

[Corrected Copy]

SENATE, No. 1188

STATE OF NEW JERSEY

211th LEGISLATURE

INTRODUCED FEBRUARY 24, 2004

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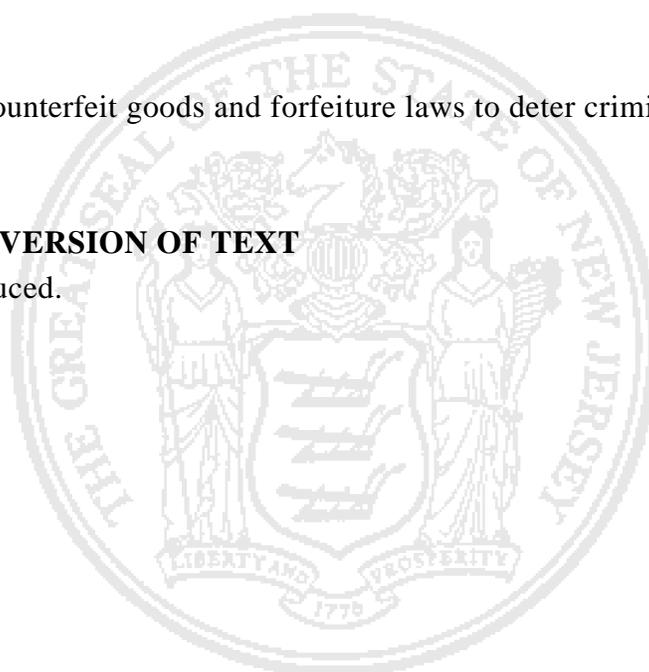
Senators Sacco, Rice, Sarlo and Cunningham

SYNOPSIS

Revises counterfeit goods and forfeiture laws to deter criminal street gang activities.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/22/2004)

1 AN ACT concerning the enforcement of trademark violations and the
2 forfeiture of counterfeit goods and other contraband, and amending
3 and supplementing P.L.1987, c.454 and amending N.J.S.2C:64-1.
4

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

7
8 1. (New section) a. In addition to any civil action brought
9 pursuant to subsection a. of section 2 of P.L.1987, c.454 (C.56:3-
10 13.16) or any criminal prosecution brought for violation of N.J.S.
11 2C:21-21, N.J.S.2C:21-32 or any other criminal law, or any forfeiture
12 proceeding brought pursuant to N.J.S. 2C:64-1 et seq., if the Attorney
13 General determines that the sale or other distribution of goods or
14 services related to the conduct specified in paragraphs (1) or (2) of
15 subsection a. of section 2 of P.L.1987, c.454 (C.56:3-13.16) poses a
16 threat to the health, safety or welfare of any member of the public, the
17 Attorney General may institute a civil action to enforce any or all of
18 the remedies provided in subsection d. or e. of this section against any
19 person who engages in the conduct specified in paragraphs (1) and (2)
20 of subsection a. of section 2 of P.L.1987, c.454 (C.56:3-13.16).

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

25 (2) The Attorney General may institute an action under subsection
26 a. of this section without regard to whether the owner or the designee
27 of the owner of the mark has brought a civil action pursuant to
28 subsection a. of section 2 of P.L.1987, c.454 (C.56:3-13.16); however,
29 a civil action brought by an owner or designee of an owner of the mark
30 pursuant to subsection a. of section 2 of P.L.1987, c.454 (C.56:3-
31 13.16) may be joined with an action brought by the Attorney General
32 pursuant to subsection a. of this section, and the Attorney General also
33 may seek to enforce the remedies provided in subsection d. or e. of
34 this section by intervening in a pending civil action brought by an
35 owner or designee of an owner of the mark pursuant to subsection a.
36 of section 2 of P.L.1987, c.454 (C.56:3-13.16).

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

40 d. (1) In an action brought pursuant to subsection a. of this
41 section, the court may grant temporary restraining orders and
42 injunctions, as may be deemed just and reasonable by the court, to
43 prevent any conduct specified in paragraphs (1) and (2) of subsection

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 underlined thus is new matter.

1 a. of section 2 of P.L.1987, c.454 (C.56:3-13.16).

2 (2) Upon proof, by a preponderance of the evidence, of a
3 defendant's violation of subsection a. of this section, the court shall
4 order that any reproduction, counterfeit, copy or imitation in the
5 possession or under the control of any defendant in the case be
6 disposed of or destroyed in accordance with the provisions of section
7 3 of P.L.1987, c.454 (C.56:3-13.17), and the defendant shall also be
8 liable to the State for the costs of the suit, including reasonable
9 attorney's fees, costs of investigation and litigation.

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

19 (1) Spurious marks;

20 (2) The means of making the spurious marks;

21 (3) Articles in the defendant's possession bearing the spurious
22 marks, or on or in connection with which the spurious marks are
23 intended to be used;

24 (4) Business records documenting the manufacture, purchase or
25 sale of counterfeit marks.

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

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

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

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

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

1 from which they are to be seized.

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

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

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

13

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

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

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

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

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

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

45 (2) If the Attorney General determines that the sale or distribution
46 of goods or services related to the conduct specified in paragraphs (1)

1 or (2) of subsection a. of this section poses a threat to the health,
2 safety or welfare of any member of the public, the Attorney General
3 may intervene in a pending civil action filed by the owner or designee
4 of the owner of a mark pursuant to subsection a. of this section in
5 order to enforce the remedies provided in subsection d. or e. of section
6 1 of P.L. , c. (C.)(now pending before the Legislature as this
7 bill).

8 d. In an action brought pursuant to subsection a. of this section,
9 the court may grant temporary restraining orders and injunctions, as
10 may be deemed just and reasonable by the court, to prevent any
11 conduct described in paragraphs (1) and (2) of subsection a. of this
12 section, and may require the defendants to pay to the [plaintiff]
13 owner or designee of the owner all profits derived from or all damages
14 suffered by reason of such conduct, or both. The court may also order
15 that any reproduction, counterfeit, copy or imitation in the possession
16 or under the control of any defendant in the case be disposed of or
17 destroyed in accordance with the provisions of section 3 of P.L.1987,
18 c.454 (C.56:3-13.17). The court, in its discretion, may enter judgment
19 for an amount not to exceed three times the profits or damages and
20 may also award reasonable attorneys' fees and costs of suit to the
21 prevailing party in cases where the court finds the other party
22 committed the wrongful acts with knowledge or in bad faith or if the
23 court finds the other party's conduct so egregious as to justify such an
24 award. In assessing defendant's profits, plaintiff shall be required to
25 prove defendant's sales only; defendant must prove all elements of cost
26 or deduction claimed therefrom. In an action in which the Attorney
27 General successfully intervenes in order to enforce the remedies
28 provided in subsection d. or e. of section 1 of P.L. , c. (C.)(now
29 pending before the Legislature as this bill), the defendant also shall be
30 liable to the State for the costs of the suit, including reasonable
31 attorney's fees, costs of investigation and litigation.

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

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

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

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

11 (1) Spurious marks;

12 (2) The means of making the spurious marks;

13 (3) Articles in the defendant's possession bearing the spurious
14 marks, or on or in connection with which the spurious marks are
15 intended to be used;

16 (4) Business records documenting the manufacture, purchase or
17 sale of counterfeit marks.

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

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

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

29 (2) Provides security in an amount as the court deems adequate for
30 the payment of damages as any person may suffer as a result of a
31 wrongful seizure or wrongful attempted seizure of his property under
32 subsection h. of this section. These damages shall include but not be
33 limited to lost profits, the cost of materials, and loss of good will. In
34 any case in which it is shown that the applicant caused the seizure
35 without adequate evidence that the goods or materials were
36 counterfeit, damages shall include reasonable attorney's fees.

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

41 j. No order for an ex parte seizure under subsection h. of this
42 section shall be issued unless the court finds that a temporary
43 restraining order on notice to the defendant or an ex parte temporary
44 restraining order would be inadequate to protect the applicant's
45 interest. In particular, no court shall issue an order for an ex parte
46 seizure under subsection h. of this section unless it clearly appears

1 from specific facts offered under oath or affirmation that:

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

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

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

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

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

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

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

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

36 (cf: P.L.1995, c.171, s.10)

37

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

39 2C:64-1. Property Subject to Forfeiture.

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

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

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

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

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

14 b. Any article subject to forfeiture under this chapter may be seized
15 by the State or any law enforcement officer as evidence pending a
16 criminal prosecution pursuant to section 2C:64-4 or, when no criminal
17 proceeding is instituted, upon process issued by any court of
18 competent jurisdiction over the property, except that seizure without
19 such process may be made when not inconsistent with the Constitution
20 of this State or the United States, and when

21 (1) The article is prima facie contraband; or,

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

24 c. For the purposes of this section:

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

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

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

35 (cf: P.L.1992, c.23, s.70)

36
37 4. This act shall take effect immediately.
38
39

40 STATEMENT
41

42 This bill enhances the power of the Attorney General to enforce
43 civil remedies related to trademark violations, including the authority
44 to seize and destroy counterfeit or "knock-off" clothing and other
45 goods.

46 Under the bill, the Attorney General would have the ability to

1 initiate civil forfeiture proceedings under State trademark law, or join
2 in proceedings brought by the holder of a registered trademark. These
3 changes also would assist the State in combating illegal audio and
4 video pirating activities.

5 In addition, the bill amends the State's forfeiture law (N.J.S.2C:64-
6 1 et seq.) to designate as "prima facie" contraband items bearing a
7 counterfeit mark as well as unlawful sound recording and audiovisual
8 works. The prima facie designation would allow seizure of these
9 goods without prior court order, but only in those instances when
10 police have probable cause to relate the goods to criminal activity and
11 are subject to later judicial review.

12 While these new powers should facilitate the ability of law
13 enforcement to compel the forfeiture of counterfeit goods and provide
14 a mechanism to leverage sellers, like street merchants, to assist in
15 locating, and ultimately prosecuting, the manufacturers and importers
16 of these counterfeit goods, their real significance may be as a tool to
17 combat criminal street gangs.

18 Licensed team and designer merchandise, such as baseball caps and
19 "tee" shirts, are being manufactured in colors associated with street
20 gangs. In most instances, these gang colors are different from the
21 official licensed team colors. For example, a team's "tee" shirts may
22 be manufactured not in the team's official colors, but rather in black
23 and orange, the colors of the Latin Kings gang. These goods typically
24 are not lawfully licensed and are produced illegally and sold on the
25 streets or at flea markets. Wearing such apparel may endanger the
26 purchaser, particularly if that person does not know the possible gang
27 significance and unwittingly happens to be wearing the shirt when
28 passing through a rival gang's territory.