lawyers fees.
- 9 As is currently the case under CEPA, the court may also order civil 10 fines and punitive damages. The bill amends that law to raise the maximum civil fine for a first violation from \$1,000 to \$10,000 and for 11 subsequent violations from \$5,000 to \$20,000, and to direct the court, 12 13 when determining the amount of any punitive damages to be ordered, 14 to consider not only the amount of compensatory damages awarded to 15 the employee, but also the amount of damage caused by employer actions to shareholders, investors, clients, patients, customers, 16 employees, former employees, retirees or pensioners of the employer, 17 or to governmental entities or the public. Finally, the bill exempts 18 19 punitive damages awarded under CEPA from the maximum limit set 20 by the "Punitive Damages Act," P.L.1995, c.142 (C.2A:15-5.9 et 21 seq.), which is the greater of \$350,000 or five times the awarded
- This bill is intended to enhance the scope and strengthens the enforcement provisions of the CEPA, and is not intended to diminish,
- 25 reduce or curtail the rights or remedies available to employees under
- 26 that act in any way.

compensatory damages.

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# ASSEMBLY STATE GOVERNMENT COMMITTEE

## STATEMENT TO

# ASSEMBLY, No. 764

# STATE OF NEW JERSEY

DATED: JANUARY 5, 2006

The Assembly State Government Committee reports favorably Assembly, No. 764.

This bill enhances the scope and strengthens the enforcement provisions of the "Conscientious Employee Protection Act" (CEPA) P.L.1986, c.105 (C.34:19-1 et seq.), with special emphasis on protecting any employee who discloses to a supervisor or a public body, or refuses to participate in, any deception or misrepresentation which may defraud shareholders, investors, clients, patients, customers, employees, former employees, retirees or pensioners of the employer, or governmental entities.

The bill expressly includes, among the fraudulent or criminal employer actions which an employee may disclose and refuse to participate in, any activity, policy, or practice of deception or misrepresentation which the employee reasonably believes may defraud any of the employer's shareholders, investors, clients, patients, customers, employees, former employees, retirees or pensioners, or any governmental entity.

The bill requires, rather than permits, that the remedies ordered by a court in a civil action for a violation of the act include, to the fullest extent possible, all of the following:

- 1. An injunction against any continuing violation of the act;
- 2. Reinstatement of the employee to the same, or comparable, employment with full fringe benefits and seniority rights;
  - 3. Compensation for all lost remuneration; and
  - 4. Payment of reasonable costs and lawyers fees.

As is currently the case under CEPA, the court may also order civil fines and punitive damages. The bill amends that law to raise the maximum civil fine for a first violation from \$1,000 to \$10,000 and for subsequent violations from \$5,000 to \$20,000, and to direct the court, when determining the amount of any punitive damages to be ordered, to consider not only the amount of compensatory damages awarded to the employee, but also the amount of damage caused by employer actions to shareholders, investors, clients, patients, customers, employees, former employees, retirees or pensioners of the employer, or to governmental entities or the public. Finally, the bill exempts punitive damages awarded under CEPA from the maximum limit set by the "Punitive Damages Act," P.L.1995, c.142 (C.2A:15-5.9 et

seq.), which is the greater of \$350,000 or five times the awarded compensatory damages.

The bill states that the court must order, to the fullest extent possible, an injunction against continuing violations, reinstatement to employment, compensation for lost pay and costs of the case, but only where appropriate. The bill thus takes into consideration that not all of these measures are always applicable, as, for example, in a case where the employer retaliation did not include a termination of employment.

This bill is intended to enhance the scope and strengthens the enforcement provisions of the CEPA, and is not intended to diminish, reduce or curtail the rights or remedies available to employees under that act in any way.

Assembly, No. 764 is the same as Senate, No. 1886 of 2004.

This bill was prefiled for introduction in the 2004-2005 session pending technical review. As reported, the bill includes the changes required by technical review which has been performed.