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Article 46

Other Remedies

In order to create an effective deterrent to infringement, the judicial authorities shall have the authority to order that goods that they have found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder, or, unless this would be contrary to existing constitutional requirements, destroyed. The judicial authorities shall also have the authority to order that materials and implements the predominant use of which has been in the creation of the infringing goods be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements. In considering such requests, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account. In regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce.

1.2 General

1. In *China – Intellectual Property Rights*, the Panel resolved the ambiguity surrounding the meaning of the term "such requests" in the third sentence of Article 46 by examining the records of the negotiation of the TRIPS Agreement:

"The third sentence of Article 46 refers to 'such requests' although the previous sentences do not refer expressly to any requests. The content of the third sentence clearly relates to materials and implements as addressed in the second sentence but it could equally relate to infringing goods as addressed in the first sentence. The text is ambiguous on this point. This ambiguity can be resolved by reference to the records of the negotiation of the TRIPS Agreement.

...

Accordingly, the records of the negotiation of the TRIPS Agreement clarify that the terms of Article 46 in the third sentence refer *inter alia* to the consideration of requests for orders that infringing goods be disposed of outside the channels of commerce or destroyed."¹

2. In *China – Intellectual Property Rights*, the Panel made the following observations with respect to the scope of the fourth sentence of Article 46, which only applies to remedies with respect to a specific category of infringing goods, i.e. counterfeit trademark goods:

"The fourth sentence refers to a category of infringing goods, i.e. counterfeit trademark goods. It does not refer expressly to authority to order destruction or disposal outside the channels of commerce. However, the context shows that the principle of proportionality in the previous sentence guides the competent authorities' choice between the remedies specified in the first sentence and any alternative remedies. Similarly, the fourth sentence of Article 46 sets out a consideration that the authorities must take into account when choosing between the required remedies,

¹ Panel Report, *China – Intellectual Property Rights*, paras. 7.260 and 7.262.

namely those specified in the first sentence, and release into the channels of commerce, if such an order is available. The fourth sentence attaches to the scope of authority to choose between destruction or disposal outside the channels of commerce and release into the channels of commerce, if that remedy is available. Therefore, the fourth sentence of Article 46 seems pertinent to Article 59."²

3. In *China – Intellectual Property Rights*, the Panel considered that the remedies set out in the first sentence of Article 46 are not exhaustive:

"The first sentence of Article 46 provides, basically, that authorities shall have the authority to order that goods be disposed of *outside* the channels of commerce *or* destroyed. At the same time, the fourth sentence of Article 46 relates to release *into* the channels of commerce which does not correspond to either of the remedies required by the first sentence. This is an express recognition that the remedies set out in the first sentence of Article 46 are not exhaustive."³

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² Panel Report, *China – Intellectual Property Rights*, para. 7.263.

³ Panel Report, *China – Intellectual Property Rights*, para. 7.240.