



### **Matter No S409/2011**

1. *The demurrer by the plaintiff to the defence of the defendant be overruled.*
2. *Judgment be entered in the action for the defendant.*
3. *The plaintiff pay the defendant's costs in this action, including the demurrer.*

### **Matter No S389/2011**

*The questions reserved on 28 February 2012 for determination by the Full Court under s 18 of the Judiciary Act 1903 (Cth) be answered as follows:*

#### *Question 1*

*Apart from s 15 of the Tobacco Plain Packaging Act 2011 (Cth), would all or some of the provisions of the Tobacco Plain Packaging Act 2011 (Cth) result in an acquisition of any, and if so what, property of the plaintiffs or any of them otherwise than on just terms, of a kind to which s 51(xxxi) of the Constitution applies?*

*Answer*

*No.*

#### *Question 2*

*Does the resolution of Question 1 require the judicial determination of any and if so what disputed facts following a trial?*

*Answer*

*No.*

#### *Question 3*

*If the answer to Question 1 is "yes" are all or some, and if so which, provisions of the Tobacco Plain Packaging Act 2011 (Cth) in whole or in*

*part beyond the legislative competence of the Parliament by reason of s 51(xxxi) of the Constitution?*

*Answer*

*Does not arise.*

*Question 4*

*Are all or some, and if so which, provisions of the Tobacco Plain Packaging Act 2011 (Cth) in whole or in part beyond the legislative competence of the Parliament by reason of the matters raised in pars 10-12 of the statement of claim?*

*Answer*

*No.*

*Question 5*

*What order should be made in relation to costs of the questions reserved?*

*Answer*

*The plaintiffs pay the defendant's costs.*

## **Representation**

G Griffith QC with G A Hill and C O H Parkinson for the plaintiff in S409/2011 (instructed by Johnson Winter & Slattery)

A J Myers QC with M F Wheelahan SC, N J Owens and M J O'Meara for the plaintiffs in S389/2011 (instructed by Corrs Chambers Westgarth Lawyers)

S J Gageler SC, Solicitor-General of the Commonwealth with R Merkel QC, S B Lloyd SC, J K Kirk SC, A M Mitchelmore and J S Cooke for the defendant in both matters (instructed by Australian Government Solicitor)

## **Interveners**

W Sofronoff QC, Solicitor-General of the State of Queensland with G J D del Villar intervening on behalf of the Attorney-General of the State of Queensland in both matters (instructed by Crown Law (Qld))

M P Grant QC, Solicitor-General for the Northern Territory with R H Bruxner intervening on behalf of the Attorney-General for the Northern Territory in both matters (instructed by Solicitor-General for the Northern Territory)

P J F Garrison, Solicitor-General for the Australian Capital Territory with M A Perry QC intervening on behalf of the Attorney-General for the Australian Capital Territory in both matters (instructed by ACT Government Solicitor)

A C Archibald QC with C P Young intervening on behalf of Philip Morris Limited in S389/2011 (instructed by Allens Arthur Robinson)

B W Walker SC with C L Lenehan intervening on behalf of Van Nelle Tabak Nederland BV and Imperial Tobacco Australia Limited in S389/2011 (instructed by King & Wood Mallesons)

Notice: This copy of the Court's Reasons for Judgment is subject to formal revision prior to publication in the Commonwealth Law Reports.

## **CATCHWORDS**

### **JT International SA v Commonwealth of Australia British American Tobacco Australasia Limited v The Commonwealth**

Constitutional law (Cth) – Legislative power – Section 51(xxxi) – Acquisition of property on just terms – Plaintiffs hold registered and unregistered trade marks and other intellectual property rights in relation to tobacco product packaging – *Tobacco Plain Packaging Act* 2011 (Cth) regulates appearance of tobacco product packaging and use of trade marks on such packaging – Whether plaintiffs' intellectual property rights, goodwill and rights to determine appearance of tobacco products constitute "property" for purposes of s 51(xxxi) – Whether Act effects an acquisition of plaintiffs' property otherwise than on just terms.

Words and phrases – "acquisition of property", "intellectual property", "just terms", "trade marks".

Constitution, s 51(xxxi).

*Tobacco Plain Packaging Act* 2011 (Cth), ss 15, 18-27, 30-48.

Competition and Consumer (Tobacco) Information Standard 2011 (Cth), ss 1.5, 3.1, 4.1, 9.13, 9.19-19.20.

Tobacco Plain Packaging Regulations 2011 (Cth), Divs 2.1-2.4, 3.1.

FRENCH CJ.

### Introduction

The *Tobacco Plain Packaging Act 2011* (Cth) ("the TPP Act") imposes significant restrictions upon the colour, shape and finish of retail packaging for tobacco products. It prohibits the use of trade marks on such packaging, other than as permitted by the TPP Act, which allows the use of a brand, business or company name for the relevant tobacco product. Pre-existing regulatory requirements for health messages and graphic warnings remain in place and include, under a recent Information Standard, a requirement for the inclusion of the Quitline logo of the Victorian Anti-Cancer Council and a telephone number for the Quitline service.

In two proceedings which were heard by this Court in April this year, the plaintiffs, tobacco companies JT International SA ("JTI") and members of the British America Tobacco Group ("BAT") argued that, subject to a reading down provision, the TPP Act effected an acquisition of their intellectual property rights and goodwill on other than just terms, contrary to s 51(xxxi) of the Constitution.

On 15 August 2012 the Court made orders reflecting the rejection of the plaintiffs' contentions, by majority, on the basis that there had been no acquisition of the plaintiffs' property within the meaning of s 51(xxxi) of the Constitution. I publish my reasons for joining in those orders.

### The TPP Act

The TPP Act regulates the retail packaging and appearance of tobacco products. The Act is superimposed upon pre-existing regulatory requirements for health warnings and safety and information standards applied to tobacco products and their packaging. Its stated objectives include the improvement of public health by discouraging people from taking up smoking, encouraging people to give up smoking, discouraging people from relapsing if they have given it up, and reducing people's exposure to smoke from tobacco products.

Substantive requirements for the physical features, colours and finish of retail packaging are imposed by ss 18 and 19 of the TPP Act and by the Tobacco Plain Packaging Regulations 2011 (Cth) ("the TPP

Regulations") made under that Act. Embellishments on cigarette packs and cartons are proscribed. Packs and cartons are to be rectangular, have only a matt finish, and bear on their surfaces the colour prescribed by the TPP Regulations. Absent regulation, the colour of the package must be a drab dark brown. The use of trade marks on retail packaging of tobacco products is prohibited other than as permitted by s 20(3) which provides:

"The following may appear on the retail packaging of tobacco products:

- (a) the brand, business or company name for the tobacco products, and any variant name for the tobacco products;
- (b) the relevant legislative requirements;
- (c) any other trade mark or mark permitted by the regulations."

Section 26 imposes a similar conditional prohibition on the use of trade marks on tobacco products. The term "relevant legislative requirement" in s 20(3)(b) includes a health warning required by the Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations 2004 (Cth) ("the TPCPI Regulations") or a safety or information standard made or declared under the *Competition and Consumer Act 2010* (Cth) ("the CCA").

Brand, business, company and variant names for tobacco products which appear on retail packaging must comply with the TPP Regulations. They must not obscure any "relevant legislative requirement" or appear other than once on any of the front, top and bottom outer surfaces of the pack.

The relevant prescriptive provisions of the TPP Act, ss 18 to 27, are declared by s 27A to have "no legal effect other than to specify requirements, and provide for regulations specifying requirements, for the purposes of the definition of *tobacco product requirement*". The term "tobacco product requirement" is a defined term which relevantly means a requirement specified in Pt 2 of Ch 2 or in the TPP Regulations made under that Part.

The registrability of trade marks and designs whose use is subject to constraints imposed by the TPP Act and the TPP Regulations is not to be prejudiced by those constraints. Neither the TPP Act nor the TPP Regulations deprive a trade mark of registrability for non-use, or because the use of the trade mark in relation to tobacco products would be contrary to law. Neither the TPP Act nor the circumstance that a person

cannot use a trade mark in relation to the retail packaging of tobacco products or on tobacco products is a circumstance making it reasonable or appropriate to refuse or revoke registration of the trade mark, to revoke acceptance of an application for registration, or to register the trade mark subject to conditions or limitations. There is a somewhat less elaborate protection for registered designs under the *Designs Act 2003* (Cth).

It is an object of the TPP Act to give effect to obligations that Australia has as a party to the Convention on Tobacco Control. The Act thereby relies upon the power of the Commonwealth Parliament to make laws with respect to external affairs. Part 3 of Ch 1 of the TPP Act entitled "Constitutional provisions" provides for the Act's additional operation in reliance upon the corporations power, the trade and commerce power, and the Territories' power. Section 15(1) provides for the non-application of the TPP Act to the extent (if any) that its operation would result in an acquisition of property from a person otherwise than on just terms. Section 15(2) provides that if, apart from s 15, the TPP Act would result in such an acquisition of property because it would prevent the use of a trade mark or other sign on or in relation to retail packaging of tobacco products, the trade mark or sign may be so used. The validity of that subsection was challenged by BAT. It is sufficient to say that I agree with Gummow J that the challenge fails, s 15(2) being a valid severability provision akin to s 15A of the *Acts Interpretation Act 1901* (Cth).

Chapter 3 of the TPP Act creates offences and provides for civil penalties. A summary of its terms appears in the judgment of Gummow J.

### The TPP Regulations

The TPP Regulations specify physical features of retail packaging of tobacco products, including their dimensions, their colour and finish, and the permitted use of trade marks or marks. The only permitted marks are origin marks, calibration marks, a measurement mark and trade description, a bar code, a fire risk statement, a locally made product statement and a name and address. Division 2.4 provides for the appearance of names on retail packaging of cigarettes, and Div 2.5 for marks and tear strips on wrappers. Part 3 relates to the requirements for the appearance of tobacco products.

The Tobacco Plain Packaging Amendment Regulation 2012 (No 1) (Cth) ("Amendment Regulations") provides that retail packaging of tobacco products may include an adhesive label bearing a health warning that complies with either the TPCPI Regulations or the Competition and Consumer (Tobacco) Information Standard 2011 ("the

Tobacco Information Standard").

### The Tobacco Information Standard

The Tobacco Information Standard was made pursuant to the CCA. It came into partial effect on 1 January 2012 and will apply to all tobacco products on and after 1 December 2012. Apart from the health warnings which it mandates, it will require the "Quitline" logo which consists of the registered trade mark, in respect of health education services, of the Anti-Cancer Council of Victoria comprising the word "Quitline" and the Quitline telephone number to overlay most graphics.

### Pre-existing health warnings

The placement of health warnings on cigarette packets is mandated by the TPCPI Regulations. Those Regulations were made under the *Trade Practices Act 1974* (Cth), which has been replaced by the CCA. They predated the enactment of the TPP Act. Indeed such warnings have been required since the 1970s.

The TPCPI Regulations provide for "a system of warnings, explanatory messages and graphic images to increase consumer knowledge of health effects relating to smoking, to encourage the cessation of smoking and to discourage uptake or relapse." A package in which tobacco is sold at retail ("a retail package") and which is manufactured in Australia, or imported into Australia, must be labelled in accordance with Pt 3 or Pt 4 of the TPCPI Regulations. Warning and explanatory messages and photographs and their layouts are prescribed. The CCA also provides for safety standards and information standards required of tobacco products.

The TPCPI Regulations and the safety and information standards made or declared under the CCA prevail to the extent of any inconsistency with the TPP Act. That paramountcy does not change the legal effect of those regulations and standards. It does no more than preclude any operation of the TPP Act which is inconsistent with them.

### The JTI proceedings

By a writ of summons and statement of claim filed in this Court on 15 December 2011 naming the Commonwealth of Australia as defendant, JTI sought a declaration, relying upon s 15 of the TPP Act, that the TPP Act does not apply and has no operation in its application to trade marks and get-up used on tobacco products sold by JTI. In the alternative, JTI sought a declaration that the TPP Act is invalid in its application to the

trade marks and the get-up.

It was not in dispute that JTI is the registered owner or exclusive licensee of registered trade marks which it is entitled to use in the retail packaging and appearance of the Camel brand of cigarettes and the Old Holborn brand of handrolling tobacco ("the tobacco products") currently sold in Australia. JTI said that, until the commencement of ss 17-27A and ss 30-48 of the TPP Act, it would have the right to determine the appearance of these tobacco products and the form and appearance of at least 70 per cent of the front and at least 10 per cent of the back of the packaging of the tobacco products.

JTI alleged that its tobacco products used distinctive trade dress and get-up, including arrangements of words, colours, designs, logos, lettering and markings which distinguish them from other tobacco products. It claimed to have rights of use of this "Get-up" capable of being enforced by an action for passing off or for misleading or deceptive conduct.

JTI asserted that its rights in the trade marks and their get-up are "property" for the purposes of s 51(xxxi) of the Constitution. It claimed that the provisions of the TPP Act constituted an acquisition of its property otherwise than on just terms and, but for s 15, would be wholly invalid and of no effect.

The Commonwealth admitted that the trade mark was property but denied that characterisation with respect to the get-up and rights said to be associated with it. It pleaded that both the trade mark rights and the get-up rights were, in any event, susceptible to regulation including, in particular, under Commonwealth laws of the kind in the TPP Act. The Commonwealth denied that any of the matters alleged in JTI's statement of claim established that the TPP Act effected or would effect an acquisition of property otherwise than on just terms to which s 51(xxxi) applied.

The Commonwealth pleaded that the consumption of JTI's tobacco products and the tobacco products of other manufacturers, importers and distributors is harmful to the public and to the public interest. The Commonwealth also asserted the existence of "a rational and/or cogent basis" for concluding that the plain packaging of tobacco products would reduce their appeal to members of the public and increase the effectiveness of health warnings on the retail packaging of the products. It was also asserted that such packaging would also reduce the ability of the retail packaging of tobacco products to mislead

members of the public about the harmful effects of smoking.

### The JTI demurrer

In its reply to the defence, JTI demurred on the following grounds:

1. Its trade marks and the get-up constitute "property" within s 51(xxxi) of the Constitution.
2. The TPP Act would, apart from s 15, result in an acquisition of that property within s 51(xxxi) of the Constitution.
3. That acquisition would be otherwise than on just terms.
4. Factual matters alleged in various parts of the defence were irrelevant to the constitutional validity of the TPP Act.

JTI sought judgment by way of declaration if the demurrer were upheld. In the event that the demurrer were overruled, it sought to have the matter remitted for trial and further orders.

### The BAT proceedings

BAT commenced proceedings against the Commonwealth by a writ of summons issued out of this Court on 1 December 2011. They claimed a declaration that the TPP Act would not apply to their tobacco products and packaging and, alternatively, a declaration that the TPP Act is invalid.

In its statement of claim, BAT identified a number of categories of property rights which may be paraphrased as follows:

- (a) Registered and unregistered trade marks which it is entitled to use for tobacco products and the packaging of tobacco products in Australia and to authorise others to carry out such acts.
- (b) Copyright in artistic and literary works which it is entitled to reproduce for tobacco products and the packaging of tobacco products.
- (c) Distinctive trade dress and get-up for tobacco products which use the trade marks and/or reproduce the copyright works.
- (d) Substantial reputation and goodwill arising from the use in Australia by British American Tobacco Australia Ltd of the trade marks, the copyright works and/or the get-up in conjunction with

tobacco products and the packaging of tobacco products.

- (e) A design registered under the *Designs Act 2003* (Cth).
- (f) Two patents registered pursuant to the *Patents Act 1990* (Cth).
- (g) Packaging rights:
  - (i) to manufacture, import, sell and use tobacco products and packaging of tobacco products in such shape or design as BAT may choose; and
  - (ii) to print or to use on the tobacco products and packaging of tobacco products such trade marks or copyright works or designs or patents or messaging as BAT might choose.
- (h) Goodwill attaching to the exploitation in Australia of the packaging rights.
- (i) Intellectual property licence rights held by British American Tobacco Australia Ltd in relation to the use of the trade marks in Australia, reproduction and publication of the copyright works, use of the get-up, and to manufacture and sell packaging embodying the design and/or exploiting one of the patents.

The registered trade marks took the form of words, package get-up and colour used in relation to the Winfield brand of cigarettes. The unregistered marks were of the same kind. The literary and artistic works were embodied in the text and colour of Winfield cigarette packs. The registered design related to the features of shape and configuration of a ribbed pack for cigarettes. The patents related to inventions claimed for the way in which cigarettes are sealed within a pack and the provision of increased internal surface area which could be utilised for printing information or graphics.

BAT alleged that the provisions of the TPP Act would, but for the operation of s 15 of that Act result in an acquisition of BAT's property comprising the trade marks, the copyright works, the get-up, the licensing goodwill, the design, the patents, the packaging rights, the packaging goodwill and the intellectual property licence rights otherwise than on just terms. It thereby alleged that, by reason of s 15, the provisions of the TPP Act do not apply to and have no operation with respect to BAT's tobacco products and packaging of tobacco products. In the alternative, BAT asserted that the TPP Act is invalid as conferring legislative power on the judicial branch of government by reason of the

fact that the extent to which conduct is rendered criminal by the TPP Act is determined by the extent to which s 51(xxxi) of the Constitution would, but for s 15 of the TPP Act, be engaged. It further alleged that the TPP Act is invalid because it does not provide for a rule of conduct or a declaration as to power, right or duty and also because its purported enactment thereby did not involve an exercise of the power to make "laws" conferred by the Constitution upon the Commonwealth Parliament.

### The reserved questions

On 27 February 2012, Gummow J reserved questions in the BAT proceedings under s 18 of the *Judiciary Act* 1903 (Cth) for consideration by the Full Court. The questions were:

- "(1) Apart from s 15 of the TPP Act, would all or some of the provisions of the TPP Act result in an acquisition of any, and if so what, property of the plaintiffs or any of them otherwise than on just terms, of a kind to which s 51(xxxi) of the Constitution applies?
- (2) Does the resolution of question (1) require the judicial determination of any and if so what disputed facts following a trial?
- (3) If the answer to question (1) is "yes" are all or some, and if so which, provisions of the TPP Act in whole or in part beyond the legislative competence of the Parliament by reason of s 51(xxxi) of the Constitution?
- (4) Are all or some, and if so which, provisions of the TPP Act in whole or in part beyond the legislative competence of the Parliament by reason of the matters raised in paragraphs 10-12 of the statement of claim?
- (5) What order should be made in relation to costs of the Questions Reserved?"

### The affected rights

JTI and BAT contended that the TPP Act would effect an acquisition of their property on other than just terms contrary to the guarantee provided by s 51(xxxi) of the Constitution. The categories of property rights said to be affected appear from the pleadings. In the case of JTI, they are its registered trade marks and get-up. In the case of BAT,

they are its registered and unregistered trade marks, copyright, get-up, licensing goodwill, design, patents, packaging rights, packaging goodwill and intellectual property licensing rights.

Section 51(xxxi) confers upon the Commonwealth Parliament the power to make laws with respect to:

"[t]he acquisition of property on just terms from any State or person for any purpose in respect of which the Parliament has power to make laws".

It uses the term "property" which appears in a number of places in the Constitution. As used in s 51(xxxi) it has long been construed broadly by this Court. It extends to property rights created by statute although the terms of such statutes and the nature of the property rights which they create require examination to determine whether and to what extent that property attracts the protection of s 51(xxxi). As the plurality cautioned in *Attorney-General (NT) v Chaffey*, further analysis is imperative where the asserted "property" has no existence apart from statute.

There are and always have been purposive elements reflecting public policy considerations which inform the statutory creation of intellectual property rights. The public policy dimensions of trade mark legislation and the contending interests which such dimensions accommodate were referred to in *Campomar Sociedad, Limitada v Nike International Ltd*. The observation in that case that Australian trade marks law has "manifested from time to time a varying accommodation of commercial and the consuming public's interests" has application with varying degrees of intensity to other intellectual property rights created by statute. Intellectual property laws create property rights. They are also instrumental in character. As Peter Drahos wrote in 1996, their proper interpretation does not depend upon "diffuse moral notions about the need to protect pre-legal expectations based on the exercise of labour and the creation of value." The statutory purpose, reflected in the character of such rights and in the conditions informing their creation, may be relevant to the question whether and in what circumstances restriction or regulation of their enjoyment by a law of the Commonwealth amounts to acquisition of property for the purposes of s 51(xxxi) of the Constitution. That is not to say that such rights are, on account of their instrumental character, inherently susceptible to variation and, on that account, not within the protection of s 51(xxxi). In *Chaffey* the plurality said:

"a law reducing the content of subsisting statutory exclusive rights, such as those of copyright and patent owners, would attract

the operation of s 51(xxxi)." (footnote omitted)

On the other hand, that statement is not to be taken as support for the proposition that the extinguishment or restriction of a statutory exclusive right, without more, would constitute an acquisition for the purpose of s 51(xxxi). That statement was made in a context of a rejection of the broad proposition that the statutory extinguishment of statutory rights is excluded from the scope of s 51(xxxi). The question whether there has been an acquisition of all or any of the plaintiffs' asserted property rights directs attention to their source and nature and the consequences of the restrictions imposed by the TPP Act upon their use or enjoyment. The property said to have been the subject of acquisition under the TPP Act comprises a mixture of statutory and associated or derivative non-statutory rights. It is useful to make brief generic reference to them.

At common law, the property interest associated with a trade mark was derived from the goodwill of the business which used it. However, the rights conferred by successive Commonwealth statutes on the holders of registered trade marks have always been "a species of property of the person whom the statute describes as its registered proprietor". Those rights are the exclusive rights to use the trade mark and to authorise other persons to use the trade mark in relation to the goods and/or services in respect of which the trade mark is registered. They are capable of assignment and transmission and attract equities which "may be enforced in the like manner as in respect of any other personal property." Their existence is conditioned upon satisfaction of requirements for registration. They can cease to exist by operation of statutory mechanisms such as rectification, removal from the register, or failure to renew. As pointed out in the 5th edition of *Shanahan's Australian Law of Trade Marks and Passing Off*:

"the property in a statutory trade mark is not permanent."

Registered designs are a species of personal property, capable of assignment and transmission by operation of law. The registered owner of a registered design has a number of exclusive rights relating to the making, importation, sale and use of products embodying the design and the right to authorise another to do any of those things. The rationale for the statutory protection of registered designs has been variously stated. Professor Ricketson observed in 1984:

"The principal object of the registered designs system is to give protection, through the grant of a monopoly right, to the visual form of articles which are commercially mass-produced. Concern with questions of design and appearances has had a long history,

as it has been seen for many hundreds of years that good design is an integral part of the manufacture and marketing of all kinds of useful articles."

The *Patents Act* 1990 (Cth) provides that a patent gives the patentee the exclusive rights, during the term of the patent, to exploit the invention and to authorise another person to exploit the invention. Those exclusive rights are "personal property and are capable of assignment and of devolution by law." The origin of patents for inventions can be traced back to the Statute of Monopolies of 1623, declaring all monopolies void, subject to the exception in s 6 of that Statute that:

"any letters patents and grants of privilege for the ... making of any manner of new manufactures within this realm, to the true and first inventor and inventors of such manufactures, which others at the time of making such letters patents and grants shall not use".

That provision still forms part of the definition of "patentable invention" in the *Patents Act* 1990 (Cth). Its purpose was succinctly stated by Cornish, Llewellyn and Aplin:

"the terms of the section make it plain that an act of economic policy was intended: the objectives were the encouragement of industry, employment and growth, rather than justice to the 'inventor' for his intellectual percipience."

Copyright is defined by reference to exclusive rights of, inter alia, reproduction and publication of works and subject matter other than works. It is classified in the *Copyright Act* as "personal property" which is transmissible by "assignment, by will and by devolution by operation of law."

Registered trade marks, designs, patents and copyright in works and other subject matter give rise to, or constitute, exclusive rights which are property to which s 51(xxxi) of the Constitution can apply. They are all rights which are created by statute in order to serve public purposes. They differ in their histories, their character and the statutory schemes which make provision for them. It is important in that context to bear in mind the adoption by this Court in *Campomar* of the statement by Dixon J in *Victoria Park Racing and Recreation Grounds Co Ltd v Taylor* that:

"the exclusive right to invention, trade marks, designs, trade name and reputation are dealt with in English law as special heads of

protected interests and not under a wide generalisation."

It is a common feature of the statutory rights asserted in these proceedings that they are negative in character. As Laddie, Prescott and Vitoria observed:

"Intellectual property is ... a purely negative right, and this concept is very important. Thus, if someone owns the copyright in a film he can stop others from showing it in public but it does not in the least follow that he has the positive right to show it himself."

In *Pacific Film Laboratories Pty Ltd v Federal Commissioner of Taxation*, Windeyer J spoke of the essential nature of a copyright:

"It is not a right in an existing physical thing. It is a negative right, as it has been called, a power to prevent the making of a physical thing by copying."

To similar effect, in relation to patents, was the observation of Lord Herschell LC in *Steers v Rogers*, quoted with approval by the plurality in *The Grain Pool of Western Australia v The Commonwealth*:

"The truth is that letters patent do not give the patentee any right to use the invention — they do not confer upon him a right to manufacture according to his invention. That is a right which he would have equally effectually if there were no letters patent at all; only in that case all the world would equally have the right. What the letters patent confer is the right to exclude others from manufacturing in a particular way, and using a particular invention."

The Commonwealth submitted that the property rights associated with the registered trade marks, design, patents and copyright asserted by JTI and BAT involve "a statutory assurance of exclusive use, not a positive right or authority to use." On that basis the imposition of restrictions on their use would take nothing away from the rights granted. Therefore, it was submitted, no property had been taken by the TPP Act. BAT stigmatised that argument as formalistic, observing that rights of exclusion are of the essence of all proprietary rights. Plainly, not all property rights are defined only by rights of exclusion. In law the term "property" generally refers to "a legal relationship with a thing" and in many cases is helpfully described as "a bundle of rights". However, BAT correctly submitted that rights to exclude others from using property

have no substance if all use of the property is prohibited.

The Commonwealth's submission points to a characteristic of the plaintiffs' asserted rights which may be relevant in determining, inter alia, whether or not they can be said to have been the subject of acquisition in terms of any benefit that could be said to have accrued to the Commonwealth. That consideration does not involve an acceptance of the proposition that rights were not taken in the sense that JTI and BAT were deprived of their ability to enjoy the fruits of their statutory monopolies.

BAT complained of acquisition of its goodwill. The concept of goodwill as property, and its characterisation as property or a proprietary right, arise in different contexts, discussed at length in the joint judgment in *Federal Commissioner of Taxation v Murry*. As their Honours pointed out:

"Goodwill is correctly identified as property, therefore, because it is the legal right or privilege to conduct a business in substantially the same manner and by substantially the same means that have attracted custom to it." (footnote omitted)

Goodwill is derived from the use of the assets and other elements or attributes of a business. It may have different aspects or components corresponding to its sources. Goodwill derived from the use of a trade mark, registered or unregistered, or from a particular get-up, may be protected by an action for passing off. Lockhart J observed in *Conagra Inc v McCain Foods (Aust) Pty Ltd*:

"It is now beyond argument that the plaintiff's right which the law of passing off protects is a proprietary right in the goodwill or reputation of his business likely to be injured by the defendant's conduct."

That cause of action serves the purpose, which is its "underlying rationale", of preventing commercial dishonesty.

It has rightly been said that "[t]here is no 'property' in the accepted sense of the word in a get-up". The rights associated with a particular get-up, which may also be viewed as a species of common law trade mark, are the rights to protect goodwill by passing off actions or the statutory cause of action for misleading or deceptive conduct where another has made unauthorised use of the get-up in a way which satisfies the relevant criteria for liability. The get-up rights asserted by JTI and BAT and the other non-statutory rights are, like their statutory

equivalents, exclusive rights which are negative in character and support protective actions against the invasion of goodwill.

### Whether there is an acquisition of property

Section 51(xxxi) embodies a constitutional guarantee of just terms "and is to be given the liberal construction appropriate to such a constitutional provision." Broad constructions of "property" and "acquisition" were linked by Dixon J in the *Bank Nationalisation case*. Section 51(xxxi) was said to extend to "innominate and anomalous interests" and to include "the assumption and indefinite continuance of exclusive possession and control for the purpose of the Commonwealth of any subject of property." There is, however, an important distinction between a taking of property and its acquisition.

Taking involves deprivation of property seen from the perspective of its owner. Acquisition involves receipt of something seen from the perspective of the acquirer. Acquisition is therefore not made out by mere extinguishment of rights. In an observation quoted and approved by the majority in *Australian Tape Manufacturers Association Ltd v The Commonwealth*, Mason J said in the *Tasmanian Dam case*:

"To bring the constitutional provision into play it is not enough that legislation adversely affects or terminates a pre-existing right that an owner enjoys in relation to his property; there must be an acquisition whereby the Commonwealth or another acquires an interest in property, however slight or insubstantial it may be."

Importantly, the interest or benefit accruing to the Commonwealth or another person must be proprietary in character. On no view can it be said that the Commonwealth as a polity or by any authority or instrumentality, has acquired any benefit of a proprietary character by reason of the operation of the TPP Act on the plaintiffs' property rights. In this respect I agree with the reasons of Gummow J and the reasons of Hayne and Bell JJ.

It may also be observed that the negative character of the plaintiffs' property rights leaves something of a logical gap between the restrictions on their enjoyment and the accrual of any benefit to the Commonwealth or any other person. Unlike the *Newcrest case*, there is no expansion in rights, interests, or benefits accruing to the Commonwealth that corresponds to or bears any relationship to the restrictions imposed on the use of the plaintiffs' intellectual property rights. The fact that the restrictions and prohibitions imposed by the TPP Act create the "space" for the application of Commonwealth regulatory

requirements as to the textual and graphical content of tobacco product packages does not constitute such an accrual. Rather, it reflects a serious judgment that the public purposes to be advanced and the public benefits to be derived from the regulatory scheme outweigh those public purposes and public benefits which underpin the statutory intellectual property rights and the common law rights enjoyed by the plaintiffs. The scheme does that without effecting an acquisition.

In summary, the TPP Act is part of a legislative scheme which places controls on the way in which tobacco products can be marketed. While the imposition of those controls may be said to constitute a taking in the sense that the plaintiffs' enjoyment of their intellectual property rights and related rights is restricted, the corresponding imposition of controls on the packaging and presentation of tobacco products does not involve the accrual of a benefit of a proprietary character to the Commonwealth which would constitute an acquisition. That conclusion is fatal to the case of both JTI and BAT.

### Conclusion

For these reasons, I joined in the orders made by the Court on 15 August 2012.

GUMMOW J. These cases in the original jurisdiction of the Court present challenges by the plaintiffs to the validity of the *Tobacco Plain Packaging Act 2011* (Cth) ("the Packaging Act"). The plaintiffs invoke the restraint upon legislative power found in s 51(xxxi) of the Constitution. For the reasons which follow the challenges should fail and I joined in the orders pronounced on 15 August 2012.

That failure illustrates the propositions that s 51(xxxi) gives protection against acquisition of property without just terms but "not to the general commercial and economic position occupied by traders" and that to treat this commercial and economic position as if it had a distinct proprietary character would be to repeat what in *Truax v Corrigan* Holmes J identified in a similar context as the fallacy of "delusive exactness". His Honour said:

"Delusive exactness is a source of fallacy throughout the law. By calling a business 'property' you make it seem like land, and lead up to the conclusion that a statute cannot substantially cut down the advantages of ownership existing before the statute was passed. An established business no doubt may have pecuniary value and commonly is protected by law against various unjustified injuries. But you cannot give it definiteness of

contour by calling it a thing."

### Previous federal legislation

Tobacco advertising is controlled by the *Tobacco Advertising Prohibition Act* 1992 (Cth), but s 9(2) thereof provides that words, signs or symbols that appear on a tobacco product or its packaging do not constitute a tobacco advertisement.

However, the Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations 2004 ("the 2004 Regulations"), made under the *Trade Practices Act* 1974 (Cth), require that a prescribed graphic health warning must cover at least thirty percent of the front surface of tobacco packaging and ninety percent of the back surface.

In respect of tobacco products to be supplied after 30 November 2012, the Competition and Consumer (Tobacco) Information Standard 2011 ("the 2011 Regulations"), made under the *Competition and Consumer Act* 2010 (Cth), will require that a prescribed graphic health warning must cover at least seventy-five percent of the front of the packet, and at least ninety percent of the back outer surface.

The prescribed health warnings include an invitation to call the "Quitline" service; the "Quitline" logo with the number "13 7848" is the registered trade mark, in respect of health educational services, of the Anti-Cancer Council of Victoria.

Section 10 of the Packaging Act provides that the 2004 Regulations and the 2011 Regulations prevail to the extent of any inconsistency with the Packaging Act.

No challenge is made in these proceedings to the validity of the 2004 Regulations or the 2011 Regulations. What primarily is at stake is the utilisation of the remaining space on the front of tobacco packages for the display of trade marks and product get-up without the restraints imposed by the Packaging Act.

### The parties

In matter No S409 of 2011 ("the JTI Matter") the plaintiff, JT International SA ("JTI"), is incorporated in Switzerland. JTI is the registered owner of one trade mark and exclusive licensee of four trade marks, all registered under the *Trade Marks Act* 1995 (Cth) ("the TMA"). The registrations are in respect of tobacco products falling within class 34 of the international trade mark classification.

Registered trade marks numbers 339477 and 348139 have respective priority dates in 1979 and in 1980. The earlier registration comprises "Camel" in fancy script and the latter "Camel" in plain script. Registered trade marks numbers 1276704 and 1351189 have later priority dates respectively in 2008 and 2010. The first of these trade marks uses the representation of "Camel" in fancy script, the subject of the 1979 registration, together with additional graphic material including a desert scene with a camel, palm trees and a pyramid. The most recent registration is a drawing of a camel in silhouette.

JTI is exclusive licensee of these four trade marks. JTI is registered owner of the remaining registration, number 1007693, which has a priority date in 2004, and comprises the words "Old Holborn" displayed upon what appears to be fancy packaging in the shape of a tobacco pouch. Tobacco products are distributed and sold in Australia in packaging featuring the registered trade marks and the brand names "Camel" and "Old Holborn".

In the second matter, No S389 of 2011 ("the BAT Matter"), the first plaintiff, British American Tobacco Australasia Limited ("BAT Australasia"), is a trading corporation, incorporated under the *Corporations Act* 2001 (Cth) ("the Corporations Act"); the second plaintiff, British American Tobacco (Investments) Limited ("BAT Investments"), is incorporated under the laws of England and Wales; the third plaintiff, British American Tobacco Australia Limited ("BATA"), is a wholly owned subsidiary of BAT Australasia and is a trading corporation, incorporated under the Corporations Act. BATA carries on the business of manufacturing or importing and of marketing, selling, distributing and displaying packets of cigarettes under the "Winfield" brand and the "Dunhill" brand. Since July 2010 BATA has sold in Australia hundreds of millions of packets of Winfield cigarettes and tens of millions of packets of Dunhill cigarettes.

BAT Australasia is the registered owner under the TMA of trade marks numbers 270845, 752287, 917043 and 1326870 ("the BAT Trade Marks"). All feature the brand name "Winfield" with additional material and are registered in class 34. The registration of the second and third of these trade marks bears endorsements as to colour. The trade marks were first registered respectively in 1973, 1998, 2002 and 2009.

The BAT Matter also involves other species of intellectual property. It is accepted by the Commonwealth that BAT Australasia is the owner of original artistic works pursuant to the *Copyright Act* 1968 (Cth) ("the Copyright Act") comprising the material (excluding health warnings) on the packaging for the products marketed as "Winfield

Optimum Night", "Winfield Blue", "Winfield Red", "Winfield Silver" and "Winfield Gold" ("the BAT Copyrights").

BAT Investments is the owner of registered design number 323481 under the provisions of the *Designs Act 2003* (Cth) ("the Designs Act"). The design ("the BAT Design") is registered with lodgment date of 31 October 2008, in respect of a "ribbed pack". The newness and distinctiveness of the design is said to reside in the features of shape and configuration of a ribbed pack illustrated in the representations accompanying the registration. BAT Investments also is grantee of Patent No 2001258572 under the *Patents Act 1990* (Cth) ("the Patents Act") for an invention titled "Smoking article packaging" ("the BAT Patent") which claims a method of re-sealing the contents in that packaging. The Dunhill branded cigarettes referred to above were sold in packaging which utilised the BAT Patent and applied the BAT Design.

The plaintiffs in both the JTI Matter and the BAT Matter assert common law rights of goodwill in the get-up of their products in addition to their statutory rights.

#### The JTI Matter

JTI complains of the effect upon these trade mark registrations of the Packaging Act and of the Tobacco Plain Packaging Regulations 2011 ("the Packaging Regulations") made under the Packaging Act. JTI contends that the effect is, under pain of offence and civil penalty provisions contained in the Packaging Act, to require the elimination of all distinguishing features of its tobacco packaging and to permit, on the area of packaging remaining after the health warnings, the use only of the brand or business name or variant name (eg "Camel") in small plain font against a background in a drab colour known as Pantone 448C.

JTI seeks declaratory relief that in its application to the JTI registered trade marks the Packaging Act (and thus the Packaging Regulations made thereunder) is invalid. JTI also complains of the effect of the Packaging Act upon what it claims are its common law rights in the get-up of its products. To the defence, in which the Commonwealth pleads that s 51(xxxi) is not engaged with respect to the Packaging Act, JTI pleads and demurs, and its demurrer is set down before the Full Court.

On the hearing of the demurrer there were interventions by Queensland, the Northern Territory and the Australian Capital Territory. Each intervener supported the submissions by the Commonwealth as to the absence of any "acquisition" as required by s 51(xxxi).

## The BAT Matter

By order of a Justice of this Court made on 28 February 2012 questions have been reserved for determination by the Full Court in the BAT Matter pursuant to s 18 of the *Judiciary Act* 1903 (Cth). The effect of Qu (1) is to ask whether all or some of the provisions of the Packaging Act result in an acquisition otherwise than on just terms of the BAT trade marks and the BAT Copyrights, the BAT Design and the BAT Patent, and the common law rights of BAT Australasia and of BATA. Question (2) asks whether the resolution of Qu (1) requires the determination at trial of any disputed facts. Question (3) assumes an affirmative answer to Qu (1). Question (4) raises the validity of s 15 of the Packaging Act; the text of s 15 is set out later in these reasons.

There were interventions in the BAT Matter by Philip Morris Ltd ("Philip Morris") and by Van Nelle Tabak Nederland BV and Imperial Tobacco Australia Ltd (together "Van Nelle") in support of the plaintiffs and interventions in support of the Commonwealth by the Northern Territory and the Australian Capital Territory. The demurrer in the JTI Matter and the questions reserved in the BAT Matter were heard consecutively.

It is convenient to begin with some consideration of the relevant intellectual property legislation, beginning with the trade mark legislation.

## The TMA

The issues which are presented in these cases respecting the "taking" and "acquisition" of proprietary interests are to be approached with an appreciation that trade mark legislation, in general, does not confer a "statutory monopoly" in any crude sense. Rather, the legislation represents an accommodation between the interests of traders, in the use of trade marks in developing the goodwill of their businesses and turning this to account by licensing arrangements, and the interests of consumers, in recognising trade marks as a badge of origin of goods or services and avoiding deception or confusion as to that origin.

The term "trade mark" is defined in s 17 of the TMA as a "sign" which is used or intended to be used to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person. A trade mark must be capable of graphic representation (s 40).

The Registrar is obliged by s 68 to register a trade mark which is

accepted for registration and in respect of which there has been no successful opposition. A trade mark may be registered with limitations as to colour, in respect of the whole or part of the trade mark. Examples are the "Winfield" registration numbers 752287 and 917043. To the extent that a trade mark is registered without limitations of the exclusive right of use as to colour, the trade mark is taken to be registered for all colours (s 70).

Section 21 states that a registered trade mark "is personal property" and that equities in respect of it "may be enforced in the same way as equities in respect of any other personal property". It is important to note that a registered trade mark may be assigned or transmitted, with or without the associated goodwill and for all or some only of the goods or services for which it is registered (s 106). From the date of registration (s 20(3)), the registered owner is given by s 20(1) "the *exclusive rights*" (a) to use the trade mark and (b) *to authorise others* to do so, in relation to the goods or services in respect of which the trade mark is registered (emphasis added). Use by an authorised user is taken for the purposes of the Act to be a use by the owner (s 7(3)).

The exclusive right of use in respect of the goods or services for which there is a registration is given effect and extended by the infringement provision in s 120. Under the chapeau "When is a registered trade mark infringed?", s 120 gives three distinct answers. The first appears in sub-s (1), the second in sub-s (2), and the third in sub-ss (3) and (4). Section 120, excluding the appended Notes, reads:

- "(1) A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered.
- (2) A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to:
  - (a) goods of the same description as that of goods (*registered goods*) in respect of which the trade mark is registered; or
  - (b) services that are closely related to registered goods; or
  - (c) services of the same description as that of services (*registered services*) in respect of which the trade

mark is registered; or

- (d) goods that are closely related to registered services.

However, the person is not taken to have infringed the trade mark if the person establishes that using the sign as the person did is not likely to deceive or cause confusion.

- (3) A person infringes a registered trade mark if:
  - (a) the trade mark is well known in Australia; and
  - (b) the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to:
    - (i) goods (*unrelated goods*) that are not of the same description as that of the goods in respect of which the trade mark is registered (*registered goods*) or are not closely related to services in respect of which the trade mark is registered (*registered services*); or
    - (ii) services (*unrelated services*) that are not of the same description as that of the registered services or are not closely related to registered goods; and
  - (c) because the trade mark is well known, the sign would be likely to be taken as indicating a connection between the unrelated goods or services and the registered owner of the trade mark; and
  - (d) for that reason, the interests of the registered owner are likely to be adversely affected.
- (4) In deciding, for the purposes of paragraph (3)(a), whether a trade mark is *well known in Australia*, one must take account of the extent to which the trade mark is known within the relevant sector of the public, whether as a result of the promotion of the trade mark or for any other reason." (emphasis in original)

The remedies for infringement include an injunction and damages or an account of profits (s 126). An authorised user who brings an infringement action must join the registered owner as a defendant

(s 26(2)).

Regulations made under the Act may provide that a specified sign is not to be used as a trade mark or as part of a trade mark; but the regulations may not affect an already registered trade mark (s 18).

A trade mark is subject to removal from the Register for non-use, as provided in Pt 9 (ss 92-105). In particular, s 92(4)(b) specifies a non-use period of three years ending one month before the filing of the application for removal. Part 8, Div 2 (ss 85-90) provides for rectification of the Register by curial order if a ground in s 87 or s 88 is made out. These grounds include the loss of distinctiveness after registration whereby the trade mark becomes the "generic" description or name of an article, substance or service (s 87) and the presence of circumstances at the time of the rectification application which made the use of the trade mark likely to deceive or cause confusion (s 88).

#### Threshold propositions

In oral submissions the Queensland Solicitor-General submitted, essentially with the support of the Commonwealth Solicitor-General, that, (i) absent some prohibitions elsewhere in the common law or in statute, there was at common law a freedom to use any word or device in association with the provision of goods or services, (ii) that common law freedom was not proprietary in nature, (iii) it was this common law freedom of traders, whether the plaintiffs or others, which the Packaging Act restricted, (iv) the "exclusive" rights of a registered owner identified in s 20(1) of the TMA, to use and to authorise use, were directed to the imposition in favour of the registered owner of a duty or obligation upon others, thereby restricting what otherwise was their freedom of use, (v) it was this right to exclude which constituted the personal property in a registered trade mark spoken of in s 21 of the TMA, (vi) the Packaging Act in no way impinged upon the rights of exclusion of others conferred by the TMA upon registered owners.

These propositions may be accepted, but, as will appear, are not decisive of the operation of s 51(xxxi) in the JTI Matter and the BAT Matter.

It also is true, as another threshold proposition, that while the TMA facilitates the exploitation of registered trade marks in trade and commerce, trade mark registration systems ordinarily do not confer a liberty to use the trade mark, free from what may be restraints found in other statutes or in the general law. The point was made with respect to the *Trade Marks Act 1955* (Cth) by Deane J in *New South Wales Dairy*

*Corp v Murray Goulburn Co-op Co Ltd* where he referred to:

"the availability of ordinary criminal or civil procedures to prevent dishonesty, fraud and passing-off and by the fact that registration of a trade mark does not ordinarily constitute a licence for what would otherwise be unlawful conduct: see, eg, *Lyle and Kinahan Ltd's Application*; *Van Zeller v Mason, Cattley & Co*; and note the narrowness of the trade mark exception in s 51(3)(c) of the *Trade Practices Act 1974 (Cth)*".

In particular, the TMA does not immunise the use of a registered trade mark from the law of passing-off. Rather, s 230 makes special provision on the subject. The use of a registered trade mark may be enjoined at the suit of a third party who makes out a case of passing-off; however, damages may not be awarded if the defendant was unaware of the plaintiff's common law rights and had no reasonable means of finding this out when the defendant began its activity and this activity ceased immediately upon the defendant becoming so aware.

But while all these threshold propositions should be accepted, they do not foreclose submissions that there has been a sufficient degeneration of property rights brought about by the Packaging Act to engage s 51(xxxi). Rather, the threshold propositions do not cover the relevant field of property rights.

The rights given to registered trade mark owners to assign their marks with or without goodwill, to license authorised users, and to bring proceedings against other parties for infringement may be of great commercial value. So also the generation of goodwill derived from the distinctiveness of the registered trade mark which flows from its use. It will be necessary shortly to return to these matters.

#### The Copyright Act, the Designs Act and the Patents Act

Much the same may be said of the other items of statutory intellectual property relied upon in the BAT Matter.

Copyright is "personal property" which is transmissible by assignment as provided in the Copyright Act and by will and by devolution by operation of law (s 196). Section 31(1)(b) of the Copyright Act specifies that copyright in relation to an artistic work is the exclusive right "(i) to reproduce the work in a material form; (ii) to publish the work; (iii) to communicate the work to the public". The effect of s 13(2) is that exclusive right includes the authorisation of

another to do the acts specified in s 31(1)(b).

It is an infringement of the copyright in an artistic work, without the licence of the owner of the copyright, to do any of these acts in Australia or to authorise the doing of any of these acts in Australia (s 36(1)).

The Designs Act confers upon the registered owner of a registered design the "exclusive right" during the term of the registration, among other things, to make a product which embodies the design and to use such a product in any way for the purposes of any trade or business, and to authorise any person to engage in those activities (s 10(1)). These exclusive rights are "personal property" which are capable of assignment and devolution by will and by operation of law (s 10(2)). It is an infringement of a registered design, without the licence or authority of the registered owner, to engage in any activity in respect of which exclusive rights are conferred by s 10 (s 71). There are provisions for compulsory licences (s 90) and the revocation of registration after grant of a compulsory licence (s 92).

Section 13(1) of the Patents Act confers upon the patentee the "exclusive rights" to exploit the invention and to authorise that exploitation. These exclusive rights are "personal property" which are capable of assignment and of devolution by law (s 13(2)). The term "exploit" is defined as follows in Sched 1:

***exploit***, in relation to an invention, includes:

- (a) where the invention is a product – make, hire, sell or otherwise dispose of the product, offer to make, sell, hire or otherwise dispose of it, use or import it, or keep it for the purpose of doing any of those things; or
- (b) where the invention is a method or process – use the method or process or do any act mentioned in paragraph (a) in respect of a product resulting from such use."

Chapter 11, Pt 1 (ss 117-123) makes detailed provisions for infringement. Chapter 12 (ss 133-140) provides for compulsory licences and revocation if the reasonable requirements of the public with respect to the invention are not satisfied.

### Conclusions respecting intellectual property legislation

The upshot is that (a) while the Commonwealth and supporting

interveners are correct in their submissions that it would be wrong to approach the issues arising under s 51(xxxi) of the Constitution on the footing that registration under the TMA or the Designs Act, a grant under the Patents Act, or the subsistence of copyright, confers some unconstrained right to exploit those items of intellectual property or an immunity from the operation of regulatory laws, (b) that is not sufficient to dispose of the case presented for the application of s 51(xxxi).

### The Packaging Act

The central provisions of the Packaging Act should now be indicated, with some reference thereafter to provisions thereof which deal with the intersection between that statute and the TMA and the Designs Act.

Chapter 3, Pt 2, Div 1 (ss 31-36) of the Packaging Act creates a range of offences, with attached criminal and civil penalties. These offences include those for selling or supplying "tobacco products" in retail packaging which does not comply with a "tobacco product requirement" (s 31), purchasing such products other than for personal use (s 32), packaging such products for retail sale (s 33), manufacturing non-compliant retail packaging of tobacco products (s 34) and manufacturing tobacco products that are so packaged (s 35). Part 2, Div 2 (ss 37-39) creates offences with attached criminal and civil penalties for selling or supplying "tobacco products" which do not comply with a "tobacco product requirement" (s 37), purchasing such products other than for personal use (s 38), and manufacturing such products (s 39).

While Pt 2 of Ch 3 fixes upon "a person", Pt 3 of Ch 3 fixes upon the activities of "constitutional corporations" but otherwise follows the scheme of the offences in Pt 2.

The term "tobacco product" is defined in s 4(1) so as to include processed tobacco and products of a non-therapeutic nature which are manufactured to be used for smoking, sucking, chewing or snuffing. It includes cigarettes. The expression "tobacco product requirement" is central to the formulation of the offences created by Ch 3. The definition of that expression in s 4(1) refers principally to requirements which are specified in Ch 2, Pt 2 (ss 18-29) or prescribed by the Packaging Regulations, which have been made under Ch 2, Pt 2. Accordingly, I now turn to Ch 2, Pt 2.

Section 18(1)(a) requires the outer surfaces of retail packaging not to have any decorative ridges, embossing, bulges or other irregularities of

shape or texture. This would, it may be accepted, deny the application of the BAT Design. Regulation 2.1.1 of the Packaging Regulations requires that a cigarette pack not contain an opening, other than a flip-top lid, that can be re-closed or re-sealed after the opening is first opened. This, it may be accepted, denies the exploitation of the BAT Patent by the patentee or any licensee, as well as by an infringer.

No "trade mark" and no "mark" may appear anywhere on a "tobacco product" other than as permitted by the Packaging Regulations (s 26). The term "trade mark" is not defined and may be taken as including registered and common law trade marks. On the other hand, "mark" is defined in s 4(1) very widely so as to include "any line, letters, numbers, symbol, graphic or image". With respect to the appearance of trade marks upon retail packaging, the brand, business or company name for the tobacco products and any other trade mark permitted by the Packaging Regulations may appear, but otherwise no trade mark may appear (s 20(1), (3)). No trade mark may appear on any wrapper (which must be plastic or otherwise transparent), other than as permitted by the Packaging Regulations (s 22). In the absence of other colour prescription by the Packaging Regulations, all outer and inner surfaces of the retail packaging of tobacco products, and both sides of any lining of a cigarette pack, must have a matt finish and be "drab dark brown", save for health warnings, requirements of other relevant legislation, and the brand, business or company name for the tobacco product (s 19).

Section 42(b) of the TMA requires rejection of an application if the use of the trade mark "would be contrary to law"; but s 28(2) of the Packaging Act stipulates that for the purposes of s 42(b) of the TMA the Packaging Act does not render the use of a trade mark contrary to law. Further, s 28(3) of the Packaging Act provides that the operation of that statute does not make it reasonable or appropriate not to register a trade mark, to impose conditions or limitations upon registration or to revoke its registration.

Section 29 of the Packaging Act provides that failure to utilise a registered design as a result of complying with the Packaging Act does not provide a basis for a compulsory licence under s 90 of the Designs Act or for revocation under s 92.

Section 15(2) of the Packaging Act is a distinct and important provision. It states that:

"if, apart from this section, this Act would result in [an acquisition of property from a person otherwise than on just terms] because it would prevent the use of a trade mark or other sign on or in

relation to the retail packaging of tobacco products, or on tobacco products, then despite any other provision of this Act, the trade mark or sign may be used on or in relation to the retail packaging of tobacco products, or on tobacco products, subject to any requirements that may be prescribed in the regulations for the purposes of this subsection."

Section 15(3) confirms the continued operation of any tobacco product requirement that does not result in such an acquisition.

The plaintiffs in the BAT Matter challenge the validity of s 15(2). It is undoubtedly accurate to say that the Parliament may not confer upon courts exercising federal jurisdiction a choice as to the content of the law to be applied in adjudicating a "matter", if the result of doing so is that the Parliament has not made a law supported by a head of legislative power. But s 15(2) is not of that character. Section 15(2) is a severability provision of a specific application but of the same genus as that of which s 15A of the *Acts Interpretation Act* 1901 (Cth) is another member. To apply s 15(2) would not be to "read up" the Packaging Act in the impermissible manner discussed in *Pape v Federal Commissioner of Taxation*.

#### The issue on the demurrer and the questions reserved

The issue then posed by the demurrer and the leading questions reserved, in effect, is whether the tobacco product requirements of the Packaging Act do not amount to an "acquisition" of the property of the plaintiffs so that s 15(2) is not engaged. This presents two questions. The first is whether there is a "taking" or "deprivation" of the property of the plaintiffs and, if so, the second question is whether the Packaging Act effects an "acquisition" of property otherwise than on just terms as proscribed by s 51(xxxi) of the Constitution. The distinction between the two questions appears from the pithy statement of Gibbs CJ, Wilson, Brennan, Deane and Dawson JJ to the effect that rights of property may be extinguished without being acquired. The submissions of the plaintiffs, in some instances directly, and in others with more subtlety, sought to displace or diminish the importance of that second question. That attempt was contrary to established authority in this Court.

For the reasons which follow, there is sufficient impairment, at least of the statutory intellectual property of the plaintiffs, to amount to a "taking", but there is no acquisition of any property. The result is the plaintiffs' cases for invalidity fail.

## Section 51(xxxi) of the Constitution and statutory entitlements

In *Wurridjal v The Commonwealth* Crennan J said of s 51(xxxi):

"It can be significant that rights which are diminished by subsequent legislation are statutory entitlements. Where a right which has no existence apart from statute is one that, of its nature, is susceptible to modification, legislation which effects a modification of that right is not necessarily legislation with respect to an acquisition of property within the meaning of s 51(xxxi). It does not follow, however, that all rights which owe their existence to statute are ones which, of their nature, are susceptible to modification, as the contingency of subsequent legislative modification or extinguishment does not automatically remove a statutory right from the scope of s 51(xxxi).

Putting to one side statutory rights which replace existing general law rights, the extent to which a right created by statute may be modified by subsequent legislation without amounting to an acquisition of property under s 51(xxxi) must depend upon the nature of the right created by statute. It may be evident in the express terms of the statute that the right is subject to subsequent statutory variation. It may be clear from the scope of the rights conferred by the statute that what appears to be a new impingement on the rights was in fact always a limitation inherent in those rights. The statutory right may also be a part of a scheme of statutory entitlements which will inevitably require modification over time."

It should be accepted that while the registered trade marks owe their legal character to their registration under the TMA, rather than to the general law, it would be an error to proceed on the footing that because some valuable rights conferred by statute, such as fishing licences and petroleum exploration licences, have been held to fall outside the constitutional criterion of "property", no right sourced in federal law may fall within it.

Such licences as those just mentioned commonly are granted so as to lift a statutory prohibition imposed upon engagement in the activity in question and the grant is expressly made subject to the terms of the statutory regime as they stand from time to time. That is not the case with the various species of "intellectual property" within the description in s 51(xviii) of the Constitution, namely copyrights, patents of inventions and designs and trade marks. It is true that upon grounds specified in the relevant statutes patents and designs may be revoked and

trade mark registrations may be expunged from the register. But even at general law, an estate or interest in land or other property may be defeasible upon the operation of a condition subsequent in the grant, without losing its proprietary nature.

In the end, one cannot gainsay two statements by Windeyer J. The first, in *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd*, is that "although the proposition may involve one's conception of the nature of property, it can hardly be said that a registered trade mark is not a species of property of the person whom the statute describes as its registered [owner], and which it permits him to assign" (emphasis added). The second, in *Pacific Film Laboratories Pty Ltd v Federal Commissioner of Taxation*, is that the essential nature of copyright is "a negative right ... a power to prevent the making of a physical thing by copying" rather than "a right in an existing physical thing". Hence, copyright is "properly called an incorporeal right". Subsequently, in *Australian Tape Manufacturers Association Ltd v The Commonwealth*, Dawson and Toohey JJ said there could be no doubt "that copyright constitutes property within the scope of s 51(xxxi)". The same may be said of patents and registered designs.

It also should be accepted that at general law the goodwill attached to the business of the plaintiff by reason of the exploitation of trade marks and associated get-up answers the description of property. In *Federal Commissioner of Taxation v Murry* it was said in the joint reasons:

"From the viewpoint of the proprietors of a business and subsequent purchasers, goodwill is an asset of the business because it is the valuable right or privilege to use the other assets of the business as a business to produce income. It is the right or privilege to make use of all that constitutes 'the attractive force which brings in custom'<sup>[1]</sup>. Goodwill is correctly identified as property, therefore, because it is the legal right or privilege to conduct a business in substantially the same manner and by substantially the same means that have attracted custom to it. It is a right or privilege that is inseparable from the conduct of the business."

And, as Windeyer J emphasised in *Colbeam Palmer*, protection of property is the foundation in equity of the passing-off action. Further, it is well established that such an action may protect the goodwill derived from slogans and visual images which build up an association with the business of the plaintiff.

However, it should be borne in mind that all these items of

"property" are, as Higgins J put it, "artificial products of society", not "physical objects" the boundaries of each class of which "are fixed by external nature"; more precisely, as Isaacs J emphasised with respect to trade marks, these are not affirmative rights like the property in goods and are not rights "in gross, or in the abstract".

These considerations direct further attention to the identification of those rights which constitute the property in question in these cases. This is an essential first step in the identification of that of which there has been a deprivation or "taking". It is convenient first to say something respecting the position in the United States.

### The Fifth Amendment

Reference was made in the submissions of various parties and interveners to decisions of the United States Supreme Court upon the "taking" clause of the Fifth Amendment.

Both in this provision and in s 51(xxxi) the term "property" is used with respect to the group of rights inhering in ownership and, as the Supreme Court put it, not in any "vulgar and untechnical sense". In this Court, it has been emphasised that "to characterise something as a proprietary right ... is not to say that it has all the indicia of other things called proprietary rights" and that "the protection given to property rights varies with the nature of the right"; this understanding of the general law has influenced the interpretation of s 51(xxxi).

Perhaps it was with this similarity of approach in mind that in 1941 Dixon J said in *Andrews v Howell*:

"The source of s 51(xxxi) is to be found in the fifth amendment of the Constitution of the United States, which qualifies the power of the United States to expropriate property by requiring that it should be done on payment of fair compensation."

However, it has been apparent for some time that with respect to "taking" and "acquisition" some important distinctions are to be observed between the United States and Australian Constitutions. As early as 1944, McTiernan J, after referring to several decisions of the United States Supreme Court, said that the differences between the two constitutional provisions "would suggest a need for caution in the application of the American decisions regarding the power of eminent domain and the safeguards upon its exercise". Nine distinctions were drawn in *Smith Kline & French Laboratories (Aust) Ltd v Department of*

*Community Services and Health.*

The Fifth Amendment, which also applies to the States by the medium of the Fourteenth Amendment guarantee against the deprivation of property without due process of law, is expressed in the form of a negative, appears with the due process clause, and speaks of private property being "taken" for "public use". On the other hand, s 51(xxxi) is directed to the Parliament and speaks of "acquisition" for any "purpose" in respect of which there is federal legislative power. "Acquisition" is a term which indicates, as Gibbs J put it in *Trade Practices Commission v Tooth & Co Ltd*, "not every compulsory divesting of property is an acquisition within s 51(xxxi)".

It should be emphasised that under the Fifth Amendment, even if just compensation be made, the "taking" must be for "public use", that is to say for "the public good, the public necessity or the public utility". In *Kelo v City of New London*, the Supreme Court ruled that the federal judiciary should not make an independent judgment as to whether a taking of private property is for a "public use"; rather, the question is whether the government authority, federal, State or local, can make a rational argument that the taking resulted in a "public benefit".

The effect of the United States decisions is to accept that the "taking" clause may be engaged without what the decisions in this Court would classify as an "acquisition". However, the greater scope this gives to the Fifth Amendment has been tempered by a doctrine permitting "regulation" which does not amount to a "taking"; "regulation" will amount to a "taking" if the regulatory actions in question are "functionally equivalent to the classic taking in which government directly appropriates private property or ousts the owner from his domain".

Reference was made in several submissions to the characterisation of the Packaging Act as a law of "trade regulation" as determinative or at least indicative of the placement of the law outside the application of s 51(xxxi). However, to adopt this course would be to provide a false frame of reference. The caution given by Mason J in *Trade Practices Commission v Tooth & Co Ltd* should be borne in mind. His Honour there said:

"It is one thing to say that a law which is merely regulatory and does not provide for the acquisition of title to property is not a law with respect to acquisition of property."

Remarks by Brennan J in *The Commonwealth v Tasmania (The*

*Tasmanian Dam Case*) also are relevant here:

"In the United States, where the Fifth Amendment directed that private property should not be 'taken' without just compensation, the Supreme Court construed the provision as one 'designed to bar Government from forcing some people alone to bear public burdens which, in all fairness and justice, should be borne by the public as a whole': *Armstrong v United States*. If this Court were to construe s 51(xxxi) so that its limitation applies to laws which regulate or restrict use and enjoyment of proprietary rights but which do not provide for the acquisition of such rights, it would be necessary to identify a touchstone for applying the limitation to some regulatory laws and not to others. The experience of the Supreme Court of the United States was frankly stated in *Penn Central Transportation Co v New York City*:

'... this Court, quite simply, has been unable to develop any "set formula" for determining when "justice and fairness" require that economic injuries caused by public action be compensated by the government, rather than remain disproportionately concentrated on a few persons.'

Brennan J continued:

"In this Court, the limitation in par (xxxii) has not been thought hitherto to apply to a regulatory law that did not effect an acquisition of property. In *Tooth's Case*, the distinction between a law that provides for an acquisition of property and a law that does not was clearly drawn."

His Honour then repeated the passage from the reasons of Mason J in *Tooth* which has been set out above.

Also in the *Tasmanian Dam Case*, Mason J, in a passage later approved by Dawson J, said:

"The emphasis in s 51(xxxi) is not on a 'taking' of private property but on the *acquisition* of property for purposes of the Commonwealth. To bring the constitutional provision into play it is not enough that legislation adversely affects or terminates a pre-existing right that an owner enjoys in relation to his property; there must be an acquisition whereby the Commonwealth or another acquires an interest in property, however slight or insubstantial it may be." (emphasis in original)

## Substance and degree – three leading decisions

Whether the law in question sufficiently impairs the group of rights inhering in the property in question as to amount to an involuntary taking of that property, presents questions of substance and degree, rather than merely of form. That this is so is well settled by authority beginning at least with the reasons of Dixon J in *Bank of New South Wales v The Commonwealth* ("the *Banking Case*"). However, the consequence is that close attention is required to the terms in which the various cases applying that reasoning were decided. Expressions of conclusion in one case as to the deprivation of property, and, if so, the existence of an acquisition of property, do not necessarily provide a sufficient guide to the outcome in later disputes.

In that regard something should be said respecting three cases upon the development of doctrine from which submissions in the present matters sought to draw support. They are *Minister of State for the Army v Dalziel*, the *Banking Case* and the *Tasmanian Dam Case*, with reference to the reasons of Deane J.

The respondent in *Dalziel* occupied, as a weekly tenant of Bank of New South Wales, vacant land in the Sydney central business district upon which he conducted a parking station. In pursuance of authority conferred by regulations made under the *National Security Act 1939* (Cth) the Minister took possession of that land for defence use purposes as fully "as if" the Minister held an unencumbered fee simple, and for a period not to extend more than six months after war hostilities ceased.

The Minister unsuccessfully submitted that Dalziel retained his weekly tenancy and the Bank its fee simple in the land, and that there had been no taking of any recognised estate or interest in the land, and therefore there had been no "acquisition".

Latham CJ, although in dissent, did indicate that as applied to land the term "property" in s 51(xxxi) may mean both the physical subject matter in relation to which exist rights of ownership, including a range of uses, and those rights of ownership themselves.

The present matters before the Court concern intellectual property which has no physical subject matter, unlike a parcel of land or a chattel. However, although disavowed, some of the submissions by the plaintiffs and supporting interveners sought to objectify the intellectual property, particularly the registered trade marks, by attributing a character distinct from the bundle of rights given by the statutes in question. Perhaps to overcome this difficulty, counsel drew attention to the cardboard boxes

upon the packaging of which the Packaging Act operates. Like a parcel of land, there might be postulated many uses of that physical subject matter, and thus a range of restraints or "regulation" of that subject matter. However, as counsel for Van Nelle correctly accepted, the only use to be postulated of the packaging was as a cigarette container. To focus upon the cardboard boxes as the subject of the proprietary rights of the plaintiffs would be to present a case both unreal and synthetic.

In *Dalziel*, Starke J said that, whilst what was conferred upon the Commonwealth was neither ownership nor any estate in the land, the right of temporary possession was to be classified "under the denomination of *jura in re aliena* [a right in the thing of another], and so a right of property, the subject of acquisition". On the other hand, Rich J concluded that "the Minister has seized and taken away from Dalziel everything that made his weekly tenancy worth having, and has left him with the empty husk of tenancy". Likewise, Williams J emphasised that the Commonwealth had divested Dalziel of that exclusive possession which was "of the very essence of the proprietary interest conferred [by his tenancy]".

It is with an appreciation of the unsuccessful submission put by the Minister in *Dalziel* and of the somewhat divergent approaches in the reasoning of the Court in that case, that there should be read the synthesis attempted by Dixon J in the *Banking Case*. In particular, the phrase "innominate and anomalous interests" used there may accommodate the classification by Starke J of the right to possession conferred upon the Commonwealth as *jura in re aliena*. Dixon J said:

"I take [*Dalziel*] to mean that s 51(xxxi) is not to be confined pedantically to the taking of title by the Commonwealth to some specific estate or interest in land recognized at law or in equity and to some specific form of property in a chattel or chose in action similarly recognized, but that it extends to *innominate and anomalous interests* and includes the assumption and indefinite continuance of *exclusive possession and control* for the purposes of the Commonwealth of any subject of property." (emphasis added)

The provisions of Divs 2 and 3 of Pt IV of the *Banking Act* 1947 (Cth) were held by Dixon J effectively to deprive the private banks of the substance and reality of proprietorship of their assets and undertaking and the shareholders of the substance and reality of proprietorship of their shares, and to place this beneficial enjoyment and control in the hands of agents of the Commonwealth. What distinguished this conclusion from that in *Dalziel* was that it was reached not directly as in

*Dalziel*, but indirectly by reference to the circuitous devices constituted by the interconnected plan which his Honour saw laid out in Divs 2 and 3 of Pt IV of the statute. The phrase "possession and control" was used by Dixon J to identify the substance of the property of which the banks and their shareholders had been stripped in favour of the Commonwealth; it was not used to indicate that s 51(xxxi) was engaged by a "taking" which yielded no more than some measure of control of the use of that which had been taken. Yet that is how some of the submissions by the present plaintiffs assume the remarks of Dixon J are to be understood.

It is, however, apparent that in the *Tasmanian Dam Case*, Deane J considered that the absence of a material benefit to the Commonwealth of a proprietary nature, at least in that case, did not avoid the conclusion that there had been an acquisition of property for the purposes of the Commonwealth. His Honour went on to support that doctrinal conclusion on two grounds.

One ground was that because "property" in s 51(xxxi) includes the "innominate and anomalous interests" to which Dixon J had referred in the *Banking Case*, there was no reason in principle why "a corresponding benefit under a legislative scheme cannot, in an appropriate case, be regarded as property". However, as indicated above, Dixon J used this expression with reference to the rejection in *Dalziel* of the submission that what had to be taken was some specific estate or interest in land recognised at law or in equity, and in the *Banking Case* what had been taken from the banks and the shareholders and placed in the hands of the agents of the Commonwealth was the substance of proprietary interests.

The other ground which Deane J advanced in the *Tasmanian Dam Case* was by way of analogy expressed as follows:

"The benefit of a restrictive covenant, which prohibits the doing of certain acts without consent and which ensures that the burdened land remains in a state which the person entitled to enforce the covenant desires to have preserved for purposes of his own, can constitute a valuable asset. It is incorporeal but it is, nonetheless, property."

However, restrictive covenants are not imposed in gross but must "touch and concern", that is to say benefit or enhance the value of, the land of the covenantee. There is a binary relationship between the two parcels of land, one bearing the burden and the other receiving the benefit.

The proposition that there need be no corresponding benefit of a

proprietary nature which, with some hesitation, Deane J accepted in the *Tasmanian Dam Case*, was not adopted in that case by any other member of the Court. Other passages in his Honour's reasons have been referred to in later cases, but in support of the proposition that to enliven s 51(xxxi) there must be the derivation of an identifiable and measurable advantage of a proprietary nature.

Nevertheless, to varying degrees, the plaintiffs in the present cases and supporting interveners sought to rely upon what Deane J had said, at least as a means of supporting the sufficiency of an attenuated connection between the operation of the Packaging Act and the derivation of a benefit to the Commonwealth. But, as indicated above, that reasoning in the *Tasmanian Dam Case* was not soundly based.

### Subsequent decisions

A comparison between several decisions given after the *Tasmanian Dam Case* was drawn by Gaudron and Gummow JJ in a passage in *Smith v ANL Ltd*. On the one hand, their Honours noted:

"The legislation which was invalid in its application to the plaintiff in *Georgiadis [v Australian and Overseas Telecommunications Corporation]* denied his right to recover damages for non-economic loss and deprived him of his entitlement to full recovery of economic loss, [even though it] did not extinguish the whole of the rights comprising his common law cause of action. The law which was successfully challenged in *Newcrest Mining (WA) Ltd v The Commonwealth* did not in terms extinguish Newcrest's mining tenements and the Kakadu National Park extended only 1,000 m beneath the surface. Nevertheless there was an effective sterilisation of the rights constituting the property in question, the mining tenements. On the surface and to the depth of 1,000 m, s 10(1A) of the *National Parks and Wildlife Conservation Amendment Act 1987 (Cth)* forbade the carrying out of operations for the recovery of minerals. As a legal and practical matter, the vesting in the Commonwealth of the minerals to that depth and the vesting of the surface and the balance of the relevant segments of the subterranean land in the Director of National Parks and Wildlife denied to Newcrest the exercise of its rights under the mining tenements."

The passage in *ANL* continued:

"On the other hand, the degree of impairment of the bundle of rights constituting the property in question may be insufficient

to attract the operation of s 51(xxxi). For example, the prohibition imposed under the legislation upheld in *Waterhouse v Minister for the Arts and Territories* upon the export of the applicant's painting left him free to retain, enjoy, display or otherwise make use of the painting. He was free to sell, mortgage or otherwise turn the painting to his advantage, subject to the requirement of an export permit if the owner or any other person desired to take it out of Australia. The legislation considered in *British Medical Association v The Commonwealth*, and held invalid on other grounds, today perhaps would be thought to be nearer the line of invalidity. In *British Medical Association*, Dixon J was of the opinion that there was no involuntary taking of property from chemists without just compensation. The chemists were legally free to supply pharmaceuticals or not, as they pleased, in a situation where, if a sale were made at other than a price fixed by the Commonwealth, there would be little or no other trade for them in that commodity."

In *Australian Tape Manufacturers Association Ltd v The Commonwealth*, the Court unanimously upheld the validity of a law which provided that copyright in a published sound recording was not infringed by the making on private premises of a copy of the recording on blank tape for the private and domestic use of the maker. This result was reached on the basis that, although the law reduced the content of the exclusive rights given to copyright owners, there was no "acquisition of property". As Dawson and Toohey JJ put it, there was no acquisition of property by the conferral of a freedom generally to do something which previously constituted an infringement of the proprietary right of another.

On the other hand, the defendant tortfeasor considered in *Georgiadis* was, pro tanto, relieved of liability. Further, the sterilisation of the mining tenements in *Newcrest* augmented the title of the Commonwealth and the Director to the land in question. These two cases illustrate the proposition that the modification or deprivation of the proprietary rights of one party may yield to another party a countervailing benefit or advantage of a proprietary nature.

### Conclusions as to "taking"

As noted above, the TMA, like other trade mark legislation, does not confer on registered owners or authorised users a liberty to use registered trade marks free from restraints found in other statutes. Nevertheless, the power of exclusion which is conferred by the TMA, the Patents Act, the Copyright Act and the Designs Act does carry with it the

right to relax that exclusivity in favour of licensees and assignees of the intellectual property in question, who on their part undertake obligations to the licensor or assignor. Those rights of the intellectual property owner may properly be regarded as proprietary in nature for the purposes of s 51(xxxi) of the Constitution.

The rights mentioned in respect of registered trade marks are in substance, if not in form, denuded of their value and thus of their utility by the imposition of the regime under the Packaging Act. Section 28 of the Packaging Act goes to some lengths to preserve registrations against attack under the TMA by reason of non-use necessitated for compliance with the Packaging Act. Nevertheless, whilst the registration, like the weekly tenancy of Mr Dalziel, may remain, it is impaired in the manner just described.

In *Mattel Inc v 3894207 Canada Inc* Binnie J said that registered trade marks operated "as a kind of shortcut to get consumers to where they want to go, and in that way perform a key function in a market economy". The system established by the Packaging Act is designed to give the opposite effect to trade mark use, namely by encouraging consumers to turn away from tobacco products even if that otherwise is where they would "want to go". This is achieved by the contraction of device trade marks to the bare brand name and the required appearance of brand names, including those separately registered as word marks, in small print against a background of unattractive colour. A licensee or assignee, at peril otherwise of contravening the offence provisions in Ch 3 of the Packaging Act, would be enabled to exercise a licence or enjoy the assignment only in this constrained manner. The result is that while the trade marks remain on the face of the register, their value and utility for assignment and licensing is very substantially impaired.

The situation is even more drastic as regards the BAT Copyrights, the BAT Patent and the BAT Design at stake in the BAT Matter. Use of the artistic works on retail packaging of tobacco products is denied by the operation of s 20(3) of the Packaging Act. Use of the BAT Design would conflict with s 18(1) of the Packaging Act and exploitation of the BAT Patent would conflict with reg 2.1.1(2) of the Packaging Regulations.

The circumstances just described are sufficient to render the operation of the Packaging Act a "taking" of these items of intellectual property.

The situation respecting goodwill associated with the get-up of the packaging of tobacco products requires further consideration. This is

because, unlike the statutory species of intellectual property just described, the common law restricts the exploitation of goodwill by its assignment. At common law the goodwill would be assignable only in conjunction with the goodwill of the business in respect of which the get-up was used. The underlying reason for the common law taking this attitude to assignments of goodwill is the loss of distinctiveness leading to the likelihood of deception of consumers as to the origin of goods. This reasoning may also apply to licensing of common law marks.

It is unnecessary to pursue further the question of whether the rights adhering to common law goodwill do not extend to rights of assignment or licensing and thereby deny subject matter for any deprivation by the Packaging Act sufficient to engage s 51(xxxi). This is because, in any event, there has been no acquisition of any interests of a proprietary nature by the Commonwealth or any other party by reason of the regime established by the Packaging Act.

#### Conclusions as to "acquisition"

In the *Tasmanian Dam Case*, Mason J said of the federal legislation there under challenge:

"In terms of its potential for use, the property is sterilized, in much the same way as a park which is dedicated to public purposes or vested in trustees for public purposes, subject, of course, to such use or development as may attract the consent of the Minister. In this sense, the property is 'dedicated' or devoted to uses, ie, protection and conservation which, by virtue of Australia's adoption of the Convention and the legislation, have become purposes of the Commonwealth. However, what is important in the present context is that neither the Commonwealth nor anyone else acquires by virtue of the legislation a proprietary interest of any kind in the property. The power of the Minister to refuse consent under the section is merely a power of veto. He cannot positively authorize the doing of acts on the property. As the State remains in all respects the owner the consent of the Minister does not overcome or override an absence of consent by the State in its capacity as owner."

Brennan J concluded:

"Unless proprietary rights are acquired, par (xxxi) is immaterial to the validity of the impugned Commonwealth measures. Though the Act conferred a power upon the Minister to consent to the doing of acts which were otherwise prohibited on or in relation to

land, that power was not a proprietary right."

These statements exemplify the application of the established doctrine of the Court respecting s 51(xxxi).

The objects of the Packaging Act stated in par (a) of s 3(1) include the improvement in public health by discouraging people from using tobacco products and from relapsing if they have stopped such use, and by reducing exposure to smoke from tobacco products. Parliament desires to contribute to achievement of those objects by regulating the retail packaging and appearance of tobacco products to reduce their appeal to consumers, increasing the effectiveness of health warnings thereon and reducing the ability of retail packaging to mislead consumers about the harmful effects of using tobacco products (s 3(2)).

Another object stated in s 3(1) is the giving of effect to certain obligations upon Australia as a party to the WHO Framework Convention on Tobacco Control, done at Geneva on 21 May 2003 ("the Convention").

JTI submits (i) there can be an "acquisition" within s 51(xxxi) which is not proprietary in nature and (ii) the pursuit of the legislative purposes in s 3 of the Packaging Act confers the requisite advantage upon the Commonwealth to satisfy the requirement of an "acquisition". Proposition (i) should be rejected as inconsistent with the authorities discussed above. As to (ii), pursuit of the legislative objectives stated in s 3 of the Packaging Act does not yield a benefit or advantage to the Commonwealth which is proprietary in nature.

No doubt the implementation in municipal law of a treaty obligation of sufficient specificity may be a "purpose in respect of which the Parliament has power to may make laws" within the meaning of s 51(xxxi). However, the reasoning and outcome in the *Tasmanian Dam Case* indicates, as is apparent from the passage in the reasons of Mason J set out above, that the mere discharge by the Commonwealth of a treaty obligation itself is insufficient to provide an "acquisition" by the Commonwealth. JTI also points to the benefit to the Commonwealth in expected reduction in public expenditure on health care. But, as the Northern Territory correctly emphasised in its submissions, the realisation of such an expectation is conjectural. So also is any suggested enhancement of goodwill attached to the Quitline logo already appearing in the health warnings on the packaging of the plaintiffs' products. These outcomes would depend upon a complex interaction of regulatory, social and market forces comparable to that interaction considered and rejected as insufficient in *Bienke v Minister*

*for Primary Industries and Energy.*

In its submissions Philip Morris contended that it was sufficient that there has been obtained no more than some identifiable benefit or advantage, which, while not of a proprietary character, is at least a benefit or advantage "*relating to* the ownership or use of property" (emphasis added). For this proposition Philip Morris relied upon the use of such words by Deane and Gaudron JJ in *Mutual Pools & Staff Pty Ltd v The Commonwealth*. Philip Morris then submitted that the Packaging Act conferred such a benefit on the Commonwealth because the statutory regime "controlled" the exploitation of the trade marks on the packaging even though the Commonwealth itself did not exploit the trade marks; it was sufficient that the control related to the use of the trade marks. Counsel for the plaintiffs in the BAT Matter submitted to similar effect.

However, as Hayne and Bell JJ explain in passages in their reasons with which I agree, to characterise as "control" by "the Commonwealth" compliance with federal law which prescribes what can and cannot appear on the retail packaging of tobacco products diverts attention from a fundamental question presented by s 51(xxxi) of the Constitution. Compliance with the federal law does not create a relationship between "the Commonwealth" and the packaging which is proprietary in nature.

Moreover, the major premise which Philip Morris sought to derive from the passage in the reasons of Deane and Gaudron JJ in *Mutual Pools* is not soundly based upon it.

The passage in their Honours' reasons in *Mutual Pools* reads:

"Nonetheless, the fact remains that s 51(xxxi) is directed to 'acquisition' as distinct from deprivation. The extinguishment, modification or deprivation of rights in relation to property does not of itself constitute an acquisition of property. For there to be an 'acquisition of property', there must be an obtaining of at least some identifiable benefit or advantage relating to the ownership or use of property. On the other hand, it is possible to envisage circumstances in which an extinguishment, modification or deprivation of the proprietary rights of one person would involve an acquisition of property by another by reason of some identifiable and measurable countervailing benefit or advantage accruing to that other person as a result."

Deane and Gaudron JJ were distinguishing two species of benefit, each sufficient for an "acquisition". The first would be exemplified by the acquisition of land by a resuming authority, where what was taken

was received by the authority. The second would be exemplified by cases of a countervailing benefit or advantage of a proprietary nature. An example is the benefit or advantage to the obligee of an extinguished or modified chose in action, as in *Georgiadis* and *ANL*. In the latter case, Gleeson CJ said that the combined legal effect of the two statutory provisions in question was that "the appellant's pre-existing common law right was modified; and a corresponding benefit was conferred on the respondent".

That is the sense in which the passage in the reasons of Deane and Gaudron JJ in *Mutual Pools* was understood by French CJ, Gummow and Crennan JJ in *ICM Agriculture Pty Ltd v The Commonwealth*.

### The outcome

In oral submissions the Commonwealth placed at the forefront of its arguments first that no "property" had been "taken" and, secondly, that in any event there had been no "acquisition" of "property". The upshot is that the Commonwealth should succeed on the second of these grounds.

That makes it unnecessary to rule upon two further and related submissions by the Commonwealth. The first is that there is no contextual, structural or historical reason to treat every transfer of property as an acquisition to which s 51(xxxi) applies where the transfer is "incidental to regulation in the public interest". The second proposition is that s 51(xxxi) has no operation where the acquisition of property without compensation "is no more than a necessary consequence or incident of a restriction on a commercial trading activity ... reasonably necessary to prevent or reduce harm caused by that trading activity to members of the public or public health".

These submissions bring to mind remarks by Brandeis J in his dissenting reasons in *Pennsylvania Coal Company v Mahon*:

"Every restriction upon the use of property imposed in the exercise of the police power deprives the owner of some right theretofore enjoyed, and is, in that sense, an abridgment by the State of rights in property without making compensation. But restriction imposed to protect the public health, safety or morals from dangers threatened is not a taking."

It is sufficient for present purposes to say that propositions of the width of those put by the Commonwealth have not so far been endorsed by decisions of this Court and that whether such propositions should be accepted would require most careful consideration on an appropriate

occasion.

### Orders

The demurrer by JTI to the defence by the Commonwealth should be overruled. There should be judgment in the action for the Commonwealth. JTI should pay the costs of the Commonwealth of this action, including the demurrer.

On the questions reserved in the BAT Matter, Questions (1) and (2) should be answered "No"; Qu (3) should be answered "Does not arise"; Qu (4) should be answered "No"; Qu (5) deals with costs and should be answered "By the plaintiffs".

HAYNE AND BELL JJ. The facts and circumstances which give rise to these two proceedings and the relevant provisions of the *Tobacco Plain Packaging Act 2011* (Cth) ("the TPP Act") are set out in the reasons of other members of the Court and need not be repeated. We agree that orders should be made in these matters in the form proposed by Gummow J.

It is as well to identify the central elements of the case advanced by the plaintiffs and other tobacco companies that intervened in the proceedings and the principles that must be applied. When that is done, it is evident that the determinative question is shortly stated and readily answered.

The TPP Act seeks to reduce the sales of tobacco products. It prohibits the use of the intellectual property (copyright, designs, patents and trade marks) that the tobacco companies would otherwise use to help sell their products. The tobacco companies say that, if the TPP Act operates according to its terms, it will reduce their sales and that their businesses will therefore be less valuable. They also say that the TPP Act will adversely affect the value of their intellectual property, which could have been turned to account by assignment or licence. Doing so after the TPP Act comes into force will bring, if anything, a very greatly reduced price.

The tobacco companies' central complaint in these proceedings is that the TPP Act prohibits them from using their intellectual property in or on their retail packaging in the way in which they have used it, and would wish to continue to use it, to promote the sale of their products. They say that it follows that the TPP Act will take their property. On the face of it, that proposition seems hard to deny, but its accuracy need not be examined. It need not be examined because the relevant

constitutional question is whether there has been an *acquisition* of property, not whether there has been a *taking*. Even assuming that the TPP Act effects a "taking", these reasons will show that there is no acquisition.

### Fundamental principles

As was most recently pointed out in *Wurridjal v The Commonwealth*, the relationship between constitutional provisions which forbid or restrain some legislative course and others which appear to permit that course without restraint is a subject of importance beyond s 51(xxxi). It is important to recognise that the principles associated with s 51(xxxi) give particular effect to wider considerations. Hence, as Dixon CJ said in *Attorney-General (Cth) v Schmidt*:

"The decisions of this Court show that if par (xxxix) had been absent from the Constitution many of the paragraphs of s 51, either alone or with the aid of par (xxxix), would have been interpreted as extending to legislation for the acquisition of land or other property for use in carrying out or giving effect to legislation enacted under such powers. The same decisions, however, show that *in the presence in s 51 of par (xxxix) those paragraphs should not be so interpreted but should be read as depending for the acquisition of property for such a purpose upon the legislative power conferred by par (xxxix) subject, as it is, to the condition that the acquisition must be on just terms.* ... [W]hen you have, as you do in par (xxxix), an express power, subject to a safeguard, restriction or qualification, to legislate on a particular subject or to a particular effect, it is in accordance with the soundest principles of interpretation to treat that as inconsistent with any construction of other powers conferred in the context which would mean that they included the same subject or produced the same effect and so authorized the same kind of legislation but without the safeguard, restriction or qualification." (emphasis added)

Of course, the caveat entered by Dixon CJ is important: "it is necessary to take care against an application of this doctrine to the various powers contained in s 51 in a too sweeping and indiscriminating way". But the present cases do not depend upon any refinement to the general proposition that was identified in *Schmidt*. Rather, they turn upon the observation that the relevant constitutional inquiry is whether the impugned law is a law with respect to the *acquisition* of property from any person.

To adopt the metaphor of abstraction often used in connection

with s 51(xxxi), it is a legislative power with respect to the *acquisition* of property which is abstracted from other heads of legislative power. Section 51(xxxi) does not abstract any more widely or differently expressed power. In particular, to persist with the metaphor, there is no abstraction of legislative power the exercise of which can be said to have some deleterious effect on the worth of a business, or to "take" or "extinguish" the property of some person, unless there is an "acquisition" of property. It is for this reason that it has been said that s 51(xxxi) does not give protection to "the general commercial and economic position occupied by traders".

Given the centrality of the concept of "acquisition" to the operation of s 51(xxxi) and to the disposition of the present matters, it is useful to repeat some fundamental propositions about this head of power.

It is well established that s 51(xxxi) is concerned with matters of substance rather than form and that "acquisition" and "property" are to be construed liberally. It is equally well established that "acquisition" is to be understood as a "compound" conception, namely "acquisition-on-just-terms". But allowing, as one must, ample meaning to "acquisition" and "property" in s 51(xxxi), there remains a bedrock principle. There can be no acquisition of property without "the Commonwealth or another acquir[ing] an interest in property, however slight or insubstantial it may be". Giving a liberal construction to "acquisition" and "property" does not, and must not, erode the bedrock established by the text of s 51(xxxi): there must be an *acquisition of property*.

The arguments advanced by the tobacco companies sought to depart from this bedrock principle and to justify the departure as no more than adherence to "liberal" construction. In particular, they submitted that decisions and statements of this Court had extended or overtaken the principle. They said that there need be no acquisition of "property", or of a benefit or advantage of a proprietary nature, to engage s 51(xxxi). But that submission must run aground on the bedrock that has been identified. A liberal construction of s 51(xxxi) cannot set the provision free from its text or the principle that the text establishes. A liberal construction cannot and does not go as far as the tobacco companies asserted, which would treat any benefit or advantage as a sufficient definition of the constitutional reference to "property".

Something more must be said about the decisions to which the tobacco companies referred in support of their arguments. Particular emphasis was given to statements made in *The Commonwealth v Tasmania (The Tasmanian Dam Case)* and *Mutual Pools & Staff Pty Ltd*

*v The Commonwealth.*

In *The Tasmanian Dam Case* Deane J made two statements of present relevance. First, he said that where the Commonwealth or another obtains "an identifiable and measurable advantage ... it is possible that an acquisition for the purposes of s 51(xxxi) is involved". Second, he decided, albeit with some hesitation, that the absence of a material benefit of a proprietary nature did not conclude whether there had been an acquisition of property in that case. The latter opinion was a dissenting view. It is a proposition that has not since been adopted or applied. The proposition does not accord with the constitutional text or with accepted principle. It should not be adopted. And having regard to what has been earlier identified as the bedrock for consideration of s 51(xxxi), the reference made by Deane J to "an identifiable and measurable advantage" must be understood as an advantage of a proprietary nature.

Likewise, the observations made by Deane and Gaudron JJ in *Mutual Pools*, that a person must obtain "at least some identifiable benefit or advantage *relating to the ownership or use of property*" (emphasis added) and that there must be "some identifiable and measurable countervailing benefit or advantage", must be understood in the same way. None of these statements from either case sweeps away the requirement that there be an acquisition of *property*.

Cases like *Minister of State for the Army v Dalziel*, and those which have followed, show that in considering whether there has been an acquisition of property within s 51(xxxi) the focus of attention must fall upon identification of a legal interest in, or legal relation with, some subject matter. In *Dalziel* the impugned provisions gave the Commonwealth possession of land to the exclusion of a weekly tenant. In *Bank of NSW v The Commonwealth* the impugned provisions gave the Commonwealth control of a banking company to the exclusion of its shareholders by giving the Commonwealth control over the bank's board of directors. In *Georgiadis v Australian and Overseas Telecommunications Corporation* a right of action (a property right) was taken away and, as a result, the party otherwise liable to action obtained a defence to the claim akin to a release from liability. In *Newcrest Mining (WA) Ltd v The Commonwealth* a right to mine minerals from land vested in the Commonwealth was extinguished and, as a result, the Commonwealth's interest in the land was freed from the previously existing right to mine.

It may not be possible, and it is certainly not appropriate, to attempt to chart the boundaries of what is meant in s 51(xxxi) by

"property". It is important, however, to notice that it has long been recognised that "property" is used sometimes to indicate the tangible or intangible object to which legal rights or privileges relate, and sometimes to denote the legal interest, or aggregate of legal relations, pertaining to that object. The way in which the tobacco companies formulated their arguments – by focusing upon what was said to be the "use" or "control" of retail packaging by the Commonwealth to convey its health messages – directs attention to whether the Commonwealth, by reason of the TPP Act, acquires any legal interest in or legal relation with the packaging that is an interest or relation the law would label as "property".

### The tobacco companies' arguments

The tobacco companies expressed their arguments in several different ways. The largest submission was that s 51(xxxi) could be, and here was, engaged even though no "property" was acquired.

JT International SA expressly adopted this position, submitting that the achievement of any or all of the evident purposes of the TPP Act (reducing expenditure on health care, improving the effectiveness of health warnings, and meeting international obligations) was sufficient to engage s 51(xxxi). The submissions of the other tobacco companies may well be understood as embracing this argument. For the fundamental reasons already given, the argument must be rejected.

All the tobacco companies further submitted, however, that the benefit or advantage that the Commonwealth obtains from the tobacco companies' compliance with the TPP Act falls within what this Court's decisions recognise to be "property" for the purposes of s 51(xxxi). All these arguments sought to assert, in one way or another, that the TPP Act takes the tobacco companies' intellectual property and gives the Commonwealth an "identifiable and measurable countervailing benefit or advantage". The "benefit or advantage" was described in various ways: "use" or "control" of the (surface of) tobacco packaging; free advertising space; "control" over what appears on retail packaging and thus "control" over the "exploitation" of that packaging; the removal from packaging of what the Commonwealth wanted removed and its replacement by what the Commonwealth wanted put there. Though variously expressed, the different formulations had common ground. They identified the object in which the Commonwealth was said to have property as the physical packaging in which the tobacco companies sell their products, and each form of the submissions hinged on the notions of "the Commonwealth" obtaining the "use" of, or "control" over, that

packaging.

These submissions must be considered against the fundamental principles explained earlier. Does the Commonwealth obtain a benefit or advantage that is proprietary in nature?

Does the Commonwealth acquire "property" in the packaging?

The tobacco companies' submissions direct attention to the relationship between the Commonwealth, as the putative acquirer, and the object, in these cases the tangible object, in which it is said that the Commonwealth has obtained a proprietary interest. It is therefore necessary to examine in more detail how it was said that the Commonwealth gained the "use" of, or "control" over, the packaging in which tobacco products are sold.

Though variously expressed, the tobacco companies submitted that the TPP Act gives the Commonwealth the use of, or control over, tobacco packaging because the Commonwealth or the TPP Act (the submissions did not clearly identify which) required certain things to be done or not done on the packaging. But the requirements of the TPP Act are no different in kind from any legislation that requires labels that warn against the use or misuse of a product, or tell the reader who to call or what to do if there has been a dangerous use of a product. Legislation that requires warning labels to be placed on products, even warning labels as extensive as those required by the TPP Act, effects no acquisition of property.

When the seller or the maker of a product puts a warning on the packaging, the seller or maker cannot "exploit" that part of the packaging by putting something else where the warning appears. And as the tobacco companies pointed out, the TPP Act greatly restricts, even eliminates, their ability to use their packaging as they would wish. In the terms the tobacco companies used, they cannot exploit their packaging. But contrary to the central proposition that underpinned these arguments, no-one other than the tobacco company that is making or selling the product obtains any use of or control over the packaging. The tobacco companies use the packaging to sell the product; they own the packaging; they decide what the packaging will look like. Of course their choice about appearance is determined by the need to obey the law. But no-one other than the tobacco company makes the decision to sell and to sell in accordance with law.

By prescribing what can and cannot appear on retail packaging the TPP Act affects that packaging and those who produce and sell the

tobacco products. But to characterise this effect as "control" diverts attention from the fundamental question: does the TPP Act give the Commonwealth a legal interest in the packaging or create a legal relation between the Commonwealth and the packaging that the law describes as "property"? Compliance with the TPP Act creates no proprietary interest.

The submissions about "use" of, or "control" over, retail packaging to disseminate or promote the Commonwealth's health "message" recognised that what will appear on retail packaging of tobacco products will convey information (a "message") to those who see the packaging. But the submissions then assumed (wrongly) that the author or sponsor of that "message" can be personified as "the Commonwealth". It cannot.

Like "the Crown", "the Commonwealth" is a term that can be used in different senses. It is greatly to be doubted that the tobacco companies sought to use the term as a reference to the body politic. If they did, it was not, and could not be, suggested that the TPP Act led to any enhancement to the property of the body politic of the kind that occurs, for example, when a right to mine minerals from land vested in the Commonwealth is extinguished.

In oral argument, the British American Tobacco plaintiffs submitted that it was the Executive Government of the Commonwealth that obtains a benefit or advantage because the TPP Act provides power to make regulations prescribing additional requirements in relation to retail packaging. And more generally, it may be that the tobacco companies' submissions about the Commonwealth obtaining the use of, or control over, retail packaging were to be understood as using "the Commonwealth" to refer to "the Government" in the sense of "the executive as distinct from the legislative branch of government, represented by the Ministry and the administrative bureaucracy which attends to its business". But neither the more particular submission of the British American Tobacco plaintiffs nor any more general submission that the TPP Act confers a benefit or advantage on the Executive Government of the Commonwealth can be accepted.

Whatever the sense in which the tobacco companies intended to use the term, "the Commonwealth" has no message which is conveyed by whatever appears on retail packaging that conforms to the requirements of the TPP Act. The packaging takes the form and bears the information required by the TPP Act. It is the legislation which requires that to be so.

The TPP Act neither permits nor requires the Commonwealth to use the packaging as advertising space. The Commonwealth makes no public announcement promoting or advertising anything. The

packaging will convey messages to those who see it warning against using, or continuing to use, the product contained within the packaging. Statutory requirements for warning labels on goods will presumably always be intended to achieve some benefit: usually the avoidance of or reduction in harm. But the benefit or advantage that results from the tobacco companies complying with the TPP Act is not proprietary. The Commonwealth acquires no property as a result of their compliance with the TPP Act.

### Conclusion

The TPP Act is not a law by which the Commonwealth acquires any "interest in property, however slight or insubstantial it may be". The TPP Act is not a law with respect to the *acquisition* of property. It is therefore not necessary to consider the Commonwealth's attempt to articulate a principle which would set legislation effecting an acquisition of property otherwise than on just terms beyond the reach of s 51(xxxi) on the ground that the legislation is a reasonable regulation of some activity for the greater good of society. The arguments advanced by the tobacco companies are answered by the logically anterior conclusion that the TPP Act effects no acquisition of property.

One further point should be made. It is unsurprising that much of the argument in the present cases, as in other recent cases about s 51(xxxi), proceeded by taking statements made in earlier decisions and fusing them into a proposition from which it was said to follow that there was or was not an acquisition of property without just terms. It must be emphasised, however, that it would be wrong to take what has been said in earlier decisions, or in these reasons, and divorce the statement from the context in which it appears. Above all, it must be recognised that it is the constitutional text and the cardinal principles that emerge from that text to which attention must always be given.

In the present cases, the tobacco companies argued that the Commonwealth acquired the use of, or control over, the retail packaging in which tobacco will be sold to convey health messages. Framing the argument in that way necessarily drew attention to an understanding of property that places in the foreground the identification of the interest in the tangible or intangible object in question and the legal relation which should be described as "property" between that object and the person alleged to have acquired "property". Other cases, perhaps many other cases, may require the same kind of analysis. But there may be cases in which an analysis of that kind will not be helpful. It is the constitutional text and the fundamental principles based on that text which must guide

consideration of the issue.

HEYDON J. There is no doubt that a law which affects subsisting exclusive intellectual property rights can attract s 51(xxxi) of the Constitution. The issue is whether the laws impugned in these proceedings affect rights of that kind in a manner which does attract s 51(xxxi). The rights in question are intellectual property rights and rights over chattels, namely cigarette packets and cigarettes. The rights are owned by certain tobacco companies ("the proprietors").

In approaching s 51(xxxi) it is necessary to remember three matters. One is its extreme importance. Another is the width with which it is to be construed. The third is the importance of preventing an "effective deprivation ... of the reality of proprietorship" evading s 51(xxxi) by a "circuitous device to acquire indirectly the substance of a proprietary interest without at once providing ... just terms". The question to be applied to the impugned legislation can be put thus:

"None of the provisions ... is expressed in direct language as effecting an acquisition of any property. However, the question is whether, even if not formally, the [proprietors] effectively have been deprived of 'the reality of proprietorship' by the indirect acquisition, through the collective operation of the [impugned provisions], of 'the substance of a proprietary interest'."

In view of the enormous amounts of money which would probably be needed to provide just terms, the possibility of evasion in relation to the impugned legislation cannot be ruled out. The structure of that legislation is very strongly motivated by an altruistic desire to improve public health – or rather the health of Australian residents, as distinct from foreigners, for the legislation sees it as satisfactory to let exporters purvey lies and death to them. But improving (local) public health is not the fundamental concern of the impugned legislation. Its fundamental concern is to avoid paying money to those who will be damaged if that desire to improve (local) public health is gratified in the manner which the legislation envisages. Section 15(1) of the TPP Act provides:

"This Act does not apply to the extent (if any) that its operation would result in an acquisition of property from a person otherwise than on just terms."

There is no provision for just terms in the TPP Act. Thus, faced with a choice between protecting local public health at the price of compensating the proprietors and not protecting local public health at

all, the legislature chose the latter course.

Acquisition: some authorities

In *Smith v ANL Ltd*, Callinan J argued, not implausibly, that the distinctions between interfering with rights and acquiring rights, and between taking rights and acquiring rights, were not of significance. The decision of the present cases does not require a journey of that distance.

In the *Tasmanian Dam Case*, Deane J stated that an acquisition for s 51(xxxi) purposes could arise where the effect of a legislative prohibition or regulation "is to confer upon the Commonwealth or another an *identifiable and measurable advantage* or is akin to *applying the property*, either totally or partially, *for a purpose of the Commonwealth*". (emphasis added) Earlier, Deane J had quoted Dixon J's statement in *Bank of NSW v The Commonwealth* that s 51 (xxxix):

"is not to be confined pedantically to the taking of title ... to some specific estate or interest in land recognized at law or in equity ... but ... extends to innominate and anomalous interests and includes *the assumption* and indefinite continuance of *exclusive possession and control for the purposes of the Commonwealth of any subject of property*." (emphasis added)

Deane J also stated that Dixon J had been "at pains to emphasize that the Constitution did not permit the Parliament to achieve by indirect or devious means what s 51 did not allow to be done directly." His Honour gave a key example:

"if the Parliament were to make a law prohibiting any presence upon land within a radius of 1 kilometre of any point on the boundary of a particular defence establishment and thereby obtain the benefit of a buffer zone, there would ... be an effective confiscation or acquisition of the benefit of use of the land in its unoccupied state notwithstanding that neither the owner nor the Commonwealth possessed any right to go upon or actively to use the land affected."

In due course, Deane J reached the following conclusion:

"the Commonwealth has, under Commonwealth Act and Regulations, obtained the benefit of a prohibition, which the Commonwealth alone can lift, of the doing of the specified acts upon the H.E.C. land. The range of the prohibited acts is such that the practical effect of the benefit obtained by the Commonwealth

is that the Commonwealth can ensure, by proceedings for penalties and injunctive relief if necessary, that the land remains in *the condition which the Commonwealth, for its own purposes, desires to have conserved*. In these circumstances, the obtaining by the Commonwealth of the benefit acquired under the Regulations is properly to be seen as a purported acquisition of property for a purpose in respect of which the Parliament has power to make laws. *The 'property' purportedly acquired consists of the benefit of the prohibition of the exercise of the rights of use and development of the land which would be involved in the doing of any of the specified acts.*" (emphasis added)

Deane J's reasoning in the *Tasmanian Dam Case* does not stand alone. Parts of it have been quoted with approval. Parts of it have been referred to with approval. And parts of it have also been approved without specific acknowledgment. Thus in *Smith v ANL Ltd*, Callinan J referred to Mason J's statement in the *Tasmanian Dam Case* that s 51(xxxi) depends on "an acquisition whereby the Commonwealth or another acquires an interest in property, however slight or insubstantial it may be." Callinan J described this as "the narrow view". Mason J had quoted and adopted a passage from Dixon J's reasoning in *Bank of NSW v The Commonwealth*. Callinan J said:

"I do not myself discern in that passage from the judgment of Dixon J any express, or indeed implied, support for the narrow view which Mason J took of the provision in the *Tasmanian Dam Case*, or, for the attachment of any great significance to any distinction between a taking or an acquisition, whether perceived or actual."

His Honour also said:

"in my respectful opinion, in the *Tasmanian Dam Case*, it is easy to see that the Commonwealth really did acquire something, and that was a thing of immense value, the right to control virtually absolutely the use to which the area in question would be put."

The Commonwealth drew attention to passages in various cases which it contended were adverse to the proprietors' interests in this regard. Not all of those passages were directed to the precise point. The Commonwealth did not show that the point was in controversy in any of those cases. What Deane J said in the *Tasmanian Dam Case* has not only been approved, it has not hitherto been explicitly overruled.

A passage to the same effect as the reasons of Deane J in the

*Tasmanian Dam Case* appears in the reasons of Deane and Gaudron JJ in *Mutual Pools & Staff Pty Ltd v The Commonwealth*.

"For there to be an 'acquisition of property', there must be an obtaining of at least *some identifiable benefit or advantage relating to the ownership or use of property*. On the other hand, it is possible to envisage circumstances in which an extinguishment, modification or deprivation of the proprietary rights of one person would involve an acquisition of property by another by reason of some identifiable and measurable countervailing benefit or advantage accruing to that other person as a result." (emphasis added and footnote omitted)

That passage concluded in a footnote reference to the passages from Deane J's judgment in the *Tasmanian Dam Case* quoted above. It was quoted with approval by three Justices in *ICM Agriculture Pty Ltd v The Commonwealth*. The concluding sentence was also quoted with approval by another Justice in the *ICM Agriculture* case. It has been referred to with approval in other cases.

Callinan J employed reasoning similar to that of Deane J when he summarised the judgment of Mason CJ, Deane and Gaudron JJ in *Georgiadis v Australian and Overseas Telecommunications Corporation* as saying:

"that an acquisition of property may occur if the acquirer receive[s], as a result of what has been done, a direct benefit. The expression, 'direct benefit' I would take to be capable of embracing advantages or benefits extending beyond and not necessarily of a proprietary kind in any conventional sense as understood by property lawyers."

Further, this Court has accepted that it does not matter that what a property owner has lost does not correspond precisely with what the Commonwealth or another person gains.

The authorities support the proposition that it is not necessary for the Commonwealth or some other person to acquire an interest in property for s 51(xxxi) to apply. It is only necessary to show that the Commonwealth or some other person has obtained some identifiable benefit or advantage relating to the ownership or use of property.

### Property rights

For some time legislation has affected the trading position of the

proprietors. Over the years, their capacity to advertise has been cut. In the period before the time when the impugned legislation was enacted, only the packets in which cigarettes were sold, and the cigarettes themselves, could serve this purpose. Even during that period, there was legislative control over what could, and what had to, appear on those packets. But the proprietors did retain some property rights before the impugned legislation was enacted.

Each proprietor which owned registered trade marks had the exclusive right to use its trade marks, and to authorise other persons to use them, in relation to tobacco products (*Trade Marks Act 1995* (Cth), s 20). Each trade mark was personal property (s 21(1)). Each trade mark owner could deal with its mark as the absolute owner (s 22). Equities in relation to each trade mark could be enforced against the registered owner except to the prejudice of a purchaser in good faith for value (s 22(3)). Each trade mark owner could authorise others to use its mark (s 26).

Each proprietor which owned copyright had property rights. Copyright is personal property, transmissible by assignment, by will and by devolution by operation of law (*Copyright Act 1968* (Cth), s 196). Copyright is the exclusive right to carry out various acts in relation to works (s 31).

The proprietor which owned a registered design had property rights. Its rights in the registered design were exclusive (*Designs Act 2003* (Cth), s 10(1)). The rights were personal property, capable of assignment and of devolution by will or by operation of law (ss 10(2) and 11).

Each proprietor which owned patents had property rights – exclusive rights to exploit the invention and to authorise others to do so (*Patents Act 1990* (Cth), s 13(1)). These rights were personal property, capable of assignment and devolution by law (s 13(2)).

All these property rights could be employed by the proprietors on their cigarette packets – not on all the external surfaces, because there already existed legislation requiring that part of the surfaces be used for health warnings, but on some areas of them. Some of these property rights could be employed on the surfaces of the cigarette themselves. And the proprietors were at liberty to develop, and did develop, common law rights in marks and get-up in relation to those areas. Those rights were in certain circumstances assignable. They could be utilised on the cigarette packets and the cigarettes.

For those reasons, the proprietors had property within the meaning of s 51(xxxi) – which protects "property" in its broadest sense.

The Commonwealth submitted that the intellectual property legislation gave no positive rights to use, only a right to exclude others. The relevant legislation is not expressed in that way. For example, s 20(1)(a) of the *Trade Marks Act* provides that the registered owner of a trade mark has rights "to use the trade mark". And a right to exclude others from use is not of value unless the owner of the right can engage in use.

The Commonwealth submitted that the proprietors' rights were not "property" which could be acquired for s 51(xxxi) purposes because they were inherently susceptible to modification or extinguishment – at least in the interests of (local) public health. To this there are four short answers. First, the Commonwealth admitted in its defences that the trade marks, registered design and patent of one proprietor, and the trade marks of another, were "property" within the meaning of s 51(xxxi). Secondly, the fact that the rights in question affect the public interest, and have often been regulated in the public interest, does not establish that they are not property. Thirdly, there is much authority against the Commonwealth's submission. Fourthly, all common law rules, and all statutes in a field over which the Commonwealth has legislative power, are capable of being modified or extinguished by a Commonwealth statute. Yet not all common law and statutory rights are viewed as inherently susceptible to modification or extinguishment. The submission did not offer any test for distinguishing between what was inherently susceptible and what was not.

The Commonwealth also submitted that the impugned legislation could not "take" any property in any tobacco products or their retail packaging to be manufactured and sold after the legislation commenced. That was said to be because the products did not yet exist. That submission must fail. Section 51(xxxi) extends to a law which applies to property as it is acquired from time to time in the future.

Finally, the Commonwealth submitted that there was no property in the goodwill generated by the get-up of tobacco products because it was only the product of the proprietors' freedom to trade, and s 51(xxxi) does not protect the general commercial position of traders. However, once trading activity has generated goodwill in get-up sufficiently for it to be protected by injunction, it does not depend merely on freedom to trade. Rather, it depends on the propensity of customers to return in future – goodwill. The images and marks which constitute get-up help

maintain that propensity, and incapacity to use them damages goodwill.

### The effect of the legislation

Though the TPP Act left formal ownership of the proprietors' property with them, it deprived them of control of their property, and of the benefits of control. The TPP Act gave that control and the benefits of that control to the Commonwealth.

The effect of the impugned legislation is that, by s 26(1) of the TPP Act and reg 3.1.1(1) of the Regulations, the owners of tobacco trade marks can no longer use them or any part of them on their cigarette packaging or their cigarettes, save to the extent that use of the "brand, business or company name" permitted by s 20(3)(a) is a "word" mark or part of a mark. Thus each trade mark owner has lost its exclusive right to use its marks. Use of registered designs is impossible by reason of s 18 of the TPP Act. Use of patented devices in relation to the opening of packets is impossible by reason of reg 2.1.1(2) of the Regulations. Use of copyright material and common law rights in marks and get-up is disrupted. By s 19 of the TPP Act and reg 2.2.1(2) of the Regulations, apart from the "brand, business or company name", nothing is to appear on cigarette packets except legislatively mandated content and a drab colour known as Pantone 448C. By reason of s 9.13 of the Standard, the proprietors are obliged to place a legislatively mandated health warning statement and an accompanying graphic over at least 75 per cent of the total area of the front outer surface of their packs. And by reason of s 9.19 of the Standard, the proprietors are obliged to place a legislatively mandated health warning statement, a graphic and an explanatory message over at least 90 per cent of the total area of the back outer surface of their packs. These obligations are much more burdensome than those imposed by the previous statutory regime.

The Commonwealth argued that there was no total prohibition on the use of the marks. Apart from any packaging of goods intended for export and the use of brand, business or company names, the marks could be used in communications with the tobacco industry, in business communications, in or on buildings and on wholesale packaging. But in reality the area for the most valuable use of the marks is removed: connection with retail customers as they purchase and use tobacco products.

### Acquisition

Was there any relevant acquisition by the Commonwealth?

The Commonwealth submitted:

"None of the statutory rights tobacco companies claim will be taken from them by the TPP Act ... involve any positive right to use, free from other legal restrictions, or at all. The imposition of new restrictions on use by the owners of the rights takes nothing away from the rights granted. No pre-existing right of property has been diminished. No property has been taken."

Of this submission, counsel for British American Tobacco said that he did not want to descend into hyperbole. He did not. Nor, indeed, did he get into a state of high dudgeon. But he said: "every one of those sentences is utterly wrong." He was right to do so. As he submitted, each of the property rights pleaded by the proprietors was rendered useless for all practical purposes. Each property right conferred included a right of use by the owner. As a matter of form, the legislation had not deprived the proprietors of their proprietorship. But in substance it had deprived them of everything that made the property worth having. For all practical purposes, the proprietors had lost the right to assign or licence any trade marks, registered designs, patents, copyright and get-up protectable at common law that they owned. No-one would pay anything for these things. Under the TPP Act, any assignee or licensee is forbidden to use them on pain of criminal and civil penalties (ss 31-48). So far as the proprietors retain their rights as owners of intellectual property to exclude others from its use, those rights are hollow. No third party could use the property without being exposed to criminal and civil penalties unless it used only a "brand, business or company name" which was a word mark or part of a word mark. That unlikely event would leave the relevant proprietor with only vestigial rights to control use by third parties. Finally, the TPP Act, by prohibiting the use of the intellectual property on the cigarette packets, denies to the proprietors the use of the last valuable place on which their intellectual property could lawfully be used. Many cigarettes being fungible goods, the only areas of competition between rival manufacturers lie in price and advertising. Before the impugned legislation, the only way the proprietors could advertise was to use their cigarette packets and their cigarettes as places on which to display their intellectual property. After the impugned legislation, they could not even do that. The legislature therefore brought about "an effective sterilisation of the rights constituting the property in question."

This new legislative regime left space on cigarette packets and cigarettes available. The proprietors did not have to waste time wondering what that now vacated space could be used for. The legislation selected that space for the compulsory display of health

warnings and the Quitline trade mark. In that way, the legislation caused the Commonwealth to acquire the use of the space on the proprietors' cigarette packets for its own purposes. The life of a cigarette packet before it is purchased from a retailer is no doubt a short one. For the whole of that life, the TPP Act gives the Commonwealth exclusive use of the space on a chattel owned by a proprietor. This is more than the destruction of a substantial range of property rights. The legislation deprives the proprietors of their statutory and common law intellectual property rights and their rights to use the surfaces of their own chattels. It gives new, related rights to the Commonwealth. One is the right to command how what survived of the intellectual property ("the brand, business or company name") should be used. Another is the right to command how the surfaces of the proprietors' chattels should be employed. The proprietors called this conscripting, commandeering or dominating the space. To put it more neutrally, these new rights are rights of control.

The Commonwealth's new rights of control are rights closely connected with the proprietors' now-defunct property rights. Before the impugned legislation, each proprietor had the right to apply its registered trade marks to its goods in the course of trade. Each proprietor had the right to sell those goods in get-up of its choice in the course of trade. The Commonwealth acquired the right to have the cigarette packets of each proprietor presented in the course of trade in the get-up of its choice. That get-up shows very little of the proprietor's intellectual property. Instead, it shows health warnings and the Quitline logo and message. The colour and shape of the packet and the font size to be employed on it are specified in the legislation. Of the proprietor's intellectual property, only its "brand, business or company name" remains. The rights the Commonwealth acquired substantially correspond with those the proprietors lost. A newly acquired right arose in the Commonwealth to command the publication of messages it desires to have sent, without charge, to the public. If property is "a legally endorsed concentration of power over things and resources", key elements in that concentration have been moved from the proprietors to the Commonwealth. Those elements are identifiable benefits or advantages relating to the ownership or use of property.

The destruction of the proprietors' rights by prohibition is integral to the Commonwealth's command to employ health warnings. The command could not rationally have been issued without the destructive prohibition. Hence the Commonwealth could not have obtained the advantage it gained from the command without the prohibition. Thus the legislation ensured that some of the proprietors' property was

destroyed and some applied totally for a purpose of the Commonwealth.

It is convenient to return to the four-sentence submission of the Commonwealth set out earlier.

The first sentence stated that the proprietors had no positive right to use their rights free from other legal restrictions. But they did if those legal restrictions contravened s 51(xxxi).

The second sentence asserted that the imposition of new restrictions on use took away nothing proprietary. But the restrictions left the proprietors with no rights in relation to the retail sale of packets of cigarettes except the right to use their "brand, business or company name".

The third sentence stated that no pre-existing right of property had been diminished. But all the proprietors' intellectual property had been rendered completely worthless, and the right to use the space on the packets had disappeared.

The fourth sentence asserted that no property had been taken. But a central element of proprietorship, control, had been taken and employed by the Commonwealth as a step in the fulfilment of its own purposes.

The Commonwealth legislation prohibited the presence on the cigarette packets and cigarettes of the proprietors' trade marks. By analogy with Deane J's example in the *Tasmanian Dam Case*, this gave the Commonwealth the benefit of that space, free of the offending marks. On Deane J's view, this would have been an "effective confiscation or acquisition" of the space even if the Commonwealth had no right actively to use it. But in the impugned legislation the Commonwealth went further. The impugned legislation compels the presence on the packets of the Commonwealth's and Quitline's messages. The prohibitions on the proprietors thus confer on the Commonwealth and another (ie Quitline) an "identifiable and measurable advantage" relating to the ownership or use of property within the meaning of Deane J's words.

In effect, the Commonwealth has said to the proprietors through the TPP Act: "You have been controlling your intellectual property and your chattels with a view to making profits in your businesses; I want to stop you using the intellectual property in very large measure, and command you as to how you are to use what is left of your property, not with a view to making profits in your businesses, but with a view to

damaging them by making the products you sell unattractive; I will therefore take over control of your intellectual property and chattels from you." That control is a measurable and identifiable advantage relating to the ownership or use of property. It enlivens the s 51(xxxi) guarantee.

The Commonwealth argued that it had not acquired property. Rather, it had attempted to reduce the appeal of tobacco products. It had attempted to increase the effectiveness of health warnings, thereby reducing the potential for retail packaging to mislead and improving (local) public health. And it had attempted to give effect to Australia's international obligations. The Commonwealth submitted that the benefits it derived from those attempts were not benefits in the nature of property. The problem is that acquisition is not prevented from being acquisition merely by reason of its purposes. Here the Commonwealth's purposes were achieved by nullifying many of the proprietary rights of the proprietors and passing to the Commonwealth the corresponding benefits and advantages relating to the ownership or use of property – particularly control over the appearance of the cigarettes and their packaging. That control was as intense and ample as that which the proprietors had formerly enjoyed.

The Commonwealth also relied on the gratuitous character of the Quitline services as negating the proposition that an acquisition occurred. However, the nature of Quitline's services is beside the point. It does not affect the question whether Quitline only got into a position to advertise those gratuitous services on cigarette packets because of an acquisition.

Finally, the Commonwealth submitted that:

"it is an 'acceptable explanation or justification' placing an acquisition of property without compensation outside the scope of s 51(xxxi) if the acquisition of property without compensation is no more than a necessary consequence or incident of a restriction on a commercial trading activity where that restriction is reasonably necessary to prevent or reduce harm caused by that trading activity to members of the public or public health."

The Commonwealth said that any acquisition here was "no more than consequential or incidental to the legislative indication of a compelling public interest by narrowly tailored legislative means".

If this were correct, s 51(xxxi) would have a quite narrow operation. Rights of private property would be much more at risk at the hands of the Commonwealth Parliament. The elements of the postulated

test are so vague that it would very often be satisfied. Yet if the test is sound, why should it not be wider? If the stated principle is correct, why should it be limited to harm to members of the public or to public health? Why should it not apply to all of the worthy goals which the Commonwealth legislature has constitutional power to further in the public interest?

The existence of a regulatory goal is not decisive of the question whether the pursuit of that goal involves a s 51(xxxi) acquisition. "The guarantee contained in s 51(xxxi) is there to protect private property. It prevents expropriation of the property of individual citizens, without adequate compensation, even where such expropriation may be intended to serve a wider public interest."

There is no general principle of Australian constitutional law that legislation which infringes a constitutional limitation on power will be valid so long as it is reasonably appropriate and adapted to a legitimate end within power. There are tests of that kind which operate in quite circumscribed areas. No good reason has been demonstrated to widen those areas. In particular, there is nothing in the language of s 51(xxxi) which supports the test advocated. And since the inquiry into what is "reasonably necessary" is a legislative activity, not a judicial one, it is highly unlikely to be required or permitted by implication in a Constitution, which, like ours, provides for a separation of legislative and judicial power.

There are authorities holding that some laws are outside s 51(xxxi) – laws relating to fines, penalties, taxes, forfeitures, the condemnation of prize, the seizure of enemy alien property, the enforcement of statutory liens, and bankruptcy. But those exceptions exist because the requirement to provide "just terms" is not congruent with those types of law. "To place [a law imposing a penalty for breach of a rule of conduct] within the s 51(xxxi) category would be to annihilate the penalty ... and thus to weaken, if not destroy, the normative effect of the prescription of the rule of conduct." There is no incongruity of that kind between the impugned legislation and s 51(xxxi). And it has never been suggested that the examples of "incongruity" turn on inquiries into what is reasonably necessary, or on proportionality analysis. There is no authority supporting the use of proportionality analysis in applying s 51(xxxi).

Further, the Commonwealth's proposed test depends on drawing a difficult distinction between acquisitions which are central or principal aspects of a legislative scheme and those which are merely consequential or incidental. Whatever the merits of that course, the acquisition here is

not incidental: it is the fundamental means by which the TPP Act operates and seeks to achieve its goals.

### Just terms

In *Commonwealth v Huon Transport Pty Ltd*, Rich J said:

"When a person is deprived of property, no terms can be regarded as just which do not provide for payment to him of the value of the property as at date of expropriation, together with the amount of any damage sustained by him by reason of the expropriation, over and above the loss of the value of the property taken. The amount so ascertained is no more than the just equivalent of the property of which he has been deprived."

The Commonwealth submitted that this did not represent the modern doctrine of this Court. But it cited no authoritative repudiation of it. The TPP Act makes no provision for compensation of any kind. Hence there are no just terms.

The Commonwealth submitted that the TPP Act did provide "just terms" in the form of "fair dealing" as between the "tobacco companies and the Australian nation representing the Australian community put at risk by their products." Even assuming the correctness of the numerous "constitutional facts" on which the Commonwealth relied in relation to smoking, this submission must be rejected. The Commonwealth put its submission as follows:

"For the Australian nation representing the Australian community to be required to compensate tobacco companies for the loss resulting from no longer being able to continue in the harmful use of their property goes beyond the requirements of any reasonable notion of fairness. That conclusion is reinforced by the profound incongruity involved in the provision of compensation to those who would benefit from continuing to engage in the harmful trading activity that would continue to be permitted but for the TPP Act."

In assessing the submission, it must be remembered that the legislation does not criminalise the sale of tobacco products. The parties accepted that tobacco products cause harm. It is more controversial whether reducing the use of intellectual property on the packaging of tobacco products will reduce that harm. Even accepting that it will, the submission must fail. Most expropriating legislation is designed in good faith to strike a balance between competing social interests with a view

to solving particular problems. It is revolutionary to suggest that the Commonwealth is relieved of its obligation to provide just terms in the form of compensation merely because the legislation under which it acquires property is fair in the sense assumed by the submission. The primary authority on which the Commonwealth relied was directed not to substitutes for compensation, but to criteria relevant to the calculation of compensation. In *Georgiadis v Australian and Overseas Telecommunications Corporation*, Brennan J said:

"In determining the issue of just terms, the Court does not attempt a balancing of the interests of the dispossessed owner against the interests of the community at large. The purpose of the guarantee of just terms is to ensure that the owners of property compulsorily acquired by government presumably in the interests of the community at large are not required to sacrifice their property for less than its worth. Unless it be shown that what is gained is full compensation for what is lost, the terms cannot be found to be just."

That passage has been approved by Gleeson CJ. It is the furtherance of the public interest which moves the legislature to enact legislation acquiring property, thereby creating the occasion for an inquiry into whether "just terms" have been provided. But the furtherance of the public interest is not a reason to deny just compensation to the property owner. To hold otherwise is significantly to weaken the effectiveness of s 51(xxxi) as a constitutional guarantee. The Commonwealth's submission must therefore be rejected.

#### Section 15 of the TPP Act

The Commonwealth contended that if, contrary to all its submissions, there had been an acquisition otherwise than on just terms, the TPP Act would not apply pursuant to s 15(1) of that Act. However, if the whole TPP Act apart from s 15(1) would result in an acquisition otherwise than on just terms, the whole Act fails, and s 15(1) would result in the whole of it not applying. The whole TPP Act apart from s 15(1) is in truth invalid because its central provisions collide with s 51(xxxi). This litigation is not an appropriate vehicle in which to decide whether legislation in the form of s 15(1) would have been valid if only parts of the TPP Act had been invalid.

#### Conclusion

In 1979, in *Trade Practices Commission v Tooth & Co Ltd*, Mason

J said:

"We were invited by the Solicitor-General to hold that a law whose effect is to provide for the acquisition of property is not a law with respect to the acquisition of property when it also happens to be a regulatory law which prohibits and penalizes obnoxious or undesirable trade practices by corporations. The argument accompanying this invitation was rather elusive."

Mason J rejected the argument. It did not prevail. Yet it was repeated in these cases in relation to "obnoxious or undesirable" tobacco advertising practices.

In 1993, in *Georgiadis v Australian and Overseas Telecommunications Corporation*, another Solicitor-General submitted that the expression "just terms" is an expression which "extends to what is fair, taking into account the interests of the community." That submission did not prevail either. It was specifically rejected by Brennan J. Yet it was repeated in these cases.

These are just minor examples of a common characteristic of s 51(xxxi) litigation – that the Commonwealth repeats arguments it has advanced in earlier cases over many years, despite their failure, and often their repeated failure.

After a "great" constitutional case, the tumult and the shouting dies. The captains and the kings depart. Or at least the captains do; the Queen in Parliament remains forever. Solicitors-General go. New Solicitors-General come. This world is transitory. But some things never change. The flame of the Commonwealth's hatred for that beneficial constitutional guarantee, s 51(xxxi), may flicker, but it will not die. That is why it is eternally important to ensure that that flame does not start a destructive blaze.

### Orders

In *JT International SA v Commonwealth of Australia*, there should have been an order declaring that the *Tobacco Plain Packaging Act 2011* (Cth) is invalid (apart from s 15, as to which it is unnecessary to decide) and an order that the defendant should pay the plaintiff's costs.

In *British American Tobacco Australia Ltd v Commonwealth of Australia*, the questions reserved should have been answered:

1. Yes.

2. No.
3. All except s 15 (as to which it is unnecessary to decide).
4. All.
5. The defendant should pay the plaintiffs' costs.

CRENNAN J. The issues in these two proceedings, the relevant facts, and the relevant provisions of the *Tobacco Plain Packaging Act* 2011 (Cth) ("the Packaging Act") and the *Tobacco Plain Packaging Regulations* 2011 (Cth) ("the Regulations") can be found in other reasons, obviating the need to set out those matters except as necessary to inform these reasons. The plaintiffs challenge the Packaging Act principally on the basis that its operation will effect an acquisition of their property otherwise than on just terms, contrary to s 51(xxxi) of the Constitution. It will be determined in these reasons that their respective challenges fail. I agree with the orders on the demurrer and with the answers to the reserved questions proposed by Gummow J. Accordingly, I joined in the orders pronounced on 15 August 2012.

The details of the two proceedings, the plaintiffs (each one a constitutional corporation) and the interveners are set out in the reasons of Gummow J and are adopted here. His Honour also sets out the particulars of the plaintiffs' claims to property said to fall within the meaning of s 51(xxxi), including those claims based on the statutory species of property protected under the *Trade Marks Act* 1995 (Cth) ("the Trade Marks Act"), the *Copyright Act* 1968 (Cth) ("the Copyright Act"), the *Designs Act* 2003 (Cth) ("the Designs Act") and the *Patents Act* 1990 (Cth) ("the Patents Act"), which I do not need to repeat.

Those particulars show that a preponderance of the registered trade marks relied upon as part of the plaintiffs' challenge to the Packaging Act are composite trade marks consisting of the brand name "Winfield" (in the BAT proceedings) and the brand names "Camel" and "Old Holborn" (in the JTI proceedings), together with other non-verbal graphic material. In the JTI proceedings, two of the four registered trade marks relied upon consisted of the brand name "Camel" alone, one of which was in fancy script. In the BAT proceedings, no claim under the Trade Marks Act was made in relation to the brand name "Dunhill", although that brand name has been used in the trade in tobacco products together with the subject matter of the registered design and patent referred to in those proceedings. All product get-up was associated with trade marks, or brand names, and included colours, logos, devices and fancy lettering or markings. The original artistic work in which copyright was claimed in

the BAT proceedings appeared to be applied in product get-up.

The legislative context of the Packaging Act is of particular importance because the provisions refer to the Trade Marks Act and to Commonwealth legislation concerning the product information to be placed on the retail packaging of tobacco products. The *Commerce (Trade Descriptions) Act 1905* (Cth) is also mentioned.

Relevantly, the Trade Marks Act provides that a registered owner of a trade mark has an exclusive right to use the trade mark, an exclusive right to authorise other persons to use the trade mark, a right to obtain relief in respect of infringement, and a right to assign a trade mark with or without the goodwill of the business concerned in the relevant goods. The exclusive right to use the mark is a negative right to exclude others from using it. A positive right to obtain registration on the satisfaction of certain conditions is "essentially ancillary" to the negative right. Section 17 defines a trade mark:

"A *trade mark* is a sign used, or intended to be used, to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person."

A "sign" is defined in s 6(1) as including:

"the following or any combination of the following, namely, any letter, word, name, signature, numeral, device, *brand*, heading, label, ticket, aspect of packaging, shape, colour, sound or scent." (emphasis added)

It can be noted that the Packaging Act relevantly restricts the use of trade marks and brand names.

Section 21 of the Trade Marks Act is also important. It provides:

- "(1) A registered trade mark is personal property.
- (2) Equities in respect of a registered trade mark may be enforced in the same way as equities in respect of any other personal property."

Section 22(1) provides that a registered owner, subject only to any rights vested in another person, may deal with the trade mark as its absolute owner and give in good faith discharges for any consideration for that dealing.

Other prior legislation which puts the Packaging Act in context has been dealt with in the reasons of Kiefel J. This includes legislation at State and Territory level prohibiting or restricting the promotion of tobacco products at the point of retail sale.

Of particular importance is the *Tobacco Advertising Prohibition Act* 1992 (Cth). Section 15 of that Act prohibits tobacco advertisements, but s 9(2) provides that material that appears on the packaging of tobacco products or on the products themselves is not a tobacco advertisement. It is also necessary to note Commonwealth legislation covering product information standards. What material may appear on the packaging of tobacco products has been regulated by the Commonwealth Parliament with progressively greater stringency. Material required to be on tobacco product packaging includes health warnings (graphic images as well as text) and a reference to a "Quitline" telephone service and website. The relevant regulations – the Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations 2004 (Cth) and the Competition and Consumer (Tobacco) Information Standard 2011 (Cth) ("the 2011 Information Standard") – are also dealt with in the reasons of Kiefel J, rendering it sufficient to note here that the 2011 Information Standard (which will effectively apply on and after 1 December 2012) requires this legislatively mandated product information to cover 75% of the front of the packaging and 90% of the back of the packaging.

### The Packaging Act

The objects of the Packaging Act are to improve public health and to give effect to certain obligations that Australia has as a party to the World Health Organisation Framework Convention on Tobacco Control, done at Geneva on 21 May 2003. Improving public health encompasses discouraging people from taking up or resuming smoking or using tobacco products, encouraging people to give up smoking or using tobacco products, and reducing people's exposure to smoke from tobacco products. The stated intention of the Commonwealth Parliament is to contribute to achieving these objects by regulating the retail packaging and appearance of tobacco products to reduce the appeal of such products to consumers, to increase the effectiveness of health warnings on the packaging of such products and to reduce the ability of the retail packaging of the products to mislead consumers about the harmful effects of smoking or using tobacco products.

It is not in contest that smoking tobacco is a cause of serious and fatal diseases such as lung cancer, respiratory disease and heart disease and that the risk of contracting such diseases is reduced by quitting

smoking. The use to which tobacco products are generally to be put after retail sale is smoking. The manufacture, distribution, offering for sale and selling of tobacco products in the course of both wholesale and retail trade in Australia is presently lawful.

Part 2 of Ch 2 of the Packaging Act sets out "tobacco product requirements" which cover cigarettes, and provides for regulations to specify further requirements. Chapter 3 contains both civil and criminal penalties for enforcing these requirements. Chapter 5 provides that civil sanctions are enforceable by the Secretary of the Department.

Briefly stated, the Packaging Act restricts the physical appearance of retail packaging for tobacco products by requirements as to finish and colour and a prohibition on any decorative features or embellishments. Trade marks must not be used in the retail packaging of tobacco products, although brand and variant names for a tobacco product are permitted trade marks, as are trade marks which distinguish the origin of tobacco products. The appearance of a brand name on tobacco packaging, including packaging for cigarettes, is regulated as to position, plane, size, font and colour, and frequency of appearance. No trade mark may appear on tobacco products themselves or on wrappers for tobacco products other than as permitted by regulations. Such are the restrictive conditions under which the plaintiffs may continue to apply their respective brand names "Winfield" and "Dunhill" and "Camel" and "Old Holborn" to the retail packaging of tobacco products.

Product get-up, and associated goodwill, are also affected by those provisions. The only components of product get-up which may be applied to the retail packaging of tobacco products are "brand, business, company or variant name[s]".

Certain valuable rights and interests of registered owners, authorised users and applicants for registration under the Trade Marks Act are not affected by the operation of the Packaging Act. For example, the right of a registered owner (or an authorised user) to seek relief for infringement of a registered trade mark pursuant to Pt 12 of the Trade Marks Act is not disturbed.

Other rights of registered owners and applicants under the Trade Marks Act, the exercise of which might be in doubt as a result of the Packaging Act, are expressly preserved. The right of an applicant under s 68 of the Trade Marks Act to have a qualifying application registered, in the absence of opposition, is preserved by s 28(1) and (3)(c) of the Packaging Act. Section 28(2) provides that the Packaging Act does not have the effect that compliant use of a trade mark in relation to tobacco

products would be "contrary to law", a characteristic which would result in the rejection of an application for registration under s 42(b) of the Trade Marks Act. Section 28(3) provides that the operation of the Packaging Act does not make it reasonable or appropriate for the Registrar of Trade Marks not to register a trade mark, or to register a trade mark subject to limitations or conditions, or to revoke either acceptance of an application for, or a registration of, a trade mark.

Further, the registered design for a "ribbed package" and the patent granted in respect of an opening which can be resealed, both claimed in the BAT proceeding, cannot be respectively applied or exploited in retail tobacco packaging because of the prohibition on decorative embellishments on packaging and the prohibition on openings which can be resealed. It should be noted that the ribbed packaging and the resealable opening, the subject of the registered design and patent in the BAT proceeding, were part of the product get-up of a cigarette package upon which the brand name "Dunhill" appeared. For that reason, submissions focused mainly on the plaintiffs' rights and interests under the Trade Marks Act and in product get-up as protected by the common law. That emphasis is reflected in these reasons.

Section 15 of the Packaging Act deals with the scope of the operation of that Act having regard to s 51(xxxi), and s 15(2) (set out in other reasons) reverses the presumption that the Packaging Act is to operate as a whole: the legislative intention is to be taken to be that the enactment should be divisible so that any parts found to be constitutionally unobjectionable should be carried into effect independently of those provisions found to be constitutionally objectionable.

In essence, the plaintiffs have two complaints. The first is that, on commencement, the Packaging Act's restrictions will render them unable to exploit their claimed property, especially their trade marks and product get-up, in connection with the sale of cigarettes in any meaningful or substantive way. The second complaint is that the Packaging Act's restrictions have extinguished the plaintiffs' proprietary rights as chattel owners to place whatever they wish on their cigarette packets and cigarettes.

#### The plaintiffs' property

Reflecting the longstanding liberal approach to the construction of s 51(xxxi), "a very great constitutional safeguard", "every species of valuable right and interest" including choses in action, "innominate and anomalous interests", incorporeal interests and "'property' [which] has no

existence apart from statute" is encompassed by the term "property" in s 51(xxxi). Following the liberal approach, the restriction of just terms applies to any indirect acquisition of "the substance of a proprietary interest".

The plaintiffs described their species of property under the Trade Marks Act (and other intellectual property legislation) as incorporeal personal property, and identified their rights and interests in respect of that property as including the right to exclude others from enjoyment of that property (and the goodwill attached to it) and the right to turn the property to valuable account by licence or assignment.

That identification of valuable rights and interests for the purposes of the plaintiffs' challenge under s 51(xxxi) in no way trespassed on, or bypassed, the well-understood differences between excluding others from the enjoyment of incorporeal property and a property owner's rights of exclusion under the general law in respect of land and chattels, adverted to by Dixon J in *Victoria Park Racing and Recreation Grounds Co Ltd v Taylor*.

The plaintiffs accepted that the right to use a registered trade mark did not carry with it any immunity in relation to other legal obligations such as those in respect of passing off or copyright infringement or consumer protection.

The Commonwealth admitted that the property which the plaintiffs claimed under the Trade Marks Act (and other intellectual property legislation) was property for the purposes of s 51(xxxi). A sound basis for those admissions can be found in the authorities.

However, in referring to the scope of s 21 of the Trade Marks Act, the Commonwealth (supported by Queensland, intervening) advanced a proposition that the imposition of new restrictions on registered owners of trade marks under the Packaging Act takes nothing from the rights and interests granted to a registered owner under the Trade Marks Act, and that therefore no property is taken for the purposes of s 51(xxxi). This led senior counsel for the plaintiffs in the BAT proceedings to describe the Commonwealth's admission in relation to the Trade Marks Act as illusory. It is convenient to say something briefly about the rights and interests of an owner of a registered trade mark.

It was recognised by Windeyer J in *Colbeam Palmer* that the negative right of a registered owner of a trade mark to restrain infringement had its origin in the equitable jurisdiction to protect a form of property in a trade mark gained by use and reputation, a jurisdiction

which was exercised before trade marks were recognised by statute. In every reiteration of trade marks legislation in Australia, it has been provided, in substance, that any equities in respect of a trade mark may be enforced in the same way as equities in respect of other personal property. In the earlier iterations this provision was coupled with a provision concerning a registered owner's right to assign a trade mark.

There is no such thing as a trade mark in gross. At common law a trade mark could not be assigned except with the goodwill of the business in respect of which it was used, because it was feared that to do otherwise would engender deception and confusion. The *Trade Marks Act 1905* (Cth) adopted the same restriction in respect of registered trade marks. At that time, and subsequently, it was further thought that the licensing of a trade mark would inevitably invalidate the registration of a trade mark for the reason that licensing would cause deception and confusion. Accordingly, there was no analogue in the *Trade Marks Act 1905* to the authorised user provisions in the Trade Marks Act.

Following legislation in the United Kingdom, both of these restrictions were relaxed under the *Trade Marks Act 1948* (Cth), which relaxation continued under the *Trade Marks Act 1955* (Cth). The changes fundamentally affected the nature of a trade mark, which was previously thought inseparable from the business of origin and associated goodwill. Once the changes were made, the value of a trade mark included its power to attract consideration for an assignment without goodwill and, more importantly for present purposes, its power to attract royalties.

Use of a trade mark is authorised only to the extent that the use is "under the control of the owner". Insufficient control by a licensor over the use of a trade mark might expose the registered owner to rectification or removal proceedings, for which reason a licensor will usually impose conditions as to use of the licensed trade mark. If the licensee is a manufacturer, those conditions may require maintenance of the quality of the goods to which the licensed trade mark is to be applied.

In *Colbeam Palmer*, when considering infringement of a trade mark registered under the *Trade Marks Act 1955*, Windeyer J said:

"[I]t can hardly be said that a registered trade mark is not a species of property of the person whom the statute describes as its registered proprietor, and which it permits him to assign".

Under the *Trade Marks Act 1955*, subject to certain restrictions which do not matter for present purposes, a registered owner of a trade

mark could assign the trade mark with or without goodwill and license another to use the trade mark under a registered user system then in place. Under the Trade Marks Act, the current authorised user provisions (which replaced the previous registered user system) allow parties freedom to set the terms of a trade mark licence without any scrutiny by the Registrar of Trade Marks, and the recording of a licence is voluntary.

The Copyright Act, the Designs Act and the Patents Act all provide for exclusive rights to use or exploit the incorporeal property with which they deal, together with exclusive rights to assign, or to authorise or license others to use or exploit, the property.

Sections 20(2) and 21(2) of the Trade Marks Act refer to a registered owner's right to relief in respect of infringement, but the value of a registered owner's statutory property has always also included a right to assign (enlarged over time, as explained above), and presently includes the right to license as well. For the purposes of s 51(xxxi), the plaintiffs' intellectual property rights and interests constitute property capable of acquisition and attracting the requirement of just terms. Further, in the case of the plaintiffs' registered trade marks, the question of whether there has been an acquisition cannot be confined to the consideration that the Packaging Act preserves a registered owner's right to seek relief in respect of infringement.

#### Was the plaintiffs' property acquired?

Whether subsequent legislative prohibitions or restrictions on the use of incorporeal property created by statute will amount to an acquisition of property for the purposes of s 51(xxxi) must depend on the nature of the rights attaching to the incorporeal property, and whether, for the purposes of the Commonwealth, the prohibitions or restrictions: (a) give, or effectively give, the Commonwealth or another a right to use the incorporeal property wholly or partly to the exclusion of the owner; or (b) bestow some other identifiable benefit or advantage upon the Commonwealth or another which can be characterised as proprietary.

In *The Commonwealth v Tasmania (The Tasmanian Dam Case)*, when explaining the difference between a "taking" (the subject matter of the Fifth Amendment to the United States Constitution) and an "acquisition", with which s 51(xxxi) is concerned, Mason J said:

"The emphasis in s 51(xxxi) is not on a 'taking' of private property but on the *acquisition* of property for purposes of the Commonwealth. To bring the constitutional provision into play it is not enough that [the] legislation adversely affects or terminates

a pre-existing right that an owner enjoys in relation to his property; there must be an acquisition whereby the Commonwealth or another acquires an interest in property, however slight or insubstantial it may be." (original emphasis)

The enduring authority of this statement of principle has been confirmed by this Court on numerous occasions, most recently in *Wurridjal v The Commonwealth* and *ICM Agriculture Pty Ltd v The Commonwealth*. The provisions of the Packaging Act which affect the plaintiffs' property do not effect a transfer, to the Commonwealth or any other person, of the plaintiffs' rights in their trade marks, product get-up, or associated goodwill, rights (as chattel owners) to cigarette packets or cigarettes, or, in the BAT proceedings, rights in the copyright work, registered design or patent. The plaintiffs acknowledged that there was no formal deprivation of these rights but contended that they had been "in a real sense ... stripped of the possession and control" of their property.

In *Dalziel*, reg 54 of the National Security (General) Regulations (Cth) gave the Minister an exclusive right to possess and use land for an indefinite period, if expedient to do so, for wartime purposes. The regulation was used to exclude the tenant of certain vacant land in Sydney, Mr Dalziel, and was found to contravene s 51(xxxi). In the *Banking Case*, provisions of the *Banking Act 1947* (Cth) which authorised the Treasurer of the Commonwealth "to assume control of the business" of a private bank by appointing directors who were nominees of the Commonwealth were found to contravene s 51(xxxi) because, in the words of Dixon J, the scheme was "but a circuitous device to acquire indirectly the substance of a proprietary interest".

In *Newcrest*, proclamations made under provisions of the *National Parks and Wildlife Conservation Act 1975* (Cth) were found to contravene s 51(xxxi). That Act prohibited mining in Kakadu National Park and vested Commonwealth interests in the Park, except for its interests in minerals, in the Director of National Parks and Wildlife. A proclamation under the Act which extended the area of the Park prevented Newcrest from exploiting mining tenements which it held in that area but effected no acquisition of Newcrest's leasehold interests or any proprietary interests Newcrest held in the minerals. Nevertheless, it was held that an acquisition of property occurred because the interests of the Director in the Park and the Commonwealth in the minerals were held thereafter free of Newcrest's rights to conduct mining operations and to mine the minerals.

## The substance and reality of proprietorship

Employing the language made familiar in those well-known authorities, the plaintiffs described the effect on them of the Packaging Act as reducing their proprietary rights to a "husk", as taking the entire "substance" of those rights, as effectively "sterilising" them and stripping them of all their worth or value. Supported by the intervening tobacco interests, the plaintiffs further submitted that they were deprived of the "reality of proprietorship" in their property.

In response, the Commonwealth contended that a diminution in the use or value of property is not the object of s 51(xxxi), since s 51(xxxi) is not concerned with the "general commercial and economic position occupied by traders". The restriction of "just terms" in s 51(xxxi) was said to be a protection against an acquisition of property in the sense of an expropriation or requisition of property. Further, it was submitted that, even if the provisions of the Packaging Act might be characterised as a taking of the plaintiffs' pre-existing rights to use their property for advertising or promotional purposes, with a possible diminution in the value of the property, such a taking did not amount to an indirect acquisition of the plaintiffs' property.

Some considerations of trade mark law and observations about the nature of composite trade marks support the Commonwealth's submissions and show that the plaintiffs' characterisation of the effect of the Packaging Act on their pre-existing rights was overstated.

A trade mark is a sign used or intended to be used to distinguish a registered owner's goods in the course of trade. An application for registration of a trade mark must be rejected if the trade mark is not capable of fulfilling the function of distinguishing the applicant's goods from those of others. Composite marks, just as much as marks consisting of a word or brand name alone, are assessed for registration on their capacity to distinguish the registered owner's goods from those of others. Entitlement to registration does not depend on a trade mark's capacity to advertise goods or to promote sales. A registered trade mark which can no longer perform the function of distinguishing its owner's goods from those of another trader will be liable to rectification or removal. Furthermore, there are numerous grounds upon which an application for registration of a trade mark may be rejected, including that a trade mark used on the goods for which registration is sought would be likely to deceive or cause confusion. There are also numerous legislative provisions bearing upon the use or registration of a trade mark.

Whilst the prime concern of the Trade Marks Act is with the

capacity of a trade mark to distinguish the goods of the registered owner from those of another trader, trade marks undoubtedly perform other functions. For example, a trade mark can be an indicium of the quality of goods sold under or by reference to it and it may be accepted that distinctive marks can have a capacity to advertise, and therefore to promote, sales of products sold under or by reference to them. The advertising function of a trade mark is much more readily appreciated than it once was, and that function may be of great commercial value.

It became clear as argument advanced that what the plaintiffs most strenuously objected to was the taking or extinguishment of the advertising or promotional functions of their registered trade marks or product get-up, which functions were prohibited by the Packaging Act. It was said that, having regard to all the prior legislation restricting advertising of tobacco products, the percentage of the retail packaging surface to which the trade marks could be applied prior to the operation of the Packaging Act was the last space upon which the plaintiffs could advertise or promote their products, or offer them for sale in competition with other traders. The result of the prior legislative restrictions on advertising was said to be that the plaintiffs could only distinguish their products by what appears on the packaging for those products.

It is important to note that in every composite trade mark claimed by the plaintiffs, an essential feature for the purposes of distinguishing goods from those of competitors appeared to be a brand name. To the extent that colours, chevrons, crests, shields and similar insignia might be in common use in the retail trade in tobacco products, such non-verbal components of a composite trade mark might be discounted in a comparison to determine the "deceptive similarity" of another mark, or where marks are compared side by side for the purposes of establishing their "substantial identity". The earliest of the registrations depended upon in the BAT proceedings is a registration of a composite mark including the word or brand name "Winfield" depicted in fancy script with a prominent "W"; it was originally registered in Part A of the Register under the provisions of the *Trade Marks Act 1955* with a disclaimer of any exclusive right to use the letter "W". Part A was reserved for inherently distinctive marks or marks which had become distinctive through use. Marks which were descriptive or which were, in their ordinary meaning, surnames or geographical names were not inherently distinctive. A registration of a composite mark which included a word or brand name gave narrower protection for the purposes of comparison relevant to infringement or opposition proceedings than a registration of a word or brand name simpliciter. The adding of non-verbal devices or fancy lettering to a trade mark consisting of a word

which was not inherently distinctive enhanced such a mark's prospects of registration in Part A of the Register.

Subject to exceptions in some jurisdictions for specialist tobacco retailers, legislation in each State and Territory now prohibits the display and advertising of tobacco products at retail premises, except by way of signage prescribed by regulations.

Such restrictions have the effect that all traders in the retail tobacco trade depend on the verbal, aural and allusive features, and any inherent or acquired distinctiveness, of their brand names in order to distinguish their goods from those of others in the course of retail trade. It must be noted that registered trade marks which are composite marks containing no word or brand name cannot be applied to retail packaging under the provisions of the Packaging Act. Further, visual distinctions between brand names have been minimised by the provisions of the Packaging Act requiring packaging to appear generic. Nevertheless, the visual, verbal, aural and allusive distinctiveness, and any inherent or acquired distinctiveness, of a brand name can continue to affect retail consumers despite the physical restrictions on the appearance of brand names imposed by the Packaging Act. It was noted in the Agreed Facts in the BAT proceedings that, since July 2010, "hundreds of millions of packets of Winfield branded cigarettes" using the Winfield get-up and "tens of millions of packets of Dunhill branded cigarettes" using the patent and registered design have been sold in Australia.

Although the plaintiffs wished to emphasise that the Packaging Act prohibits them from using their registered trade marks, *as registered*, on retail packaging, it was not suggested by the plaintiffs that their tobacco products were ordered by consumers in the retail trade without reference to their brand names; it was not suggested that relevant goodwill was not significantly attached to their brand names; and it was not suggested that the brand names in the composite marks, as registered, would be insignificant in any opposition or infringement proceedings under the Trade Marks Act or in any action for passing off.

An action for passing off protects any goodwill and reputation in product get-up. In a passing off action in respect of get-up, a plaintiff must show not only goodwill and reputation in the product get-up, but also a representation by a defendant to the public leading to actual deception or the probability of deception, and actual damage or the likelihood of damage. If the features used in product get-up are in common use in a particular trade, a plaintiff may have difficulty in a passing off action in proving the distinctiveness of the get-up. A brand name used in association with product get-up is likely to be a feature

upon which customers rely, especially if the get-up combines features in common use in the trade with a distinctive brand name. "Distinctiveness" does not mean eye-catching – the test for distinctiveness is the function the get-up actually serves, rather than how well it is adapted to serve it. It was not suggested by the plaintiffs that the brand names associated with their product get-up would play a negligible role in any action for passing off.

The "reality of proprietorship" of the plaintiffs as registered owners of composite trade marks is that, used alone, albeit in the manner restricted by the Packaging Act, the brand names "Winfield", "Dunhill", "Camel" and "Old Holborn" are capable of discharging the core function of a trade mark – distinguishing the registered owner's goods from those of another, thereby attracting and maintaining goodwill. Sections 20(3) and 28(1), (2) and (3)(c) of the Packaging Act provide that a use of a brand name, as restricted by the Packaging Act, is to be treated as use of a trade mark, as registered, or as use of a trade mark, the subject of an application for registration. Whilst potential assignees and licensees of registered trade marks may value, even highly, the advertising function of a trade mark, or associated product get-up, an exclusive right to generate a volume of sales of goods by reference to a distinctive brand name is a valuable right.

These considerations show that the plaintiffs are not in a position analogous to the tenant in *Dalziel*, the company and shareholders in the *Banking Case*, or the owner of mining tenements in *Newcrest*. The complaint that the plaintiffs were deprived of the "substance" and "reality" of their proprietorship in their property because they could not use their registered trade marks *as registered*, or their associated product get-up, left out of account the significance of their ability to continue to use their brand names so as to distinguish their tobacco products, thereby continuing to generate custom and goodwill.

The restrictions in the Packaging Act may reduce the volume of the plaintiffs' sales of tobacco products in retail trade, the value of associated goodwill in the trade marks and associated businesses, and the value of rights to assign or license such marks. However, s 51(xxxi) is not directed to preserving the value of a commercial business or the value of an item of property.

Given the nature of the plaintiffs' pre-existing rights to use their property for advertising or promotional purposes, restricting or extinguishing those rights, with a possible consequential diminution in the value of the property or the associated businesses, did not constitute

a taking amounting to an indirect acquisition.

### Control

The plaintiffs invoked the accepted principle that there does not need to be a precise correspondence between what has been taken or diminished and any benefit or advantage obtained by the Commonwealth or another. It was contended that by "controlling" the plaintiffs' use of their intellectual property, especially their trade marks, and product get-up, through the operation of the provisions of the Packaging Act, the Commonwealth freed up the space on retail packaging previously available for the application of the plaintiffs' trade marks and associated get-up, and regulated what was to be placed in that space. This was described as an indirect acquisition of the right of the plaintiffs as owners of their property not to use that property or, alternatively, as an appropriation of the plaintiffs' "right" to control what material was placed on their chattels.

In the *Banking Case*, Dixon J's references to control of an undertaking were references to the effect of the provisions under consideration, which gave nominee directors, agents of the Commonwealth, "complete powers of disposition and complete power to bind the company as to the recompense it will receive for its assets". What was said has no immediate application to the conception that a right of an owner of property includes a right not to use that property.

In *Telstra Corporation Ltd v The Commonwealth*, the Court said:

"[I]t is ... useful to recognise the different senses in which the word 'property' may be used in legal discourse. Some of those different uses of the word were identified in *Yanner v Eaton*. In many cases, including at least some cases concerning s 51(xxxi), it may be helpful to speak of property as a 'bundle of rights'."

It is in the context of the conception of property as a bundle of rights that an owner's rights "not to use" his property, or to extinguish his own legal interests, have been identified. Useful as this idea is in many contexts, it is an awkward and incongruous notion to apply to a registered owner's rights to a trade mark, or an owner's interest in product get-up. The Trade Marks Act requires an applicant for registration to use or intend to use or to have authorised or intend to authorise another to use a trade mark, the concept of use being integral to the definition of a trade mark. An exclusive right given by registration is the right "to use the trade mark" already explained above. Unlike rights granted under other intellectual property legislation for a limited term, a registration of

a trade mark is not limited in time; however, the registration is vulnerable to removal for non-use. Similarly, an action at common law in respect of product get-up is available to the extent that the get-up has generated goodwill as a result of use. For those reasons, the argument that the provisions of the Packaging Act effected an indirect acquisition by the Commonwealth of the plaintiffs' right and entitlement not to use their property must be rejected as "unreal" in the sense used by Dixon J in *British Medical Association v The Commonwealth*.

The further submission that the plaintiffs have a right to place whatever they wish on their chattels, and that this right has been appropriated by the Commonwealth, must also be rejected. The plaintiffs' ability to place material on their packaging is and has for a long period been limited by law. Legislative provisions requiring manufacturers or retailers to place on product packaging warnings to consumers of the dangers of incorrectly using or positively misusing a product are commonplace. In these cases, the warnings are in relation to the intended use of the tobacco products, namely smoking, the effect of which activity has been the subject of admissions by the plaintiffs, as recorded above. Any decision of the plaintiffs to continue to sell tobacco products in retail packaging which complies with more stringent product and information standards, directed to providing more prominent information about tobacco goods, does not involve any diminution in or extinguishment of any property.

#### Benefit or advantage

In a related submission, the plaintiffs contended that the Packaging Act's restrictions on the appearance of retail packaging for the purposes of achieving its objects (as set out in s 3), coupled with stricter requirements in relation to placing product information on the packaging, resulted in a benefit or advantage to the Commonwealth (and to a lesser extent to the owner of Quitline services or the Quitline trade mark) sufficient to trigger the requirement of just terms. The benefit was said to have been acquired "without any obligation to pay". To the extent that the greater prominence given to health warnings might not easily or readily be characterised as a benefit or advantage that was proprietary in nature, it was contended that, if a property right is extinguished and some identifiable benefit or advantage which is "relating to the ownership or use of property" is obtained, there is no requirement that what is acquired should itself be proprietary in nature.

In advancing this proposition, the plaintiffs relied on a view expressed with some hesitation by Deane J in the *Tasmanian Dam Case*. Deane J expressed this view in response to an argument by Tasmania that

certain Commonwealth legislation effected an acquisition of Tasmania's property because the legislation prevented Tasmania from using its land for a variety of purposes without the consent of the Commonwealth. His Honour considered that it was possible that legislation could constitute "an effective confiscation" of a benefit of land ownership, notwithstanding that the Commonwealth acquired no corresponding rights in respect of the land. His Honour went on to find that the restrictions on land use effected by the legislation in question were sufficiently comprehensive to resemble the effect of a restrictive covenant. Accordingly, his Honour concluded that, although the Commonwealth did not take any material benefit of a proprietary nature under the legislation, it was enough for the purposes of s 51(xxxi) that the legislation brought about the position that the land was "effectively frozen", unless and until the relevant Commonwealth Minister consented to its development. As pointed out in the reasons of others, this was, with great respect, a minority view in the case. His Honour's reasons have been referred to subsequently in the context of recognition that an acquisition for the purposes of s 51(xxxi) must be an acquisition of rights of a proprietary nature. The principle articulated by Mason J in the *Tasmanian Dam Case*, quoted above, remains authoritative.

The plaintiffs relied, for similar purposes, on a statement in *Mutual Pools & Staff Pty Ltd v The Commonwealth* by Deane and Gaudron JJ, to the effect that it will be sufficient to demonstrate an acquisition of property if there is some benefit or advantage obtained "relating to the ownership or use of property". The plaintiffs also relied on a later statement in *ICM Agriculture Pty Ltd v The Commonwealth*:

"[T]here can be no *acquisition* of property unless some identifiable and measurable advantage is derived by another from, or in consequence of, the replacement of the plaintiffs' licences or reduction of entitlements. That is, another must acquire 'an interest in property, however slight or insubstantial it may be'." (original emphasis)

Reliance was placed only on the first sentence in that passage as supporting a proposition that what is acquired need not be of a proprietary nature. Read in context, neither statement represents any retreat from settled doctrine that an acquisition for the purposes of s 51(xxxi) requires that either the Commonwealth or another must acquire, for the purposes of the Commonwealth, "an interest in property, however slight or insubstantial it may be". The plaintiffs' submissions on this branch of their argument must also be rejected.

For the reasons set out above, the Packaging Act restrictions,

which effectively prohibit the plaintiffs from using their property for advertising or promotional purposes, while severe from a commercial viewpoint, do not operate so as to effect an acquisition of any proprietary right or interest by the Commonwealth, or by the owner of the Quitline services or trade mark.

The Commonwealth made further submissions influenced by authorities concerning the Fifth Amendment to the Constitution of the United States. Those submissions were based on the proposition that an acquisition of property without compensation is outside the scope of s 51(xxxi) if that acquisition is no more than a necessary consequence or incident of a restriction on a commercial trading activity, where that restriction is reasonably necessary to prevent or reduce harm caused by that trading to members of the public or public health. The conclusion reached above renders it unnecessary to further consider those submissions.

KIEFEL J. Chapter 2 of the *Tobacco Plain Packaging Act 2011* (Cth) ("the Packaging Act") is entitled "Requirements for plain packaging and appearance of tobacco products". With some presently irrelevant exceptions, these requirements and the *Tobacco Plain Packaging Regulations 2011* (Cth) ("the Packaging Regulations") are due to commence in operation on 1 October 2012. The Packaging Act has as its objects:

- "(a) to improve public health by:
  - (i) discouraging people from taking up smoking, or using tobacco products; and
  - (ii) encouraging people to give up smoking, and to stop using tobacco products; and
  - (iii) discouraging people who have given up smoking, or who have stopped using tobacco products, from relapsing; and
  - (iv) reducing people's exposure to smoke from tobacco products; and
- (b) to give effect to certain obligations that Australia has as a party to the Convention on Tobacco Control<sup>11</sup>."

The intention of the Commonwealth Parliament is stated in s 3(2) to be:

"to contribute to achieving the objects in subsection (1) by regulating the retail packaging and appearance of tobacco products in order to:

- (a) reduce the appeal of tobacco products to consumers; and
- (b) increase the effectiveness of health warnings on the retail packaging of tobacco products; and
- (c) reduce the ability of the retail packaging of tobacco products to mislead consumers about the harmful effects of smoking or using tobacco products."

The objects of the Packaging Act are sought to be achieved by preventing constitutional corporations that distribute tobacco products, such as cigarettes, for retail sale from using marks, words, colours, designs or other distinctive features, which a consumer might associate with a particular brand of tobacco product, on the packaging of these products. The use of a brand name is restricted in its permissible size and appearance. It is to be placed upon a drab background in a specified position. The larger portion of the space on tobacco product packaging thus created will be taken up with information and warnings about the use of tobacco products, which are the subject of other legislative requirements. The prohibitions and restrictions of the Packaging Act and the Packaging Regulations are reinforced by provisions creating civil and criminal offences.

British American Tobacco Australasia Limited ("BAT") is the owner of registered trade marks relating to "Winfield" tobacco products and the holder of copyright in artistic works used in the packaging of tobacco products sold under variations of the Winfield brand name. It also claims to be the owner of "distinctive trade dress and get-up", which is described as including "size, shape, arrangements of words, colours, decorations, designs, logos, lettering and markings for tobacco products" using its trade marks or copyright works. British American Tobacco (Investments) Limited ("BAT Investments") is the owner of a registered design relating to ribbing on a cigarette packet and a patent for a method of sealing the contents of a packet, which are applied to packaging for "Dunhill" branded products. British American Tobacco Australia Limited ("BATA") manufactures and/or imports, markets, sells, distributes and displays cigarettes in Australia under the Winfield and Dunhill brands. (These plaintiffs will sometimes be referred to compendiously as "the BAT plaintiffs" in these reasons.)

The plaintiff in the other proceeding, JT International SA ("JTI"),

is a company incorporated under the laws of Switzerland. Tobacco products are distributed for it in Australia under the brand names "Camel" and "Old Holborn". It is the exclusive licensee of four registered trade marks pertaining to the Camel brand and the owner of a trade mark pertaining to the Old Holborn brand. JTI also claims to have rights of use in get-up.

Section 51(xxxi) of the Constitution provides that the Commonwealth Parliament may make laws with respect to "the acquisition of property on just terms from any State or person for any purpose in respect of which the Parliament has power to make laws". There appears to have been little discussion of this provision in the Convention Debates. It was drafted to meet the concern that there might have been some uncertainty as to whether the Commonwealth had legislative power to acquire property. Nevertheless, s 51(xxxi) has been held to serve a dual purpose: to provide the Commonwealth with that power and to provide the individual or the State affected with protection against governmental interferences with their proprietary rights without proper recompense. The words "for any purpose in respect of which the Parliament has power to make laws" limit the exercise of the power to "an implementation of a purpose within the field of Commonwealth legislative power."

The plaintiffs in the two proceedings, and the companies which have been given leave to intervene in support of the BAT plaintiffs, did not dispute that the Packaging Act may be supported by heads of power such as s 51(i), (xviii), (xx) and (xxix). JTI conceded that the Packaging Act could be supported by the corporations power (s 51(xx)). However, each of the plaintiffs contended that the Packaging Act contravenes s 51(xxxi).

Details of the proceedings between the plaintiffs and the Commonwealth are given in the judgment of Gummow J. JTI has demurred to the Commonwealth's defence and thereby put in issue whether its trade marks and get-up are "property" within the meaning of s 51(xxxi); whether the Packaging Act would effect an acquisition of that property; and whether any acquisition would be otherwise than on just terms. The first of the questions reserved in the proceeding to which the BAT plaintiffs are party is, more generally, whether all or some of the provisions of the Packaging Act would result in an acquisition of their property other than on just terms.

#### Restrictions on the promotion of tobacco products

Many kinds of products have been subjected to regulation in order

to prevent or reduce the likelihood of harm. The labelling required for medicines and poisonous substances comes immediately to mind. Labelling is also required for certain foods, to both protect and promote public health.

It may be thought that the pursuit of a purpose such as the prevention of harm or the protection of health is inherently unlikely to involve an acquisition of property, but objects should not be confused with the methods employed to attain them. A question that arises in cases concerning s 51(xxxi) which involve regulatory restrictions having severe effects is whether something more than the attainment of statutory objects results to the Commonwealth or another person as a result of the restrictions imposed. Answering this question necessitates an understanding of the impugned restrictions, viewed in the legislative framework in which they operate.

In recent decades, there has been a progressive restriction of the promotion of tobacco products, which, although remaining legal to sell and use, have been recognised as seriously harmful to the health of those using them. The Commonwealth and the plaintiffs are agreed that one consequence of the level of restriction of advertising of tobacco products has been that the packaging of these products has become the main means of their promotion.

In 1973, legislation commenced in each State and Territory requiring, for the first time, cigarette packets to be labelled with a health warning ("WARNING – SMOKING IS A HEALTH HAZARD"). From 1987 each State and Territory replaced the existing requirements with a system of four rotating warnings ("SMOKING CAUSES LUNG CANCER", "SMOKING CAUSES HEART DISEASE", "SMOKING REDUCES YOUR FITNESS", and "SMOKING DAMAGES YOUR LUNGS") after which the words "Health Authority Warning" were required to appear.

In the early 1970s, the Commonwealth legislated to require that a warning that smoking is a health hazard follow every cigarette advertisement on radio or television. In 1976 the broadcasting of tobacco advertisements was prohibited and in 1990 the prohibition was extended to the print media. Legislation in the States and Territories has prohibited certain forms of the advertising of tobacco products since the 1980s and from the 1990s has prohibited or restricted the promotion of tobacco products at the point of retail sale, including by the display of such products.

The first regulation by the Commonwealth of the appearance of

the packaging of tobacco products was effected by the Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations 1994 (Cth) ("the 1994 Information Standard"), made under the *Trade Practices Act* 1974 (Cth). From 1 January 1995 (for tobacco manufactured in Australia) or 1 July 1995 (for tobacco imported into Australia), a retail package of tobacco was required to conform to a number of specific requirements. Principally, the package was required to contain a "warning message" (such as "SMOKING CAUSES LUNG CANCER", "SMOKING IS ADDICTIVE", "SMOKING KILLS", "SMOKING CAUSES HEART DISEASE", "SMOKING WHEN PREGNANT HARMS YOUR BABY", or "YOUR SMOKING CAN HARM OTHERS", followed by the words "Government Health Warning"), together with a "corresponding explanatory message" which elaborated upon the warning. The format and position of the messages, the area to be covered by the messages and their orientation were prescribed. Retail packages of cigarettes were also required to contain information about the amount of tar, nicotine and carbon monoxide in the smoke of each cigarette.

The Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations 2004 (Cth) ("the 2004 Information Standard") repealed the 1994 Information Standard and put in place a more stringent regime regarding the packaging of cigarettes. The key provisions of the regime require, with some minor exceptions, that a package of cigarettes for retail sale be labelled with a "Warning message and corresponding graphic", which covers at least 30 per cent of the total area of the front face of the packet, and a "Warning message, corresponding graphic and corresponding explanatory message with Quitline logo and number", which covers at least 90 per cent of the total area of the back face. The graphics depict adverse health effects, such as mouth and lung cancer, gangrene and loss of vision. "Quitline" is a service available through various bodies in Australia that offers telephone counselling, free of charge, to persons wishing to cease the use of tobacco products. The Quitline logo consists of one or more registered trade marks owned by the Anti-Cancer Council of Victoria.

The Competition and Consumer (Tobacco) Information Standard 2011 (Cth) ("the 2011 Information Standard"), made pursuant to the *Competition and Consumer Act* 2010 (Cth), came into force on 1 January 2012, though it in effect applies to tobacco products supplied after 30 November 2012. It repeals the 2004 Information Standard and imposes even more stringent requirements relating to the labelling of tobacco products. Under the 2011 Information Standard a cigarette pack must contain: on its front, a "Warning Statement" and a "Graphic"; on its back, a "Warning Statement", a "Graphic" and an "Explanatory message"; and,

on one of its sides, an "Information message". There are 14 combinations of warning statements, graphics, explanatory messages and information messages for cigarettes. They are required to be rotated. The messages and graphic accompanying each warning statement relate to the statement. For example, the warning statement "SMOKING HARMS UNBORN BABIES" is to be accompanied by a graphic of an underweight baby; the explanatory message explains that smoking during pregnancy reduces blood flow in the placenta and limits the oxygen and nutrients that reach the growing baby; and the information message explains that tobacco smoke causes disease and early death in children and non-smoking adults. In each combination the explanatory message includes the Quitline phone number and the address for the "Quitnow" website, a website controlled by the Commonwealth containing information about the Quitline program and related programs. The graphic on the back is required to include a partially transparent overlay of the Quitline logo.

The 2011 Information Standard requires that the warning statement and the graphic cover at least 75 per cent of the total area of the front outer surface of a cigarette pack. The warning statement must appear at the top of the front outer surface, with the graphic immediately below it. When the top of the front outer surface consists of a flip-top, the warning statement must cover the whole of the flip-top portion. The warning statement, graphic and explanatory message on the back outer surface of a cigarette pack must cover at least 90 per cent of the total of the area.

#### The requirements of the Packaging Act

Sections 18 to 27 of the Packaging Act specify requirements, and provide for the making of regulations specifying requirements, within the meaning of the term "tobacco product requirement" in s 4(1).

Certain of the provisions of the Packaging Act, such as those concerned with the colour and finish of retail packaging of tobacco products, and those dealing with the prohibition upon trade marks and other marks appearing on packaging, intersect with the 2004 or 2011 Information Standards. Others do not. For example, the requirements as to the physical features of the retail packaging of tobacco products do not depend for their effect upon those standards, nor does the prohibition on a trade mark or mark appearing anywhere on a tobacco product. Paragraphs (a) and (c) of s 10 of the Packaging Act have the effect that the 2004 and 2011 Information Standards prevail to the extent of any inconsistency with the Packaging Act.

Trade marks and marks may generally not be used on the retail

packaging of tobacco products. However, s 20(3) of the Packaging Act provides that the following may appear on the retail packaging of tobacco products:

- "(a) the brand, business or company name for the tobacco products, and any variant name for the tobacco products;
- (b) the relevant legislative requirements<sup>[1]</sup>;
- (c) any other trade mark or mark permitted by the regulations."

Further, no trade mark or mark is to appear on a tobacco product itself, or on the wrapper of a product, other than as permitted by the Packaging Regulations.

The use of a brand, business or company name for tobacco products or any variant name is strictly regulated. It may only appear on the front, top and bottom outer surfaces of a cigarette pack, much of which, as has been explained, must be covered by the statements, graphics and messages specified in the 2004 and 2011 Information Standards. Any brand, business or company name on the front outer surface of a cigarette pack must be in the centre of the space remaining on that surface, beneath the "health warning", and appear horizontally below and in the same orientation as the health warning. On any other face the brand, business or company name must appear horizontally and in the centre of the outer surface of the pack. Any variant name must appear horizontally and immediately below and in the same orientation as the brand, business or company name. Further, any brand, business, company or variant name must conform to requirements as to size, font and colour. Packets are not permitted to have any decorative ridges, embossing, or other irregularities of shape or texture or other embellishments. Packets must be made of rigid cardboard of rectangular shape with 90 degree angles. Their outer surfaces must be a drab colour.

In summary, the Packaging Act prohibits the use of any trade mark or other distinctive feature on packaging and permits only a brand, business, company or variant name to be used to distinguish one tobacco product from another, and then only in small type on an inconspicuous background. The requirements of the 2004 and 2011 Information Standards are thereby reinforced in aid of the object of the Packaging Act, namely to actively dissuade persons from purchasing tobacco products.

Chapter 3 of the Packaging Act provides for criminal and civil penalties for non-compliance with a "tobacco product requirement". The

offence provisions are directed to constitutional corporations, persons engaging in constitutional trade or commerce, or persons engaging in conduct to the extent to which the conduct takes place in a Territory.

Section 15 of the Packaging Act assumes importance if the plaintiffs' argument, that s 51(xxxi) is infringed, succeeds. It provides (note omitted):

- "(1) This Act does not apply to the extent (if any) that its operation would result in an acquisition of property from a person otherwise than on just terms.
- (2) In particular, if, apart from this section, this Act would result in such an acquisition of property because it would prevent the use of a trade mark or other sign on or in relation to the retail packaging of tobacco products, or on tobacco products, then despite any other provision of this Act, the trade mark or sign may be used on or in relation to the retail packaging of tobacco products, or on tobacco products, subject to any requirements that may be prescribed in the regulations for the purposes of this subsection.
- (3) To avoid doubt, any tobacco product requirement (within the meaning of paragraph (a) or (b) of the definition of ***tobacco product requirement***) that does not result in such an acquisition of property continues to apply in relation to:
  - (a) the retail packaging of tobacco products; and
  - (b) the appearance of tobacco products."

In the event of infringement, questions would arise as to whether the Packaging Act was intended to operate fully and according to its terms or whether it is possible to remove the invalid part without affecting the operation of the balance of the Act. The BAT plaintiffs say that the latter is not possible and that s 15 does not contain a standard or test which could be applied by the Court to limit the operation of the Packaging Act, with the result that the Court is asked to perform what is a legislative and not judicial function.

#### The Commonwealth's additional contention

The central question in the proceedings is whether the Packaging Act would result in an acquisition by the Commonwealth or any other person. The Commonwealth denies that this will occur, but its argument

goes further. It contends that the Packaging Act is a law which, even if it has the effect of acquiring property, nevertheless stands outside s 51(xxxi). The argument the Commonwealth puts raises a number of questions.

The Commonwealth argues that there may be discerned a general approach to the characterisation of a law which infringes a constitutional limitation by which a court "may inquire into the proportionality of the means adopted by the law to achieve the postulated purpose or object". It says that the guarantee of just terms in s 51(xxxi) "invokes essentially the same method of analysis that is brought to bear on other constitutional guarantees" and refers to cases involving s 92, where the proportionality test of whether a legislative burden may be said to be reasonably necessary to the achievement of a legitimate, which is to say non-infringing, purpose is applied, and cases concerning the implied guarantee of freedom of political communication. In *Rowe v Electoral Commissioner* I discussed some of these cases and the proportionality test applied in them.

The Commonwealth identifies a constitutional principle which is then said to apply. Stated shortly, it is that it is an acceptable justification for a law, such as will place it outside s 51(xxxi) and the requirement of just terms, that the acquisition of property is no more than a consequence or incident of a restriction on a commercial trading activity, where that restriction is reasonably necessary to prevent or reduce the harm that activity causes to public health.

The first question that the Commonwealth's argument raises is whether the cases relied upon, as evidencing the "general approach" to characterisation, may be explained upon the basis of a proportionality test. It may be accepted that s 51(xxxi) does not apply to every law providing for the acquisition of property. However, it would not usually be said that a law providing for the sequestration of a bankrupt's property and the vesting of it in a trustee, an example often given of such a law, is a law to which s 51(xxxi) applies because its measures are reasonably necessary for the purpose of adjusting the claims of creditors. Acquisition of the debtor's property might be said to be incidental to that purpose, indeed so much so that the law's provisions respecting property have no independent character. It may also be incongruous to characterise laws providing for exactions in the nature of penalties and forfeitures as providing for acquisitions of property. But in neither case does characterisation depend upon notions of proportionality.

This observation raises the question whether the principle for which the Commonwealth contends in truth involves a test of

proportionality. It bears little resemblance to the tests of proportionality which are applied to the constitutionally guaranteed freedoms, and s 51(xxxi) may not require such a test.

A test of proportionality is necessary where a law purports to restrict constitutional freedoms, because although they cannot be regarded as absolute, the Constitution does not express the limits which may be placed upon them. Proportionality therefore tests the limits of legislative power. It proceeds upon an assumption that, given the existence of the freedom, the legislature could not intend to go further than is reasonably necessary in achieving the legitimate purpose of the law. Legislation which restricts a constitutionally guaranteed freedom within these bounds may therefore be said to be justified and not to infringe the freedom.

A test of proportionality necessarily looks to the measures employed, the level of the restriction they impose and the legislative purpose sought to be achieved, which is to say the proportion between means and ends. The test formulated by the Commonwealth would not undertake this analysis. It would merely say that an acquisition goes no further than reasonably necessary because it is incidental to its purpose of preventing public health. Most restrictions upon a freedom would qualify as incidental to a purpose, but they are not to be considered reasonably necessary on that account. To say that a restriction is "merely incidental" to a purpose is not a conclusion as to whether it goes too far in achieving its objects. It is to identify its connection to a purpose.

It might then be considered how a true proportionality test might be applied to s 51(xxxi), by analogy with the process undertaken respecting the constitutionally guaranteed freedoms mentioned.

First, it would be necessary to identify a freedom that is the subject of a constitutional guarantee. It might be said that s 51(xxxi) guarantees freedoms from acquisition other than on just terms, but this is to distort the notion of a constitutional freedom and detract from the true nature of the guarantee provided, which is directed to the provision of just terms. Then there is an aspect of s 51(xxxi) which differs from s 92 and the freedom of political communication. Section 51(xxxi) contains its own limits and conditions. The requirement of just terms applies if the law is one which provides for the acquisition of property. That is the question to be addressed and it is not answered by a test of proportionality.

The Commonwealth's argument therefore elides two questions: that as to proportionality and that as to the characterisation of a law as

providing for the acquisition of property.

On closer analysis, the Commonwealth's argument appears to rely simply upon the nature of the purpose pursued by the Packaging Act – the protection of public health – as justifying an infringement of s 51(xxxi) or setting the Packaging Act apart from it. This is borne out in part by the Commonwealth's reliance upon authority on the "takings clause" of the Fifth Amendment to the United States Constitution, which holds that a prohibition on the use of property which is declared by legislation to be injurious to the health, morals or safety of the community cannot be deemed a taking. A more recent approach has been to examine the purposes and the magnitude or character of the burden imposed upon property rights, which looks more like a test of (strict) proportionality.

More directly, the Commonwealth's argument brings to mind an article of the Treaty Establishing the European Economic Community, by which prohibitions or restrictions on a freedom (relating to the movement of goods) may be justified, inter alia, on the ground of the protection of health. The article is strictly interpreted by the European Court of Justice so that a legislative measure may be justified only where the prohibition or restriction is reasonably necessary. There is of course no similar provision in our Constitution.

What the Commonwealth's argument may really come down to is a proposition that some legislative purposes might justify infringement of, or the treatment of a law as standing apart from and not subject to the requirements of, s 51(xxxi). This is a large proposition, but one that it is not necessary to consider further. The fundamental question which arises from the Commonwealth's argument is whether the Packaging Act is to be characterised as one for the acquisition of property. Logically, the first question to be considered in that regard is whether it would have the effect of acquiring property. The answer to that question is determinative of these proceedings.

#### The plaintiffs' claims of property lost

In the BAT plaintiffs' statement of claim, BAT claims that the Packaging Act effects an acquisition of its property comprising its trade marks, copyright works and get-up, and BAT Investments claims that the Packaging Act effects an acquisition of its property comprising its registered design and patent. BAT and BATA also claim that there is an acquisition of property comprising goodwill associated with their other rights. JTI claims, as the relevant property lost, the registered trade marks of which it is the registered owner or exclusive licensee and the get-up in

respect of which it claims to have rights of use.

Section 20(1) of the *Trade Marks Act* 1995 (Cth) ("the TMA") gives to the owner of a registered trade mark the exclusive right (a) to use the trade mark, and (b) to authorise others to do so, in relation to the goods or services in respect of which the trade mark is registered. Section 21 provides that a registered trade mark is personal property and that equities in respect of it may be enforced in the same way as equities in respect of other personal property. A trade mark may be assigned or transferred with or without goodwill and for all or some of the goods or services for which it is registered. The TMA provides for when a trade mark may be said to be infringed, thus supporting the owner's exclusive rights in the use and authorisation of the use of the mark. It also provides for remedies for infringement.

The *Designs Act* 2003 (Cth), the *Patents Act* 1990 (Cth) and the *Copyright Act* 1968 (Cth) provide, respectively, that a registered owner of a registered design, a patentee or an owner of copyright in an artistic work has the exclusive right to make a product embodying the design or to use such a product for trade or business; to exploit an invention; to reproduce the work; to authorise others to do those things; and to assign the property (which is personal property). Each of the Acts has provisions respecting infringement. Plainly, therefore, each of the statutory intellectual property rights claimed by the plaintiffs is capable of transfer, assignment or licence. However, attention was directed in argument principally to the trade marks, no doubt because the prohibition upon their use has a greater impact upon the packaging of the plaintiffs' tobacco products.

Strictly speaking, the right subsisting in the owner of a trade mark is a negative and not a positive right. It is to be understood as a right to exclude others from using the mark and cannot be viewed as separate from the trade in connection with which it is used. It is for the protection of that trade in goods that property is recognised in a trade mark.

The use of a trade mark and get-up in packaging is also likely to contribute to the goodwill of a business which distributes and sells tobacco products. Although goodwill is notoriously difficult to define, it may be said that central to the legal concept of goodwill is the attraction of custom. Even if the modern view comprehends that anything which adds value to a business may be a source of goodwill, it continues to be described as the force which brings in custom and which must emanate from a source or sources.

It was acknowledged in *Federal Commissioner of Taxation v*

*Murry* that much goodwill may be derived from the use of trade marks, but it is not sensible to describe goodwill as composed of trade marks. It was said that it is more accurate to refer to goodwill as having sources than elements. There may be other sources of goodwill in the businesses of the BAT plaintiffs and JTI, including the method of operation of the business itself, but this is not to deny the importance of trade marks and get-up to the creation and maintenance of goodwill. Importantly for present purposes, goodwill is an attribute of a business, which is derived from using assets of a business or other sources within a business. Whilst it has been recognised as property for so long that it cannot now be denied that it has that quality, as property it is "inherently inseverable from the business to which it relates."

The inability to use a registered trade mark may result in it being lost. A trade mark may be subject to removal from the register in the event of non-use. No doubt with this in mind, sub-ss (1) and (4) of s 8 of the Packaging Act have the effect that an owner of a registered trade mark may not be subjected to an allegation of non-use of the mark arising by operation of the Packaging Act. This may be of little comfort to the plaintiffs. Whilst the Packaging Act is expressed not to render the use of a trade mark contrary to law for the purposes of s 42(b) of the TMA, it does not permit its use on the packaging of tobacco products.

As will be observed, the focus of the plaintiffs' arguments concerning acquisition shifted away from the property which they had identified in their pleadings as having been acquired. At the final point of their submissions, the property said to have been acquired was of quite a different nature.

### Whether acquisition

A consideration of the practical and legal operation of the provisions of the Packaging Act is necessary where it is alleged that s 51(xxxi) has been infringed.

The Packaging Act prevents BAT Investments from using the ribbed design on its packets and its patented method of sealing. Whilst that design and patent and the plaintiffs' trade marks are capable of acquisition, they have not been transferred to the Commonwealth or any other person, nor has the Commonwealth or any other person acquired any interest in them. Ownership of the trade marks and other intellectual property remains with the plaintiffs, albeit subject to severe restrictions on use. JTI submitted that the words of Rich J in *Minister of State for the Army v Dalziel* are apposite and that it had been left with the "empty husk" of the rights in its trade marks. But it does not necessarily follow

that there has been an acquisition within the meaning of s 51(xxxi).

Much debate has been generated in the past concerning the distinction between the regulation of proprietary rights and the taking of property, by reference to the takings clause of the Fifth Amendment to the United States Constitution. But that clause has not been regarded as the source of s 51(xxxi) and the jurisprudence concerning takings has not been applied as relevant to its operation. Dixon J said in *Grace Brothers Pty Ltd v The Commonwealth* that s 51(xxxi) was provided as a specific power in the Constitution "not, like the Fifth Amendment, for the purpose of protecting the subject or citizen, but primarily to make certain that the Commonwealth possessed a power compulsorily to acquire property, particularly from the States. The condition 'on just terms' was included to prevent arbitrary exercises of the power at the expense of a State or the subject."

The plaintiffs' arguments as to the effects upon the use of their property or the conduct of their businesses do not identify what is said to accrue to the Commonwealth or another. It may be accepted that some or much of the value of their intellectual property has been lost in Australia. A trade mark that cannot lawfully be used in connection with the goods to which it is relevant is unlikely to be readily assignable. The restriction on the use of the marks is likely to have effects upon the custom drawn to their businesses and upon their profits.

However, the mere restriction on a right of property or even its extinction does not necessarily mean that a proprietary right has been acquired by another. The loss of trade or business does not spell acquisition. Although the protection afforded by s 51(xxxi) to the owner of property is wide, it is a protection directed to proprietary interests and not to the commercial position of traders.

The plaintiffs relied upon the decision in *Dalziel*. There, the Commonwealth did not take a transfer of the plaintiff's weekly tenancy in the property in which he conducted his business but, in the words of Rich J, it took "everything that made his weekly tenancy worth having". It was in this context that his Honour said that the plaintiff was left with "the empty husk" of his tenancy. His Honour's observation is understandable, for the Commonwealth seized the exclusive possession of the property for an indefinite period under the National Security (General) Regulations. It took all the rights of an owner in possession. This is not comparable with the position of the Commonwealth in this case.

In the course of oral argument the plaintiffs shifted focus, to what

was termed the appropriation by the Commonwealth of the space created on the packaging by the prohibitions and restrictions of the Packaging Act. Accepting that the prohibition of the use of property may not be sufficient to effect an acquisition, the BAT plaintiffs contended that the Commonwealth had gone further and taken control of the space itself. This assumption of control was said to be an indirect means of acquisition of the kind referred to by Dixon J in *Bank of NSW v The Commonwealth* ("the *Bank Nationalisation Case*"). The control effected, combined with a denial of the plaintiffs' use, was said to result in a benefit to the Commonwealth.

In the *Bank Nationalisation Case*, provision was made by the *Banking Act* 1947 (Cth) to enable the Treasurer of the Commonwealth to set in motion machinery for the vesting of certain of the shares of the Bank of New South Wales (and other Australian private banks) in, and for replacing its directors with the nominees of, the Commonwealth Bank of Australia, which was then owned by the Commonwealth. The nominee directors were thereby provided with the entire conduct and management of the company, including the power to dispose of its business. As Dixon J observed, the legislation was aimed at enabling the Commonwealth Bank, by means of the nominees, to assume control of the business of the Bank of New South Wales, without invoking the power of compulsory acquisition.

The legislation in the *Bank Nationalisation Case* did not transfer the business of the Bank of New South Wales to the Commonwealth or to its agent, yet it placed the Treasurer, through the nominee directors, in a position to do just that and at the same time deprived that Bank's own board of any control of the business. The effect, whilst not formally stripping the Bank of possession and control, was to deprive the Bank and its shareholders of "the reality of proprietorship". The legislation was regarded as "a circuitous device to acquire indirectly the substance of a proprietary interest". The Court would not permit the provision of just terms guaranteed by s 51(xxxi) to be avoided in this way.

The *Bank Nationalisation Case* is often referred to for what Dixon J said in relation to the notion of property for the purposes of s 51(xxxi), but it seems to me that considerations of what might constitute an acquisition for the purposes of s 51(xxxi) were important to his Honour's decision. His Honour's emphasis upon the degree of control taken of the business of the Bank may be understood in this light. But the *Bank Nationalisation Case* cannot be compared with the operation and effect of the Packaging Act. The control it effects is in the form of prohibitions and restrictions on the use of marks and other distinctive features of packaging. It is not control effected with the clear purpose of, and only

one step removed from, completing an acquisition of all the incidents of ownership. The Commonwealth obtains no such rights.

A closer analogy to the level of restriction placed upon the plaintiffs' use of the trade marks and other property is with restrictions which may be placed upon land for the purposes of town planning and other public purposes. Such restrictions, or even prohibitions, would not usually be said to result in an acquisition of land by a local authority. Even the sterilisation of land by regulation has not been said to have this effect.

The plaintiffs further submitted that whilst the Commonwealth may not have acquired a proprietary interest, it had nevertheless benefited from the effects of the Packaging Act. More particularly, they relied on what was said by Deane and Gaudron JJ in *Mutual Pools & Staff Pty Ltd v The Commonwealth*, that for there to be an acquisition "there must be an obtaining of at least some identifiable benefit or advantage relating to the ownership or use of property."

In my view, not too much should be read into their Honours' use of the words "relating to", as suggesting either that something less than an interest in the nature of property is necessary to be acquired for the purposes of s 51(xxxi), or that the "benefit or advantage" there spoken of need not have that quality. The statement followed upon their Honours' explanation that acquisition is required and that extinguishment, modification or deprivation is not sufficient. Their Honours had said that there must be an acquisition of property, a term which is to be understood broadly. Moreover, in *Georgiadis v Australian and Overseas Telecommunications Corporation*, which was delivered on the same day as *Mutual Pools*, their Honours joined in a judgment with Mason CJ, which cited with approval what his Honour had said of s 51(xxxi) in *The Commonwealth v Tasmania (The Tasmanian Dam Case)*, namely that:

"To bring the constitutional provision into play it is not enough that legislation adversely affects or terminates a pre-existing right that an owner enjoys in relation to his property; there must be an acquisition whereby the Commonwealth or another acquires an interest in property, however slight or insubstantial it may be."

This is not to say that the notion of property, for the purposes of s 51(xxxi), is not very wide. It must be in order that the objects of the provision can be achieved and compensation be provided for the taking of a State's or a person's interests. The term "property" in s 51(xxxi) is "the most comprehensive term that can be used." Starke J said in *Dalziel* that for the purposes of s 51(xxxi), "property" extends to every valuable

right or interest, including incorporeal rights, and in the *Bank Nationalisation Case*, Dixon J took *Dalziel* to mean that the term extended to "innominate and anomalous interests and includes the assumption and indefinite continuance of exclusive possession and control".

It is not necessary that a benefit or advantage, in the nature of property, which is received by or accrues to the Commonwealth or any other person correspond with what has been lost by the person claiming that there has been an acquisition otherwise than on just terms. *Newcrest Mining (WA) Ltd v The Commonwealth* furnishes an example. There the mining company held interests in mining leases over land in the Northern Territory. The Commonwealth legislation in question prohibited the carrying on of operations for the recovery of minerals in Kakadu National Park, which came to cover the area of the mining leases. The advantages which accrued to the Commonwealth were the minerals freed from the rights of Newcrest to mine them, and the advantages which accrued to the Director of National Parks and Wildlife were the acquisition of the land freed from the rights of Newcrest to occupy it and conduct mining operations thereon.

In the case at hand, the benefit or advantage ultimately identified by the plaintiffs was the Commonwealth's ability to pursue and perhaps achieve the objectives of the Packaging Act, which were set out at the commencement of these reasons.

The control that the Commonwealth achieved over the space on the packaging, to which the plaintiffs referred, did not accrue to it a benefit or advantage other than the pursuit of its statutory objectives. The BAT plaintiffs' argument that the Commonwealth was saved the cost of acquiring the space for its own advertising takes the matter no further. It would not have had to pay for such advertising in any event, given that it could require warnings of any size to be displayed on the packaging.

It was also said that the Quitline service might be said to benefit from the provisions of the Packaging Act and the Packaging Regulations. It does not seem possible to identify a relevant benefit or advantage of a proprietary kind that has accrued to that service. Any increased promotion of the service, in part through the use of the Quitline marks, might result in its greater use, but this takes the argument no further than the possible attainment of the objects of the Packaging Act – to improve the health of present consumers of tobacco products by encouraging them to stop using these products.

The objects of the Packaging Act include the improvement of

public health by discouraging persons from using tobacco products. The Packaging Act seeks to achieve that object by further reducing the attractiveness of the packaging of the products and the recall of brand name and other distinctive marks. Whether that object will be largely achieved cannot presently be known.

The Packaging Act and the Packaging Regulations, in conjunction with the 2004 and 2011 Information Standards, may be a rare form of regulation of the packaging of a harmful product, in that they require those distributing a product to place warnings on the product's packaging which might dissuade persons from using the product at all. However, the plaintiffs did not seek to argue that the measures were not appropriate to achieve the statutory objectives or disproportionate to them, or that the legislation was enacted for purposes other than those relating to public health. In the end result, their argument was only that the possible achievement of the statutory objectives of the Packaging Act was sufficient to amount to an acquisition for the purposes of s 51(xxxi). It is possible that there be a statutory objective of acquiring property, as there was in the *Bank Nationalisation Case*, but there is no such purpose evident in the present case. The central statutory object of the Packaging Act is to dissuade persons from using tobacco products. If that object were to be effective, the plaintiffs' businesses may be harmed, but the Commonwealth does not thereby acquire something in the nature of property itself.

### Orders

As to the proceeding concerning the BAT plaintiffs, I agree with the answers to the questions reserved proposed by Gummow J, save that I would answer Question (4) "Unnecessary to answer".

As to the proceeding concerning JTI, I agree with the orders proposed by Gummow J.