

IN THE HIGH COURT OF AUSTRALIA
SYDNEY REGISTRY

No. S289 of 2011

BETWEEN:

**BRITISH AMERICAN TOBACCO
AUSTRALASIA LIMITED
ACN 002 717 160**
First plaintiff

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**BRITISH AMERICAN TOBACCO
(INVESTMENTS) LIMITED
BCN 00074974**
Second plaintiff

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**BRITISH AMERICAN TOBACCO
AUSTRALIA LIMITED
ACN 000 151 100**
Third plaintiff

and

THE COMMONWEALTH OF AUSTRALIA
Defendant

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SUBMISSIONS FOR
THE ATTORNEY-GENERAL OF THE AUSTRALIAN CAPITAL TERRITORY
INTERVENER

PART I: CERTIFICATION

1. These submissions are in a form suitable for publication on the internet.

PART II: BASIS OF INTERVENTION

2. The Attorney-General for the Australian Capital Territory ("**ACT**") intervenes pursuant to s78A of the *Judiciary Act 1903* (Cth).

PART III: STATEMENT OF APPLICABLE COSTITUTIONAL AND LEGISLATIVE PROVISIONS

3. The ACT adopts the Commonwealth's statement of applicable provisions.

PART IV: STATEMENT OF ISSUES

4. The ACT agrees with and adopts the submissions of the Commonwealth in these proceedings. The submissions which follow are intended to supplement those submissions.
5. The issue which these submissions address is confined to the question of whether, but for the operation of s 15 of the *Tobacco Plain Packaging Act 2011* (Cth) ("**the TPP Act**"), the provisions of that Act and more particularly Chapter 2 thereof would result in an acquisition of the various plaintiffs' property for the purposes of s 51(xxxi)¹ (Question (1), Questions Reserved in BAT). Specifically, these submissions address the question of whether, assuming (contrary to the ACT's primary position²) that the TPP effects an acquisition of copyright, registered trademarks, registered patents and/or registered designs ("**the IP rights**"), that acquisition is properly characterised as an acquisition for the purposes of s 51(xxxi)?

PART V: ARGUMENT**(1) The TPP Act****(a) Overview**

6. The TPP Act applies together with other Commonwealth, State and Territory laws that regulate the advertising and sale of tobacco products. These other laws include requirements for graphic health warnings on packaging labelling of cigarettes, bans on advertising under the *Tobacco Advertising Prohibition Act 1992* ("**TAP Act**"), restrictions on point of sale display, and the imposition of duties of excise on tobacco products.³
7. Chapter 2 of the TPP Act operates to impose physical requirements with which retail packaging⁴ and cigarette packs (and cartons) must comply and requirements as to the colour and finish of retail packaging, namely, a drab dark brown save for health warnings, the text of the brand and other relevant legislative requirements.⁵ Nor may any trade mark or mark⁶ appear on the retail

¹ Note that the general grant of legislative power contained in s 22 of the *Australian Capital Territory (Self-Government) Act 1988* (Cth) is subject to the restriction contained in s 23 which, in terms that echo s 51(xxxi), provides that "[s]ubject to this section, the Assembly has no power to make laws with respect to: (a) the acquisition of property otherwise than on just terms".

² Adopting the submissions of the Commonwealth.

³ See ss 10 and 11, TPP Act. See also BAT Agreed Facts at [21] **CB(BAT)13** (referring to Sched B of the Commonwealth's defence at **CB(BAT)66-67**); the Tobacco Plain Packaging Bill 2011, Explanatory Memorandum (HR) at pp. 4-5; and the Second Reading Speech, Hansard (HR), 6 July 2011 at p. 7708.

⁴ "[R]etail packaging of a tobacco product" is defined in s 4, TPP Act.

⁵ TPP Act, ss 18-19. See also ss 23 and 24 of the TPP Act providing that retail packaging must not have any inserts or onsets other than permitted by regulation, nor produce any noise or scent that might be taken to constitute advertising and promotion.

⁶ "[M]ark" is defined in s 4, TPP Act.

packaging save for the brand, business or company name and variant name for the tobacco product,⁷ relevant legislative requirements, or trade marks or marks permitted by regulations.⁸ Equally, the use of trade marks or marks on tobacco products other than as permitted by regulations,⁹ is prohibited by s 26 of the TPP Act. Restrictions are also imposed on the placement and number of references to brand, business or company name or any variant name on retail packaging, as well as any other requirements imposed by regulation.¹⁰ Regulations may, in furtherance of the objects of the Act, prescribe additional requirements for retail packaging and appearance of tobacco products.¹¹ The effect, as summarised in the Explanatory Memorandum, is that *"tobacco company branding, logos, symbols and other images that may have the effect of advertising or promoting the use of the tobacco product will not be able to appear on tobacco products or their packaging. So as to identify the particular brand or variant of a tobacco product, the brand name and variant name will be allowed on packaging in specified locations, with a specified 'plain' appearance."*¹²

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8. Part 2 of Ch 3 of the TPP Act, creates a range of offences and liability to civil penalties¹³ in relation to the manufacture, packaging, supply and purchase of tobacco products that do not comply with the requirements of the TPP Act.¹⁴ Part 3 of Ch 3, essentially replicates those offences in relation specifically to contraventions by a constitutional corporation, being a corporation to which s 51(xx) of the Constitution applies.¹⁵

(b) Objects of the TPP Act

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9. Consistently with the provisions limiting the legal effect of the restrictions and requirements,¹⁶ it is not an object of the Act directly to effect any acquisition of the intellectual or other property of those who manufacture, distribute or sell tobacco products. Rather the objects of the TPP Act spelt out in s 3(1) are: (1) to improve public health by discouraging people from taking up or continuing smoking or relapsing into smoking, to encourage people to give up smoking, and to reduce exposure to smoke; and (2) to give effect to certain of Australia's obligations under the WHO Framework Convention on Tobacco Control ("**FCTC**").¹⁷

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10. By s 3(2), Parliament set out its intention to achieve these objects by regulating the appearance of tobacco products in order to reduce their appeal, increase the effectiveness of health warnings on packaging (in conjunction with an increase of the coverage of the graphic health warnings from 30% to 60% of the front of the pack¹⁸), and to reduce the ability of retail packaging to mislead customers about the harmful effect of smoking. All of these objects, as

⁷ "Variant name" for a tobacco product is defined in s 4, TPP Act.

⁸ TPP Act s 20.

⁹ See *Tobacco Plain Packaging Regulations 2011 (TPP Regulations)*, Part 3.

¹⁰ TPP Act, s 21; TPP Regulations Part 2, Div 2.3 and 2.4.

¹¹ TPP Act, s 27. See also the general regulation making power in s 109, TPP Act.

¹² See also Tobacco Plain Packaging Bill 2011, Explanatory Memorandum (HR) at p. 3

¹³ See also Part 2, Chapter 5, in relation to civil penalty provisions under the TPP Act.

¹⁴ These offences do not apply to conduct undertaken in the course of, or for the purposes of, export: s 49, TPP Act. The Explanatory Memorandum explains that the level of penalties applied to offences is based on penalties in the *Competition and Consumer Act 2010* (Cth): Tobacco Plain Packaging Bill 2011, Explanatory Memorandum (HR) at 17.

¹⁵ TPP Act, s 4 (definition of a "constitutional corporation"). See also s 14(2), TPP Act which provides that Part 2 of Chapter 3 has the effect it would have if its operation were expressly confined to a constitutional corporation. See also Tobacco Plain Packaging Bill 2011, Explanatory Memorandum (HR) at p. 11.

¹⁶ See [27] below.

¹⁷ See the definition of the "Convention on Tobacco Control" in s 4, TPP Act: [2006] ATS 7.

¹⁸ Tobacco Plain Packaging Bill 2011, Second Reading Speech, Hansard (HR), 6 July 2011 at p. 7709.

well as the means chosen to carry them out, are in accordance with the objects of, and obligations imposed on Australia by, the FCTC.

(c) *The WHO Framework Convention on Tobacco Control and Guidelines*

- 10 11. The Convention (which has 168 signatories including the EU¹⁹) entered into force for Australia and generally on 27 February 2005.²⁰ The preamble expressly recognises that the tobacco epidemic “*is a global problem with serious consequences for public health that calls for the widest possible international co-operation*”.²¹ The objective of the FCTC is set out in art 3 being “*to protect present and future generations from the devastating health, social, environmental and economic consequences of tobacco consumption and exposure to tobacco smoke by providing a framework for tobacco control measures ...in order to reduce continually and substantially the prevalence of tobacco use and exposure...*”. It is also agreed in the action by BAT that, by the time of enactment of the TPP Act, “*packaging and appearance of cigarettes was the principal means used and available to be used by BATA in Australia for the purposes of ... promoting its cigarettes in compliance with*” pre-existing legislation regulating the marketing and advertising of tobacco products, that “[s]moking tobacco is a cause of serious and fatal diseases, such as lung cancer, respiratory disease and heart disease” and that “[t]he risk of such diseases reduces in groups of people who quit smoking, and reduction of risk increases from quitting earlier.”²²
- 20 12. The approach adopted in the FCTC is primarily to require the adoption of price and non-price measures to reduce the demand for tobacco. The FCTC imposes obligations upon the parties within three years to undertake effective measures to ensure that tobacco product packaging and labelling do not promote a product by any means likely to mislead as to its health effects (art 11(1)(a)), that it carry health warning and other appropriate messages (art 11(1)(b)), and that a comprehensive ban of all tobacco advertising, promotion and sponsorship be undertaken or restrictions to the extent constitutionally permissible (art 13). Tobacco advertising and promotion are defined in art 1(c) in broad terms that could fairly be construed as including advertising or promotion on packaging or cigarettes.²³ Parties are also encouraged to take measures beyond those required by the FCTC.²⁴
13. Guidelines formulated by the Conference of the Parties in 2008 in accordance with arts 5(4) and 7 of the FCTC for the implementation of arts 11 and 13 include that well designed health

¹⁹ The FCTC is now closed for signature: Art 34, FCTC.

²⁰ Department of Foreign Affairs and Trade at <http://www.info.dfat.gov.au/Info/Treaties/treaties.nsf/AllDocIDs/7E0F8484788B6D01CA256DFE00217A89> (viewed 1 April 2012); [2005] ATS 7.

²¹ The preamble also referred to the international community's concern “*about the devastating worldwide health, social, economic and environmental consequences of tobacco consumption and exposure to tobacco smoke*”, and accepted that “*scientific evidence has unequivocally established that tobacco consumption and exposure to tobacco smoke cause death, disease and disability...*”. The Second Reading Speech for the Tobacco Plain Packaging Bill 2011 refers to estimates by the World Health Organization that nearly six million people die from tobacco related illnesses each year and stated that about three million continue to smoke in Australia: Hansard (HR), 6 July 2011 at p. 7709

²² BAT Agreed Facts at [9], [19] and [20] respectively, CB(BAT)11 and 13.

²³ “[T]obacco advertising and promotion” is defined in art 1(c) to mean “*any form of commercial communication, recommendation or action with the aim, effect or likely effect of promoting a tobacco product or tobacco use either directly or indirectly*”. This is also consistent with the construction adopted in Guidelines for Implementation of Article 13 of the WHO Framework Convention on Tobacco Control (Tobacco advertising, promotion and sponsorship) (“**Guidelines (Art 13)**”) at paras 8-9. As to the relevance of subsequent conduct of the parties to the interpretation of treaties, see art 31(3)(a), *Vienna Convention on the Law of Treaties* [1974] ATS 2 which entered into force generally and for Australia on 27 January 1974.

²⁴ FCTC, art's 2(1) and 13(5).

warnings on tobacco product packages are effective to increase public awareness about the health effects of tobacco use and to be effective in reducing tobacco consumption,²⁵ the effectiveness of health warnings and messages increases with their prominence,²⁶ and the provision of sources for cessation help on tobacco packaging such as a toll-free telephone “quit line” number can be important in helping smokers to change their behaviour.²⁷

- 10 14. The Guidelines also expressly recognise that packaging “*is an important element of advertising and promotion*”, the effect of advertising or promotion on packaging “*can be eliminated by requiring plain packaging*”, restrictions on the use of design features that make tobacco products more attractive should be imposed (if plain packaging is not yet mandated),²⁸ and that parties should consider adopting measures to restrict or prohibit the use of logos and the like (plain packaging) to increase the effectiveness of health warnings and messages and address packaging techniques that may suggest some products are less harmful than others.²⁹

(2) **Would any acquisition of the IP rights constitute an acquisition for the purposes of s 51(xxxi)?**

(a) ***The issue***

- 20 15. It is apparent from the matters set out above that the measures embodied in the TPP Act are not directed towards effecting an acquisition of property. Equally it is apparent that the TPP Act is not a “*circuitous device*” by which such property is to be acquired.³⁰ Rather the Act enacts measures that are intended to assist in reducing consumption of a product that has come to be recognised by the Parliament (and by the international community generally) as noxious to human health and potentially lethal if used in the manner and for the purposes intended by those who manufacture and sell it. Any acquisition of property which that may entail is therefore incidental to the achievement of those objects. The question which these submissions address is an aspect of the characterisation question, namely: assuming (contrary to the ACT’s primary position³¹) that in its substantive operation and effect the TPP effects an acquisition of the IP rights, is that acquisition properly characterised as an acquisition for the purposes of s 51(xxxi)? In this regard, it is accepted that copyright,³² registered trademarks,³³ registered patents and registered designs constitute property for the purposes of s 51(xxxi).

- 30 16. This issue arises in a context where it is the means adopted that potentially gives rise to an acquisition within s 51(xxxi). That issue would not have arisen if the Parliament had acted simply to prohibit the manufacture and sale of tobacco within Australia by constitutional corporations and its importation as it might, for example, have done with respect to other

²⁵ Guidelines for Implementation of Article 11 of the WHO Framework Convention on Tobacco Control (Packaging and labelling of tobacco products) (“**Guidelines (Art 11)**”) at para 3.

²⁶ Guidelines (Art 11) at para 7.

²⁷ Guidelines (Art 11) at para 27.

²⁸ Guidelines (Art 13) at para’s 15-17; see also Guidelines (Art 11) at para 46.

²⁹ Guidelines (Art 11) at para 46.

³⁰ *Bank of New South Wales v Commonwealth* (1948) 76 CLR 1 at 349 Dixon J.

³¹ Adopting the submissions of the Commonwealth.

³² *Australian Tape Manufacturers Association Ltd v Commonwealth* (1993) 176 CLR 480 at 527 Dawson and Toohey JJ (with whose reasons Mason CJ, Brennan, Deane and Gaudron JJ relevantly agreed, and McHugh J in his separate reasons).

³³ *Newcrest Mining (WA) Ltd v Commonwealth* (1997) 190 CLR 513 at 602 Gummow J, and *Tape Manufacturers Association Ltd v Commonwealth* (1993) 176 CLR 480 at 527 Dawson and Toohey JJ. See also *Campomar Sociedad Limitada v Nike International Ltd* (2000) 202 CLR 45 at 65 [42] Gleeson CJ, Gaudron, McHugh, Gummow, Kirby, Hayne and Callinan JJ and *Health World Ltd v Shin-Sun Australia Pty Ltd* (2010) 240 CLR 590 at 599 [29] French CJ, Gummow, Heydon and Bell JJ.

products, such as thalidomide, later found to be dangerous after the grant of IP rights. Notwithstanding its impact upon the value of a person's intellectual property associated with such products, there would have been no acquisition of property by any person in such a case.³⁴ As Deane J explained in *Tasmanian Dam*:³⁵

10 "[L]aws which merely prohibit or control a particular use of, or particular acts upon, property plainly do not constitute an 'acquisition' of property for the purposes of the Commonwealth. Commonly, such laws are of general application and apply to property by reason its being property of a particular description or by reference to the nature of the use or act prohibited or controlled. ... The mere extinguishment or deprivation of rights in relation to property does not involve acquisition."³⁶

17. The means adopted here fall short of a prohibition on the manufacture and sale of a noxious product. If the TPP Act should be found to have effected an acquisition for the purposes of s 51(xxxi) notwithstanding that it adopts less drastic means to achieve a similar outcome, this gives rise to a result that is arguably counter-intuitive.

(b) Relevant principles

18. Even where, however, a law may effect a compulsory taking and receipt of property,³⁷ it may nonetheless stand outside s 51(xxxi).³⁸ As Deane and Gaudron JJ explained in *Re Director of Public Prosecutions; ex parte Lawler*, there are two reasons why this may be so:

20 "The first is the nature of the guarantee effected by s. 51(xxxi). ... it is an indirect guarantee which comes about in consequence of a rule of construction and that rule is subject to any contrary intention that is manifest from the terms or content of the other legislative powers conferred by s. 51. ... The second is that there is no guarantee of 'just terms' outside the area in which s.51 (xxx) operates as a grant of power."³⁹

19. Such a contrary intention will be found to exist where the acquisition is of a kind that does not permit of the giving of just terms. As McHugh J pointed out in *Mutual Pools*, "[t]he compound conception of an 'acquisition of property on just terms' predicates a compulsory transfer of property from a State or person in circumstances which require that the acquirer should pay fair compensation to the transferor."⁴⁰ Thus, it will not be open to characterise a law as one with respect to an acquisition of property within s 51(xxxi) in cases where the concept of just terms

³⁴ The purpose of the provision is not to protect "the commercial or economic position occupied by traders": *British Medical Association v Commonwealth* (1949) 79 CLR 201 at 270.

³⁵ *Commonwealth v Tasmania (Tasmanian Dam case)* (1983) 158 CLR 1. In that case, the validity of restrictions imposed on the use of property by Tasmania under the *Heritage Properties Conservation Act* was upheld, no proprietary interest of any kind in the property having been acquired by the Commonwealth or anyone else.

³⁶ *Commonwealth v Tasmania (Tasmanian Dam case)* (1983) 158 CLR 1 at 283.

³⁷ It is long established that "...there must be an acquisition whereby the Commonwealth or another acquires an interest in property, however slight or insubstantial it may be.": *Commonwealth v Tasmania (Tasmanian Dam case)* (1983) 158 CLR 1 at 145 Mason J (quoted with approval, e.g., in *ICM Agriculture Pty Ltd v Commonwealth* (2009) 240 CLR 149 at 196 [132] Hayne, Kiefel and Bell JJ).

³⁸ *Attorney-General (Cth) v Schmidt* (1961) 105 CLR 361 at 372 Dixon CJ (with whose reasons Fullagar, Kitto, Taylor and Windeyer JJ agreed).

³⁹ *Re Director of Public Prosecutions; ex parte Lawler* (1994) 179 CLR 270 at 174-5 Mason CJ, 285 Deane and Gaudron JJ. See also *Mutual Pools & Staff Pty Ltd v Commonwealth* (1994) 179 CLR 155 at 186-187 Deane and Gaudron JJ. This is not, of course, to suggest that a law with respect to the acquisition of property (or indeed with respect to any other subject matter of power, may not bear more than one character, or to deny that "if, in addition to whatever other characters it may have, the law has the character of a law with respect to the acquisition of property, the law in that aspect must satisfy the safeguard, restriction or qualification provided by s 51(xxxi), namely the provision of just terms": *Warridjal v Commonwealth* (2009) 237 CLR 309 at 387 [187] Gummow and Hayne JJ.

⁴⁰ *Mutual Pools & Staff Pty Ltd v Commonwealth* (1994) 179 CLR 155 at 219.

would be "irrelevant or incongruous".⁴¹ Examples include a compulsory acquisition through the imposition of a tax,⁴² or compensation for a wrong.⁴³ Equally in *Lawler*, s 51(x) ("fisheries in Australian waters beyond territorial limits") was held to authorise forfeiture of a vessel involved in commission of an offence against the *Fisheries Act* as a measure for protection of Australian fishing grounds even where the property was owned by innocent third parties. The power to enact so stern a deterrent was held nonetheless to be appropriate and adapted to the protection of Australian fishing grounds and thereby shown to exhibit a sufficient connection with s 51(x) given, among other matters, the difficulties in enforcing fisheries laws against foreign owners along the length of the Australian coastline and long historical use of such measures.⁴⁴ Conversely, to hold in the case of such a penalty or sanction that s 51(xxxi) was engaged would be "...to annihilate the penalty or sanction and thus to weaken, if not destroy, the normative effect of the prescription of the rule of conduct."⁴⁵ As such, the head of power in s 51(x) was not read down so as to protect the rights of such persons.⁴⁶

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20. It is not merely a law of this character (taxes, penalties and the like) which may effect an acquisition that is not characterised as an acquisition for the purposes of s 51(xxxi). To hold otherwise, would risk fettering the legislative powers of the Commonwealth to a degree that could not have been intended. As Deane and Gaudron JJ explain in *Mutual Pools*:

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"...many general laws which regulate the rights and conduct of individuals may, for any number of legitimate legislative purposes, effect or authorize an 'acquisition of property' within the wide meaning of those words as used in s. 51(xxxi). If every such law which incidentally altered, modified or extinguished proprietary rights or interests in a way which constituted such an 'acquisition of property' were invalid unless it provided quid pro quo of just terms, the legislative powers of the Commonwealth would be reduced to an extent which could not have been intended by those who framed and adopted the Australian Constitution."⁴⁷

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21. One category identified by their Honours as unlikely to be characterised as a law with respect to the acquisition of property for the purposes of s 51(xxx), notwithstanding that an acquisition of property may be an incident of their operation, consisted of "...laws which provide for the creation, modification, extinguishment or transfer of rights and liabilities as an incident of, or a means for enforcing some general regulation of the conduct, rights and obligations of citizens in relationships or areas which need to be regulated in the common interest."⁴⁸ A further such category (bearing in mind that the categories may overlap) is laws that provide a means of

⁴¹ Id at 220 McHugh J. See also e.g. *ibid* at 187-188 Deane and Gaudron JJ, and 219-222 McHugh J; *Trade Practices Commission v Tooth & Co Ltd* (1979) 142 CLR 397 at 408 Gibbs J; *Theophanous v Commonwealth* (2006) 225 CLR 101 at 124-126 [56]-[59] Gummow, Kirby, Hayne, Heydon and Crennan JJ.

⁴² See e.g. *Australian Tape Manufacturers Association Ltd v Commonwealth* (1993) 176 CLR 480 at 508 Mason CJ, Brennan, Deane and Gaudron JJ ("...of its nature, 'taxation' presupposes the absence of the kind of direct quid pro quo involved in the 'just terms' prescribed by s 51(xxxi).")

⁴³ Id at 510 Mason CJ, Brennan, Deane and Gaudron JJ. See further, e.g., the examples given by Gibbs J in *Trade Practices v Tooth* (1979) 142 CLR 397 at 408 and the discussion by Mason CJ in *Mutual Pools & Staff Pty Ltd v Commonwealth* (1992) 179 CLR 155 at 170-1.

⁴⁴ (1994) 179 CLR 270 at 275-6 Mason CJ (observing also that this conclusion necessarily underpinned the earlier decision in *Cheatley v The Queen* (1972) 127 CLR 291), 279-281 Brennan J, 286 Deane and Gaudron JJ, 289-291 Dawson J (also pointing out that the question is one of connexion, "...not whether the means adopted to achieve the end are appropriate or desirable in the view of the Court."), 292-293 and 294 McHugh J.

⁴⁵ (1994) 179 CLR 270 at 278 Brennan J. See also e.g. *id* at 293 McHugh J.

⁴⁶ Id at 281 Brennan J.

⁴⁷ *Mutual Pools & Staff Pty Ltd v Commonwealth* (1992) 179 CLR 155 at 189. See also *id* at 178, 179 and 181 Brennan J, and 219 McHugh J ("[s51(xxxi)] cannot be interpreted so broadly as to render meaningless the legitimate use and operation of other powers conferred by s 51.")

⁴⁸ Id at 189-190.

resolving or adjusting competing claims, obligations or property rights.⁴⁹ Such laws, as Brennan J for example explained in *Mutual Pools*, may validly effect an acquisition of property without just terms "...where such an acquisition is a necessary or characteristic feature of the means which the law selects to achieve its objective and the means selected are appropriate and adapted to achieving an objective within power, not being solely or chiefly the acquisition of property."⁵⁰

22. No implication, as his Honour held, should be drawn from the presence of s 51(xxxi) that laws having that character do not properly lie within the scope of the remaining heads of power.⁵¹

10 23. To frame the issue by reference to a consideration of whether the means are "appropriate and adapted" in this sense does not involve the Court in any adjudication of the wisdom or expediency of the Commonwealth law.⁵² It involves no more than the application of a means of assessing the sufficiency of the connection of the law to the head of power.⁵³

(c) *The TPP Act cannot be characterised as a law for the acquisition of property*

24. Whichever way the question is approached here, it is submitted that any acquisition of the IP rights cannot be characterised as an acquisition of property for the purposes of s 51(xxxi).

20 25. *First*, the restrictions imposed upon the use of trade marks and other marks and features, together with the associated offences and civil penalties, have effect *only* where (relevantly) the corporation is seeking to use those marks and features on retail packaging or tobacco products. The use of the marks and features otherwise remains open subject to law. The use of those marks and features in that way is, in turn, a practice declared noxious by the TPP Act by reason of Parliament's assessment as to its potential to encourage the use of tobacco products by consumers and to mislead them as to the dangers of so doing.⁵⁴ In this regard, the fact that the ultimate objective is a substantial and continuing reduction in the use of tobacco products in line with the FCTC, thus ultimately to target consumption, does not detract from the fact that the TPP Act proscribes particular modes of use of the IP rights as noxious given their potential to promote consumption.⁵⁵

30 26. Within this legislative scheme, the additional requirements imposed as to physical features and appearance of the packets, such as the drab brown colour, and of the products, can be seen to be necessary and appropriate to give efficacy to those restrictions by ensuring that the packaging and products are in fact plain to the requisite degree in order to achieve the legislative objective. The increased prominence that plain packaging may give to health warnings and messages relating to assistance in quitting smoking is intended only to enhance

⁴⁹ *Australian Tape Manufacturers Association Ltd v Commonwealth* (1993) 177 CLR 480 at 499-510 Mason CJ, Brennan, Deane and Gaudron JJ; *Mutual Pools & Staff Pty Ltd v Commonwealth* (1992) 179 CLR 155 at 171-172 Mason CJ, 178 Brennan J.

⁵⁰ *Id* at 181. See also *id* at 179.

⁵¹ (1994) 179 CLR 155 at 180.

⁵² E.g. *Leask v Commonwealth* (1996) 187 CLR 579 at 602-3 Dawson J. Cf JTI submissions 26 March 2012 at [52].

⁵³ In this regard, the end or object which the law is intended to achieve, or its effect "expressed by reference to a field of activity, relationship or status", may assist in revealing the sufficiency of the connection between the law and the head of power, even in the case of non-purposive heads of power: *Leask v Commonwealth* (1996) 187 CLR 579 at 591 Brennan CJ, 602-603 Dawson J, 616 McHugh J.

⁵⁴ Cf JTI submissions 26 March 2012 at [45] which suggest that the TPP Act prohibits the use of trade marks because of the consequences of tobacco use, rather than the trade marks which it is suggested are being used only to identify the origin of goods. However, that submission ignores the objects of the Act in s 3, TPP Act.

⁵⁵ Cf JTI submissions 26 March 2012 at [45]. It is also noted that the statement at [45] as to the use of the products raises a factual matter outside the scope of the demurrer.

the effectiveness of such warnings and messages to consumers about consumption of the product in furtherance of the statutory object of protecting public health. In each case, to the extent that an acquisition of the IP rights is or may be effected, it is no more than “a necessary or characteristic feature of the means prescribed.”⁵⁶

- 10 27. **Secondly**, the legal effect of these prohibitions and requirements is expressly confined by s 27A of the TPP Act which provides that “[s]ections 18 to 27 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** in subsection 4(1).” Section 28 complements s 27A making it clear that the Act will not affect the ability of trade mark owners to protect the exclusivity of their trade marks. Equally, s 29 provides that a failure to make a product embodying a registered design merely as a result of comply with the TPP Act does not provide a basis for an order requiring the grant of a licence in relation to the design under s 90 of the *Designs Act 2003* or revoking registration under s 92 of that Act.
28. It follows from the first and second points above that any acquisition of the IP rights is limited to the suppression only of that which the Parliament has declared to be noxious. As such, the words of Stephen J in *Trade Practices Commission v Tooth* are apt:⁵⁷ “...whatever restraints the section does impose upon the free exercise of proprietary rights apply only where, and to the extent to which, but for their existence, the aim of the legislature would be defeated.”⁵⁸
- 20 29. **Thirdly**, any acquisition of the IP rights by the TPP Act is purely incidental or consequential to the achievement of the objects of the Act. It has no separately recognisable character and is not merely a circuitous device to effect an acquisition.⁵⁹
30. **Fourthly**, the Act falls within a category of laws that are unlikely to effect an acquisition of property for the purposes of s 51(xxxi). Specifically, it is a law that seeks to modify rights (relevantly the IP rights) in order to enforce a general regulation of conduct (relevantly use of the IP rights in ways that may promote tobacco consumption) in an area requiring regulation in the common interest.
31. **Finally**, it is in the nature of the IP legislative schemes that they represent a balance that has been struck between public and private interests at a given point in time in the scope of the monopoly that may be granted⁶⁰ and/or in the permissible subject matter of a grant.⁶¹
- 30 32. For example, the rationale for the patent system is “...the encouragement of innovation for the mutual benefit of inventor and public, while at the same time not tying up areas of industry and technology by having the right to exploit inventions belonging to any individual for a long period of time.”⁶² As such, patent rights have never been absolute and the circumstances in which they

⁵⁶ *Mutual Pools & Staff Pty Ltd v Commonwealth* (1992) 179 CLR 155 at 179 and 181 Brennan J.

⁵⁷ (1979) 142 CLR 397.

⁵⁸ Id at 416. See also id at 408-9 Gibbs J.

⁵⁹ Adapting the words of Mason CJ in *Mutual Pools & Staff Pty Ltd v Commonwealth* (1992) 179 CLR 155 at 171.

⁶⁰ See e.g. *Australian Tape Manufacturers Association Ltd v Commonwealth* (1993) 176 CLR 480 at 527-8 Dawson and Toohey JJ (with whose reasons Mason CJ, Brennan, Deane and Gaudron JJ relevantly agreed, and McHugh J in his separate reasons) (in which the Court held that the scope of a monopoly once granted may be reduced so as to expand the freedom available to others to make use of the subject matter of the monopoly without infringement without effecting an acquisition of property for the purposes of s 51(xxxi)).

⁶¹ These factors may also bear upon the question of whether the statutory IP rights are inherently susceptible to modification and amendment by a law such as the TPP Act which is an issue addressed in the Commonwealth's submissions in BAT dated 5 April 2012.

⁶² Stewart, Griffith and Bannister, *Intellectual Property in Australia* (4th Ed) (LexisNexis Butterworths, 2010) at 333-4. See

may be granted circumscribed by law and other considerations. Thus, under s 6 of the Statute of Monopolies 1623 (UK) patents could be granted to the “first and true inventor” for a limited period provided that the patent “...be not contrary to the law nor mischievous to the state, by raising prices of commodities at home, or hurt of trade, or generally inconvenient”. Similarly, s 86 of the Patents, Designs and Trade Marks Act 1883 (UK),⁶³ provided that “[t]he comptroller may refuse to grant a patent for an invention, or to register a design or trade mark, of which the use would, in his opinion, be contrary to law or morality.” Moreover, under s 22 of the 1883 Act (then a new provision), the Board of Trade could require the patentee to issue licences while under s 27(2) the Crown could use the patent on terms agreed or settled by the Treasury.⁶⁴ Similar provisions may be found in colonial laws predating federation.⁶⁵ Equally, s 50(1) of the Patents Act 1990 (Cth) today provides that the Commissioner may refuse to accept a request and specification or to grant a standard patent “for an invention the use of which would be contrary to law”, while s 43 of the Designs Act 2003 (Cth) provides that the Registrar must refuse to register a design if it is proscribed by regulation, or belongs to a proscribed class. Moreover, the Patents Act creates exemptions from infringement including for the use of the patented invention on board a foreign vessel (s 118) and, more recently, by exploitation of pharmaceutical patents for purposes in connection with obtaining the inclusion in the Australia Register of Therapeutic Goods intended for therapeutic use (s 119A). It also provides for the grant of compulsory licences where the reasonable requirements of the public with respect to the patented invention have not been satisfied (s 133).⁶⁶

33. While the rationale for the system of registered trade marks is different,⁶⁷ nonetheless as the Court observed in *Campomar Sociedad v Nike International Limited* with respect to trade marks, “...the Australian legislation has manifested from time to time a varying accommodation of commercial and the consuming public’s interests.”⁶⁸ The inherent need for such a balance to be struck was evident in the terms of s 86 of the 1883 UK Act to which reference has already been made. In addition s 73 of that Act rendered it unlawful to register any words “the exclusive use of which would by reason of their being calculated to deceive or otherwise, be deemed disentitled to protection in a Court of Justice, or any scandalous design.” Similar provision was made in s 114 of the *Trade Marks Act 1905* (Cth), which proscribed the use or registration of a “scandalous design” or mark on the ground among others that “...its use would be contrary to

also in relation to copyright, *Ice TV Pty Ltd v Nine Network Australia Pty Ltd* (2009) CLR 458 at 471 [24] French CJ, Crennan and Kiefel JJ (“Copyright legislation strikes a balance of competing interests and competing policy considerations. Relevantly, it is concerned with rewarding authors of original literary works with commercial benefits having regard to the fact that literary works in turn benefit the reading public”.)

⁶³ E.g. under s 22 of the *Patents, Designs and Trade Marks Act 1883* (UK) (<http://archive.org/stream/patentsdesignsa01britgoog#page/n14/mode/2up> (viewed 4 April 2012))

⁶⁴ Furthermore, s 43 of the 1883 UK Act created a limited exemption from infringement of a patent in relation to the use of an invention for the purposes of navigation within jurisdiction. Section 26 of the *Patent Law Amendment Act 1852* had been to like effect.

⁶⁵ E.g. s 30 of the *Patent Act 1877* (SA) provided that a patent granted under that Act was subject to “all such restrictions, conditions and provisoes as the Commissioner shall deem necessary or expedient”, while s 33 provided that the patent would come to an end if it later appeared that grant was prejudicial or inconvenient to the public. (A copy of the 1877 Act is available at: <http://dspace.flinders.edu.au/jspui/handle/2328/1894> (viewed 3 April 2012))

⁶⁶ Similarly under the *Plant Breeders Rights Act 1994* (Cth) which was held to be a law with respect to patents of invention for the purposes of s 51(xvii) of the Constitution in *Grain Pool of Western Australia v Commonwealth* (2000) 202 CLR 479, provides that certain acts done for private, experimental or breeding purposes do not infringe plant breeders rights (“PBR”) (s 16), and the Secretary has power to grant a licence in circumstances where the grantee is not taking all reasonable steps to ensure reasonable public access to the plant variety (s 19).

⁶⁷ The role of trade marks is to signify the source or origin of goods and services: see the definition of “trade mark” in s 17, *Trade Marks Act 1995* (Cth).

⁶⁸ (2000) 202 CLR 45 at 65 [42].

law or morality",⁶⁹ in the *Trade Marks Act 1955* (Cth),⁷⁰ and is now found in s 42 of the *Trade Marks Act 1995* (Cth).⁷¹

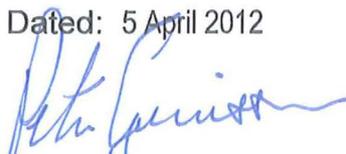
34. **To conclude**, when each of the matters set out above are taken into account, it follows that, even if the TPP Act is held to have effected an acquisition of the IP rights, that acquisition cannot be characterised as an acquisition of property for the purposes of s 51(xxxi) but is appropriate and adapted to a legitimate purpose within the Commonwealth's power to make laws with respect to "copyrights, patents of inventions and designs, and trade marks" in s 51(xxvii).⁷² A law redefining the scope of IP rights by a reduction in such circumstances is as much a law with respect to the subject matter of s 51(xviii) as a law creating or expanding such rights.

35. Equally, it would make no sense to hold that just terms should be provided for any acquisition of the IP rights in circumstances where their use has been restricted, and made the subject of criminal offences and civil penalties, precisely because the proscribed uses promote an inherently injurious and potentially lethal product and may mislead the public as to the dangers of that product.⁷³ In effect the compensation would be for a loss of the opportunity to continue to engage in conduct of harm (and in this case, of extreme harm) to the community. It can, to adapt the words of Stephen J in *Tooth*, "scarcely be a matter for concern that those who would [engage in such practices] are found not to be entitled to compensation when prevented from doing so."⁷⁴ The position in principle is, thus, ultimately no different from the law in *Trade Practices Commission v Tooth*⁷⁵ to the extent that, in proscribing exclusive dealing as a ground for refusing to renew a commercial lease, the law there in question may have effected an acquisition of property to which application of the concept of just terms was held to be antithetical.⁷⁶

PART VI: CONCLUSION

36. For the reasons set out above, the ACT contends that, even if there has been an acquisition of the IP rights, there has been no acquisition of property for the purposes of s 51(xxxi) of the Constitution.

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⁶⁹ *Trade Marks Act 1905* (Cth), s 114.

⁷⁰ *Trade Marks Act 1955* (Cth), s 28 providing inter alia that "A mark ... (b) the use of which would be contrary to law; (c) which comprises or contains scandalous matter; ... shall not be registered as a trade mark."

⁷¹ Section 42 of the 1995 Act provides that registration may be refused on the ground that "(a) the trade mark contains or consists of scandalous matter; or (b) its use would be contrary to law".

⁷² This is not to deny that the law is supported in whole or in part by other heads of power, such as s 51(xx).

⁷³ Cf BAT submissions dated 26 March 2012 at [64].

⁷⁴ (1979) 142 CLR 397 at 425-6.

⁷⁵ (1979) 142 CLR 397.

⁷⁶ Id esp at 407-409 Gibbs J and 415-6 Stephen J.