

Counterfeit Trademarks or Service Marks—Civil Actions—Other Penalties—N.J. Stat. Ann. §§ 56:3-13.1, -13.16 to -13.19 (West 1989).

A trademark is a word, name, symbol, or device used to identify and distinguish goods made or sold by a person from those made or sold by others.¹ A counterfeit mark is a spurious mark that is indistinguishable from a genuine mark registered with the United States Patent and Trademark Office or with the New Jersey Secretary of State and is used or intended to be used on goods for which the genuine mark is used.² The New Jersey Legislature enacted this legislation to amend existing statutes to broaden both the penalties for those who traffic in counterfeit trademarks and the remedies available to those harmed by the counterfeiting.³

The Act allows the owner of a registered trademark to bring a civil action against any person who injures his business or property through the trafficking of a counterfeit trademark with the intent to deceive or defraud another person.⁴ A factor used to determine whether there is an intent to deceive or defraud is the likelihood that the goods with the counterfeit trademark will be mistaken for the goods with the genuine mark.⁵ This intent must be proved by a preponderance of the evidence.⁶

If the plaintiff is successful in proving a violation of the statute, he is entitled to recover the greater of his damages or the defendant's profits, which amount will be trebled, and reasonable costs including attorney's and investigator's fees.⁷ In determining the defendant's profits, plaintiff need only prove the defendant's sales. The defendant must then prove any costs or deductions which would decrease plaintiff's recovery.⁸ If the defendant prevails in the action and can demonstrate by a preponderance of the evidence that the action was commenced in bad

¹ N.J. STAT. ANN. § 56:3-13.1(A) (West 1989). The Act also applies to service marks used in the sale or advertising of services to identify and distinguish them from the services of others. *Id.* § 56:3-13.1(B).

² *Id.* § 56:3-13.1(H).

³ Committee Statement to A.2696.

⁴ N.J. STAT. ANN. § 56:3-13.16(a) (West 1989).

⁵ *Id.*

⁶ *Id.* § 56:3-13.16(c).

⁷ *Id.* § 56:3-13.16(d).

⁸ *Id.*

faith, he is entitled to recover the costs of litigation, including attorney's fees.⁹

The court may issue orders to prevent and restrain trafficking in counterfeit marks, including an order to seize the counterfeit goods as well as spurious marks, the materials for fabricating the marks, items the defendant possesses which display the spurious marks, and any business records relating to the production, sale or purchase of the counterfeited marks.¹⁰ The orders may be issued with notice to the defendant or may be issued *ex parte*.¹¹

Business records obtained through an *ex parte* seizure order will be placed in the court's custody and the plaintiff will be prohibited from seeing the record unless an appropriate protective order with notice to the defendant is issued.¹² In order to obtain an *ex parte* seizure order, the plaintiff must submit an affidavit enunciating specific facts necessitating the order and provide adequate security for the payment of any damages a person may suffer due to a wrongful seizure or attempted seizure of property.¹³ The order, and any papers supporting the order, will be placed under seal by the court until the party whose goods are to be seized is afforded an opportunity to contest the order.¹⁴

The court must determine that an *ex parte* temporary restraining order or a temporary restraining order with notice to the defendant would fail to adequately protect the plaintiff's interest before it will issue an *ex parte* seizure order.¹⁵ Specifically, the court must find that, based upon the facts given under oath, the counterfeit goods or any counterfeit materials are located in a specific place described in the plaintiff's affidavit. Secondly, the court must also find that immediate and irreparable injury, loss, or damage to the goods or materials will be suffered by the plaintiff if not seized through an *ex parte* order, either due to the likelihood of noncompliance by the defendant by making the goods or materials inaccessible through destruction, transfer, or hiding,

⁹ *Id.* § 56:3-13.16(g).

¹⁰ *Id.* § 56:3-13.16(h).

¹¹ *Id.*

¹² *Id.*

¹³ *Id.* § 56:3-13.16(i).

¹⁴ *Id.*

¹⁵ *Id.* § 56:3-13.16(j).

or that the defendant will attempt to frustrate the proceedings.¹⁶ Finally, the plaintiff must make no publication of the requested seizure and cannot do so until the defendant whose goods are seized has the opportunity to contest the seizure order.¹⁷

The order for seizure must describe the goods or materials to be seized, the place where they will be found, and the amount of security the plaintiff has provided.¹⁸

If the court finds that a mark is counterfeit, it may compel the elimination of all marks, means of fabricating the marks, and all items bearing the marks possessed by the court or a party to the action.¹⁹ The court may also order for the disposal of the materials to the plaintiff, a charitable institution, the state, or any other private person.²⁰

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¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.* § 56:3-13.16(k).

¹⁹ *Id.* § 56:3-13.17.

²⁰ *Id.*