IN THE HIGH COURT OF AUSTRALIA
SYDNEY REGISTRY

No S389 of 2011

BETWEEN:

BRITISH AMERICAN TOBACCO AUSTRALASIA LIMITED
First Plaintiff

BRITISH AMERICAN TOBACCO (INVESTMENTS) LIMITED
Second Plaintiff

BRITISH AMERICAN TOBACCO AUSTRALIA LIMITED
Third Plaintiff

AND:

THE COMMONWEALTH OF AUSTRALIA
Defendant

SUBMISSIONS OF THE COMMONWEALTH OF AUSTRALIA

Filed on behalf of the Defendant by:

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I

INTERNET PUBLICATION

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

II

ISSUES

2. Section 51(xxxi) of the Constitution "is a protection to property and not to the general commercial and economic position occupied by traders".[1]

3. The *Tobacco Plain Packaging Act 2011* (Cth) (**TPP Act**) – in restricting the manufacture and sale of tobacco products to compliant products in compliant (plain) retail packaging – regulates trading activity that: promotes products that cause harm to members of the public and public health; detracts from warnings of that harm; and has the potential to mislead about the magnitude of that harm. Tobacco companies[2] wrongly characterise that regulation as an acquisition of property otherwise than on just terms contrary to s 51(xxxi) of the Constitution. The regulation is within ss 51(i), (xviii) and (xx) and is appropriate and adapted to the implementation, under s 51(xxix), of Australia's obligations under the *World Health Organization Framework Convention on Tobacco Control* (**FCTC**). Properly characterised, the TPP Act is not a law that effects an unjust acquisition of property, within the meaning of s 51(xxxi) of the Constitution or at all.

4. The issue of characterisation at the heart of these proceedings, which challenge the validity of the TPP Act and which come before the Full Court on Questions Reserved under s 18 of the *Judiciary Act 1903* (Cth) (**Judiciary Act**), cannot be resolved by the application of supposed rules and exceptions drawn from decided cases.[3] The resolution of the issue is nevertheless informed by the identification of four sub-issues, each of which is determinative of the proceedings if resolved against tobacco companies. Those sub-issues and their resolution are as follows.

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1 *British Medical Association v Commonwealth* (1949) 79 CLR 201 at 270, quoted in *ICM Agriculture Pty Ltd v Commonwealth* (2009) 240 CLR 140 at [81].

2 The expression "tobacco companies" is used in these submissions to encompass the plaintiffs (collectively **BATA**) as well as Van Nelle Tabak Nederland BV and Imperial Tobacco Australia Ltd (**Imperial**) and Philip Morris Ltd (**Philip Morris**) who have commenced separate proceedings but chosen to intervene in these proceedings and thereby to be bound by the result.

3 *Telstra Corporation Ltd v Commonwealth* (2008) 234 CLR 210 at [49].

5. Do tobacco companies have property of the nature and amplitude they assert? No. Their statutory rights to trade marks, patents, registered designs and copyright include no positive right to use and are, in any event, inherently subject to statutory modification or extinguishment without compensation, for the purpose of preventing or reducing harm to the public or public health. They have no vested rights in tobacco products or retail packages that do not yet exist. Their separately asserted common law right to apply get-up to retail packaging is in truth no more than an ability to exercise residual common law freedom already significantly constrained by statute and of its nature subject to statutory modification or extinguishment for any purpose at any time. Their reputation or goodwill depends on the residue of common law freedom left to them from time to time and must wax and wane: as their freedom is diminished by statute, so too is their derivative reputation or goodwill. See: section A of Part VI.

6. Does someone acquire from tobacco companies some benefit in the nature of property? No. While plain packaging will remove the effect of trade marks and associated get-up as a distraction from mandatory health warnings on tobacco products in retail packaging, neither the mandate for those health warnings nor the enhancement of their capacity to inform members of the public confers on the Commonwealth or anyone else any benefit that is in the nature of property. The enhancement of the efficacy of the Quitline trade mark – used to inform sufferers of nicotine addiction of the availability of not-for-profit telephone counselling services – is not in substance and degree a benefit in the nature of property. See: section B of Part VI.

7. Would any acquisition of property from tobacco companies constitute an acquisition of property within the compound conception of "acquisition-on-just-terms"? No. The restrictions imposed by the TPP Act constitute regulation of trading activity in a manner appropriate and adapted to reducing harm to members of the public and public health, and any acquisition of property by the Commonwealth or the providers of Quitline services would be incidental to or consequential upon those restrictions. An acquisition of that character is not within the compound conception. To require the provision of compensation to those who would gain a commercial benefit from continuing to engage in the harmful trading activity that would be permitted to continue but for the TPP Act would be profoundly incongruous. The character of the restrictions and the incongruity of requiring compensation are informed by: the gravity of the harm to members of the public and public health caused by tobacco products; the promotional purpose and effect of retail packaging; the effect of health warnings in informing of that harm and discouraging smoking; and the strength of the evidentiary foundation for the statutory judgment that plain retail packaging will reduce the appeal of tobacco products, increase

the effectiveness of health warnings, reduce the potential for retail packaging to mislead and thereby serve the public interest by contributing to the reduction of that harm. See: section C of Part VI.

8. Would any such acquisition be on terms that are unjust? No. The TPP Act restricts the use of property no more than is appropriate and adapted to reduce harm to members of the public and public health. The TPP Act otherwise allows tobacco companies to continue to use their brand names and variant names on retail packaging to indicate trade origins of their tobacco products and not to lose trade marks and registered designs through non-use. Measured against the constitutional standard of what is fair and just between tobacco companies as owners of property and the Australian nation representing the Australian community, and having regard to the identified incongruity, the rehabilitation provided to tobacco companies by those terms is just. See: section D of Part VI.

9. Section 15 of the TPP Act would only be engaged by an acquisition of property of a kind to which s 51(xxxi) of the Constitution applies on terms that are unjust. There is no such acquisition, the section is not engaged and no issue about its validity arises. Were there to be such an acquisition, the positive operation of s 15 of the TPP Act would produce the same result as the negative operation of s 15A of the *Acts Interpretation Act 1901* (Cth): the TPP Act would have no operation to the extent of that acquisition of property. Section 15 of the TPP Act is compatible with Ch III of the Constitution and would be severable from the rest of the TPP Act even if it were not. See: section E of Part VI.

10. Imperial seeks to add to the Questions Reserved a separate challenge to the validity of the *Competition and Consumer (Tobacco) Information) Standard 2011* (Cth) (**2011 Standard**). This challenge involves the same issues regarding acquisition of property as arise on the Questions Reserved, along with the further issue of whether s 139F of the *Competition and Consumer Act 2010* (Cth) (**CC Act**) affords just terms. The issues regarding acquisition of property should be resolved in the manner outlined in sections A to C of Part VI, rendering consideration of s 139F unnecessary. In any event, s 139F is capable of judicial application in the commercial context in which it is designed to apply, so as to afford just terms. SeeL section D of Part VI.

11. Imperial further seeks to add to the Questions Reserved an entirely separate and distinct question about the validity of s 231A of the *Trade Marks Act 1995* (Cth) (**TM Act**) (inserted by the *Trade Marks Amendment (Tobacco Plain Packaging) Act 2011* (Cth)). No issue about the validity of s 231A can properly arise in these or any other proceedings in

the absence of any regulations having been made for the purposes of that section. Section 231A is in any event valid on settled authority. See: section F of Part VI.

III

NOTICE

12. The Commonwealth certifies that adequate notice has been given under s 78B of the Judiciary Act.

IV

FACTS

13. BATA's choice neither to demur to the Commonwealth's defence – where facts are assumed[4] – nor to agree to a special case – where inferences may be drawn from facts stated[5] – brings into sharp relief the role of a Ch III court in determining facts relevant to the constitutional validity of a statute. Performance of that role invokes a fundamental, if obvious, distinction. The distinction is between "ordinary questions of fact" and "constitutional facts", the latter being "matters of fact upon which under our peculiar federal system the constitutional validity of some general law may depend".[6] Constitutional facts do not "form issues between parties to be tried like [other] questions [of fact]", but "simply involve information which the Court should have in order to judge properly of the validity of this or that statute".[7]

14. A Ch III court ought in practice refrain from determining a question of constitutional fact unless necessary to determine the matter before it, just as it ought in practice refrain from determining a question of constitutional law in the absence of the same necessity.[8] But where the making of a finding of fact is necessary to the determination of constitutional validity, "the fact must be ascertained by the court as best it can".[9] There

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4 *Kathleen Investments (Aust) Ltd v Australian Atomic Energy Commission* (1977) 139 CLR 117 at 135 quoting *Ford v Peering* (1789) 1 Ves Jun 72 at 77-78 [30 ER 236 at 238].

5 In accordance with r 27.08.5 of the *High Court Rules 2004*, the Court is able to "draw from the facts stated and documents identified in the special case any inference, whether a fact or law, which might have been drawn from them if proved at a trial".

6 *Breen v Sneddon* (1961) 106 CLR 406 at 411.

7 *Breen v Sneddon* (1961) 106 CLR 406 at 411.

8 *Lambert v Weichelt* (1954) 28 ALJR 282 at 283 ("It is not the practice of the Court to investigate and decide constitutional questions unless … it [is] necessary to decide such a question in order to do justice in the given case and to determine the rights of the parties."). See also *Wurridjal v Commonwealth* (2009) 237 CLR 309 at [355] and the cases there cited.

9 *Commonwealth Freighters Pty Ltd v Sneddon* (1959) 102 CLR 280 at 292.

is no *a priori* restraint on the performance of that duty.[10] Because constitutional facts do not "form issues between parties to be tried like [other] questions [of fact]", a court cannot be constrained by the disagreement of the parties.[11] Much less can a court be constrained by an asserted intention of a party or intervener to adduce conflicting evidence if the fact were tried.[12] The "legislative will" is "not surrendered into the hands of the litigants".[13]

15. A Ch III court finding constitutional facts "reaches the necessary conclusions of fact largely on the basis of its knowledge of the society of which it is a part", "supplementing ... that knowledge [by processes] which [do] not readily lend [themselves] to the normal procedures for the reception of evidence".[14] Supplementing material may be technical[15] just as it may be diffuse.[16] The ultimate criterion governing its reception and use is simply that the "material ought to be sufficiently convincing to justify the conclusion that it supports a material constitutional fact".[17] Possible qualifications that "sources should be public or authoritative" and that "parties should be at liberty to supplement or controvert any factual material on which the Court may propose to rely" can be put to one side in this case.[18] With minimal exceptions, the material on which the Commonwealth asks the Full Court to rely to find constitutional facts consists entirely of material: contained or referenced in publicly available and authoritative sources; referenced in Schedule C of the Commonwealth's defence; provided to tobacco companies in electronic form on 7 February 2012; filed and served on tobacco companies in hard copy on 9 March 2012; and able to be addressed by tobacco companies if seriously in dispute in accordance with the direction given on 27 February 2012 (as amended on 15 March 2012) that they file and serve any material in answer on or before 19 March 2012.[19] Save for Imperial filing only the *Advisory Report on the Tobacco Plain Packaging Bill 2011 and the Trade Marks Amendment (Tobacco Plain Packaging) Bill 2011*

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10 *Gerhardy v Brown* (1985) 159 CLR 70 at 142.

11 E.g. *Thomas v Mowbray* (2007) 233 CLR 307 at [648].

12 *Breen v Sneddon* (1961) 106 CLR 406 at 413.

13 *Gerhardy v Brown* (1985) 159 CLR 70 at 142.

14 *North Eastern Dairy Co Ltd v Dairy Industry Authority of NSW* (1975) 134 CLR 559 at 622.

15 E.g. *Commonwealth Freighters Pty Ltd v Sneddon* (1959) 102 CLR 280 at 292, referring to *Griffin v Constantine* (1954) 91 CLR 136 and *Jenkins v Commonwealth* (1947) 74 CLR 400.

16 *Thomas v Mowbray* (2007) 233 CLR 307 at [646]-[647].

17 *Thomas v Mowbray* (2007) 233 CLR 307 at [639].

18 *Thomas v Mowbray* (2007) 233 CLR 307 at [637], [639].

19 Questions Reserved Book, p.89, Order [5] (subsequently amended 15 March 2012). Of the documents contained in the Book of Documents from Schedule C to the Commonwealth's Defence (the "Schedule C Book" or, hereafter, **SCB** for short), it is correct to say that many "were made under a statutory duty", most "have been available for public perusal and criticism for years", none has "been contradicted by more convincing material" and none has "been placed in doubt by other material of sufficient reliability": cf *Thomas v Mowbray* (2007) 233 CLR 307 at [645]. References in these submissions to one of the 13 volumes comprising the SCB will be in the form of e.g. "SCB5" -- meaning volume 5 of the Schedule C Book – followed by relevant page numbers.

of the House of Representatives Standing Committee on Health and Ageing (**Parliamentary Committee**), tobacco companies have made their choice to file no material in answer after having been fairly informed of the case sought to be made by the Commonwealth.

16. The validity of the TPP Act cannot be determined in a factual vacuum and the mischief to which the TPP Act is tailored cannot be quarantined by the litigious choices of tobacco companies. There is no justification for putting off the making of necessary findings of constitutional fact to a trial.

17. To the extent necessary to determine the Questions Reserved, the Full Court can and should make findings of constitutional fact on the material before it to the effect that: (A) smoking tobacco products causes grave harm to members of the public and public health; (B) retail packaging and the appearance of tobacco products themselves are used by those who engage in the manufacture and sale of tobacco products for the purpose and with the effect of promoting their respective tobacco products to members of the public; (C) health warnings have the purpose and likely effect both of informing members of the public of harm caused by tobacco products and of discouraging members of the public from smoking tobacco products; (D) there is a rational and cogent basis in expert opinion for the statutory judgment in s 3 of the TPP Act that plain retail packaging will reduce the appeal of tobacco products, increase the effectiveness of health warnings and reduce the potential for retail packaging to mislead and that plain retail packaging will thereby contribute to the improvement of public health and the performance of Australia's obligations under the FCTC.

18. To the extent necessary to determine the Questions Reserved, the Full Court can and should conclude from those findings of constitutional fact not only that the regulation introduced by the TPP Act has the purpose and likely effect of serving the public interest in reducing harm to members of the public and public health, but also that that purpose and likely effect constitutes an acceptable explanation and justification for the regulation and that the regulation is appropriate and adapted and reasonably necessary to achieve that purpose and likely effect.

A Smoking tobacco products causes grave harm

19. The World Health Organization (**WHO**) has described tobacco as "the only legal consumer product that kills when used exactly as intended by the manufacturer".[20] The FCTC, adopted by the World Health Assembly under Art 19 of the WHO Constitution in 2003 (to which there are currently 174 States parties), states as its objective the protection of "present and future generations from the devastating health, social, environmental and economic consequences of tobacco consumption and exposure to tobacco smoke".[21]

20. The scientific literature on the health consequences of smoking has been comprehensively surveyed in successive reports of the Royal College of Physicians of London, and the United States Surgeon General.[22] The first such reports were published in 1962[23] and 1964[24] respectively. More recent reports include those published in 1994,[26] 2000,[27] 2004,[28] 2006[29] and 2012.[30] The reports are authored by experts and analyse and summarise the existing body of scientific literature and studies. The Surgeon General reports follow a particularly exhaustive methodology, now settled for some decades, which is described at the beginning of each report.[31] The Royal College and Surgeon

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20 World Health Organization, "Call for Pictorial Warnings on Tobacco Packs" (29 May 2009), http://www.who.int/mediacentre/news/releases/2009/no_tobacco_day_20090529/en/index.html (accessed 29 March 2011).

21 Art 3.

22 The latter is a statutory official appointed under 42 USC § 205.

23 Royal College of Physicians of London, *Smoking and Health. Summary and Report of the Royal College of Physicians of London in relation to Cancer of the Lung and Other Diseases* (1962) (SCB9 at 3568ff).

24 United States Department of Health, Education and Welfare, *Smoking and Health: Report of the Advisory Committee to the Surgeon General of the Public Health Service* (1964) (SCB13 at 5436ff).

26 United States Department of Health and Human Services, *Preventing Tobacco Use Among Young People: A Report of the Surgeon General* (1994) (SCB13 at 5328ff).

27 Royal College of Physicians of London, *Nicotine Addiction in Britain: A Report of the Tobacco Advisory Group of the Royal College of Physicians* (February 2000) (SCB9 at 3490ff).

28 United States Department of Health and Human Services, *The Health Consequences of Smoking: A Report of the Surgeon General* (2004) (SCB11 at 4365ff), hereafter **SG 2004**.

29 United States Department of Health and Human Services, *The Health Consequences of Involuntary Exposure to Tobacco Smoke: A Report of the Surgeon General* (2006) (SCB9 at 3606ff).

30 United States Department of Health and Human Services, *Preventing Tobacco Use Among Youth and Young Adults* (2012) filed in two volumes pursuant to Orders made by Gummow J on 15 March 2012, hereafter the first volume will be referred to as **SG1** and the second as **SG2**.

31 Experts, selected for their knowledge of a particular topic, write initial chapters that are consolidated into larger chapters and are peer-reviewed; the entire manuscript is then reviewed by a number of scientists and experts for its scientific integrity; after each review cycle, scientific editors (not the original authors) revise the drafts on the basis of the experts' comments. (For the 1994 report see United States Department of Health and Human Services, *Preventing Tobacco Use Among Young People: A Report of the Surgeon General* (1994) (SCB13 5328 at 5354); the 2004 report, SG 2004 (SCB11 4365 at 4393); the 2006 report, United States Department of Health and Human Services, *The Health Consequences of Involuntary Exposure to Tobacco Smoke: A Report of the Surgeon General* (2006) (SCB9 3606 at 3635); the 2012 report, SG1 at 27.) The names and qualifications of all experts involved (authors, reviewers and editors) are listed at the front of each report. In the finalised report, each chapter reviews and summarises the existing body of scientific literature, states conclusions drawn from that literature and appends a lengthy bibliography.

General reports are the epitome of "public" and "authoritative" sources of information about the health consequences of smoking.

21. Measured against the conclusions drawn from the scientific literature set out in the Royal College and Surgeon General reports, it is apparent that the minimalist facts agreed or admitted by BATA fail to capture the gravity of the harm that is caused by smoking to members of the public and public health.

22. The agreed fact that "[s]moking tobacco is a cause of serious and fatal diseases, such as lung cancer, respiratory disease and heart disease"[32] goes little further than the point that science had reached by the time of the very first reports of 1962 and 1964.[33] The current state of scientific knowledge, summarised in the 2004 Surgeon General report, is that "[s]moking harms nearly every organ of the body, causing many diseases and reducing the health of smokers in general".[34] Authoritative and generally accepted scientific opinion is that smoking is a cause of *many* forms of cancer (lung, larynx, lip, tongue, mouth, pharynx, oesophagus, pancreas, bladder, kidney, cervix, stomach and also acute myeloid leukaemia), *several* serious cardiovascular diseases, *many* kinds of respiratory diseases and impairments[35] and *some* other diseases[36] and that smoking by women also reduces their fertility and has adverse consequences for expectant mothers, their unborn children – including adverse consequences for the course of a pregnancy itself – and their young infants, including sudden infant death syndrome.[37]

23. The agreed fact that "[t]he risk of such diseases reduces in groups of people who quit smoking, and the reduction of risk increases from quitting earlier"[38] also fails to capture the magnitude of the health benefits of quitting. The 2004 Surgeon General report is, again, an authoritative source of accepted scientific opinion on this topic. Quitting reduces the risk of developing almost all of the diseases and impairments caused by

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32 Agreed Facts [19], (Questions Reserved Book at 13).

33 Royal College of Physicians of London, *Smoking and Health. Summary and Report of the Royal College of Physicians of London on Smoking in Relation to Cancer of the Lung and Other Diseases* (1962) (SCB9 3568 at 3569-3571); United States Department of Health, Education and Welfare, *Smoking and Health: Report of the Advisory Committee to the Surgeon General of the Public Health Service* (1964) (SCB13 5436 at 5475-5476).

34 SG 2004 (SCB11 4365 at 4409) ("Major Conclusion" 1).

35 All of this is conveniently summarised at the beginning of the 2004 report at SG 2004 (SCB11 4365 at 4409-4412), where (amongst other conclusions of the report) various diseases are listed for which the evidence is said to be "sufficient" to infer "a causal relationship" between smoking and the disease in question. The description of evidence as being "sufficient" to "infer a causal relationship" is the highest level in the hierarchy used in the Report to classify the strength of causal inferences based on available evidence: see SCB11 4365 at 4394ff, esp at 4401-4402. For an overview of the evidence in relation to cancers in particular see also SBC11 4365 at 4423-4426.

36 SG 2004 (SCB11 4365 at 4413).

37 SG 2004 (SCB11 4365 at 4412); see also SCB12 at 4911-4917, 4984.

38 Agreed Facts [20], (Questions Reserved Book at 13).

smoking, often to a marked degree (with risks often declining with increasing time since quitting).[39]

24. The agreed facts omit any reference to passive smoking. The 2006 Surgeon General report is sufficient to demonstrate that authoritative and generally accepted scientific opinion is that the involuntary inhalation of tobacco smoke "causes premature death and disease in children and in adults who do not smoke".[40] These include lung cancer, coronary heart disease and sudden infant death syndrome.[41]

25. The agreed facts also omit any reference to addiction. The admission in BATA's reply is factually wrong if intended to equate addiction with mere difficulty in quitting.[42] The key chemical compound in tobacco that causes addiction is nicotine.[43] The 2000 Royal College report on the specific topic of nicotine addiction concludes that "[n]icotine is highly addictive, to a degree similar or in some respects exceeding addiction to 'hard' drugs such as heroin or cocaine"[44] and records that only about one in twenty smokers do not appear to be addicted to nicotine.[45] Once addicted to nicotine, many smokers are unable to give up smoking even when they develop serious diseases caused by smoking and worsened by continued smoking.[46]

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39 SG 2004 (SCB11 4365) at 4433 (lung cancer), 4446 (cancer of the larynx), 4450 (cancers of the oral cavity and pharynx), 4502-4503 (cancer of the oesophagus), 4521 (cancer of the pancreas), 4550-4551 (cancers of the bladder and kidney), 4552 (cervical cancer), 4747-4748 (cardiovascular disease), SCB12 at 4851 (respiratory disease), 5119-5120 (apparent decreased risk of periodonitis), 5164 (cataracts), 5188 (improved clinical course for ulcer patients).

40 United States Department of Health and Human Services, *The Health Consequences of Involuntary Exposure to Tobacco Smoke: A Report of the Surgeon General* (2006) (SCB9 3606 at 3637).

41 The relevant conclusions of the 2006 report on these points is conveniently summarised in United States Department of Health and Human Services, *The Health Consequences of Involuntary Exposure to Tobacco Smoke: A Report of the Surgeon General* (2006) (SCB9 3606 at 3639-3641).

42 BATA Reply [8](b)(iv), (Questions Reserved Book at 84).

43 SG1 at 43.

44 Royal College of Physicians of London, *Nicotine Addiction in Britain: A Report of the Tobacco Advisory Group of the Royal College of Physicians* (February 2000) (SCB9 3490 at 3503, 3544); see also United States Department of Health and Human Services, *Preventing Tobacco Use Among Young People: A Report of the Surgeon General* (1994) (SCB13 5328 at 5378).

45 Royal College of Physicians of London, *Nicotine Addiction in Britain: A Report of the Tobacco Advisory Group of the Royal College of Physicians* (February 2000) (SCB9 3490 at 3503). The Royal College of Physicians report also records, as do reports of the Surgeon General, that nicotine dependence is a recognised psychiatric disorder and is characterised by the occurrence, when a smoker is deprived of nicotine for a period of time, of symptoms such as: craving for nicotine; irritability; anxiety; difficulty concentrating; increased appetite; and sleep disturbance: SG1 at 43; United States Department of Health and Human Services, *Preventing Tobacco Use Among Young People: A Report of the Surgeon General* (1994) (SCB13 5328 at 5377); SCB9 3490 at 3517-3519.

46 Royal College of Physicians of London, *Nicotine Addiction in Britain: A Report of the Tobacco Advisory Group of the Royal College of Physicians* (February 2000) (SCB9 3490 at 3503, 3560); United States Department of Health and Human Services, *Preventing Tobacco Use Among Young People: A Report of the Surgeon General* (1994) (SCB13 5328 at 5378).

26. Most significantly, the agreed facts omit any reference to the significance of smoking in adolescence. The 2012 Surgeon General report, which updates the Surgeon General report from 1994 on this topic, is sufficient to demonstrate that authoritative and generally accepted medical opinion is that "cigarette smoking by youth and young adults has immediate adverse health consequences, including addiction, and accelerates the development of chronic diseases across the full life course".[47] Adolescence and young adulthood is a time when people are "uniquely susceptible" to influences to use tobacco[48] and further when, in almost all cases, the process of addiction to cigarettes begins.[49]

27. Smoking is estimated to have killed 900,000 Australians from 1950 (when reports identifying smoking as a cause of lung cancer first began to emerge) to 2008[50] and annually in Australia, as at 2004-2005, to have caused about 15,000 deaths and to have cost about 750,000 hospital bed days.[51] Yet the most recent available statistics reveal that nearly one sixth of the entire Australian population aged 14 years and over (2.8 million people) continues to be daily smokers of cigarettes and that, among people who had ever smoked, the average age of first smoking a cigarette was 16 years.[52]

B Retail packaging promotes tobacco products

28. In the decades since the publication of the 1962 Royal College report and the 1964 Surgeon General report, Commonwealth, State and Territory legislation has imposed progressive limitations upon the means available to tobacco companies to promote their products. Commonwealth legislation from 1972 to 1976 required a warning that smoking was a health hazard to follow every cigarette advertisement on radio and television;[53] since 1976 has prohibited the broadcasting of tobacco advertisements on television and radio altogether;[54] and since 1990 has prohibited tobacco advertising in the

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47 SG1 at 28 ("Major Conclusion" 1). A summary of the various intermediate conclusions reached in the 2012 report that led to this "major conclusion" is at SG1 at 29.

48 SG1 at 30; SG2 at 480. In other places the 2012 report notes that, compared with adults, adolescents appear to display evidence of addiction at much lower levels of cigarette consumption: SG1 at 184. See also SG1 at 44.

49 SG1 at 29 (conclusion 1 for chapter 2 and conclusion 1 for chapter 3).

50 National Preventative Health Taskforce, *Australia: The Healthiest Country By 2020 A Discussion Paper* (2009) at 19.

51 Commonwealth Department of Health and Ageing, *Taking Preventative Action - A Response to Australia: The Healthiest Country by 2020* (May 2010) (SCB3 1019 at 1046); Begg et al, *The Burden of Disease and Injury in Australia 2003* (Report, Prepared for the Australian Institute of Health and Welfare, May 2007) (SCB6 2143 at 2232); Collins and Lapsley, *The Costs of Tobacco, Alcohol and Illicit Drug Abuse to Australian Society in 2004/05* (Report, Prepared for the Commonwealth Department of Health and Ageing, 2008) (SCB6 2434 at 2460).

52 Australian Institute of Health and Welfare, *2010 National Drug Strategy Household Survey* (July 2011) (SCB13 5580 at 5602-5603, 5606).

53 *Broadcasting and Television Act 1942* (Cth) s 100A, inserted by the *Broadcasting and Television Act 1972* (Cth s 3.

54 *Broadcasting and Television Amendment Act 1976* (Cth). In 1988, the legislative ban on direct cigarette advertising on radio and television was extended to direct advertising on television and radio of all tobacco

print media.[55] State and Territory legislation has since the 1980s generally prohibited the advertising of tobacco products by films, billboards and pursuant to sponsorship agreements[56] and since the 1990s has also restricted or prohibited promotion of tobacco products at the point of retail sale, including by the display of tobacco products.[57]

29. In the face of these regulatory restrictions on advertising and other forms of retail promotion, the packaging and appearance of tobacco products has become the principal means available to be used, and in fact used, by tobacco companies to promote their respective tobacco products to members of the public. In the case of BATA, that is both agreed to be fact[58] and acknowledged to be a logical step in establishing the reputation and goodwill it claims will be acquired under the TPP Act.[59] In the case of other tobacco companies, the use of packaging and the appearance of tobacco products to promote their respective tobacco products to members of the public (although formally denied)[60] must similarly be a logical step in establishing the reputation and goodwill each claims will be acquired under the TPP Act.[61]

30. The promotional purpose and effect of retail packaging and the appearance of tobacco products is borne out by publicly available industry documents which have been the subject of academic analysis referred to in the Explanatory Memorandum for the TPP Act:[62] "the primary job of the package is to create a desire to purchase and try".[63] The

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products: *Broadcasting Legislation Amendment Act 1988* (Cth) s 41 (amending s 100(5A) of the *Broadcasting Act 1942* (Cth)).

55 *Smoking and Tobacco Advertisements (Prohibition) Act 1989* (Cth). This Act, and the *Broadcasting and Television Amendment Act 1976* (Cth) were repealed and replaced by the *Tobacco Advertising Prohibition Act 1992* (Cth).

56 E.g. *Tobacco Act 1987* (Vic) ss 6-10; *Tobacco Products Control Act Amendment Act 1988* (SA) s 12; *Tobacco (Amendment) Act 1990* (ACT) s 5; *Tobacco Control Act 1990* (WA) ss 5-8; *Tobacco Advertising Prohibition Act 1991* (NSW) ss 5-8; *Public Health Act 1997* (Tas) s 70; *Tobacco and Other Smoking Products (Prevention of Supply to Children) Amendment Act 2001* (Qld) s 26; *Tobacco Control Act 2002* (NT) ss 15-19.

57 E.g. *Public Health Act 1997* (Tas) ss 70-71; *Tobacco (Amendment) Act 1999* (ACT) s 5; *Tobacco (Amendment) Act 2000* (Vic) ss 8-9; *Tobacco and Other Smoking Products (Prevention of Supply to Children) Amendment Act 2001* (Qld) s 26; *Tobacco Control Act 2002* (NT) ss 20-27; *Tobacco Products Regulations 2004* (SA) regs 10-11; *Tobacco Products Control Act 2006* (WA) ss 20-25; *Public Health (Tobacco) Act 2008* (NSW) ss 9-11, 14.

58 Agreed Facts [9](b), (Questions Reserved Book at 11).

59 Agreed Facts [11], (Questions Reserved Book at 12).

60 Imperial Reply [9], (Imperial Court Book, Document 5); Philip Morris Reply [5.3], (Philip Morris Court Book at 66).

61 Imperial Amended Statement of Claim [3(d)], [6], [11], [13], [14], (Imperial Court Book, Document 3); Philip Morris Statement of Claim [5], [6.3], [8], [10], [11], (Philip Morris Court Book at 4-6).

62 "[I]ncreasingly the product may have to sell itself through the pack" (a tobacco industry executive cited in Wakefield et al, "The Cigarette Pack as Image: New Evidence from Tobacco Industry Documents" (2002) 11(Suppl I) *Tobacco Control* 73 (SCB5 1948 at 1950)); "when you don't have anything else--our packaging is our marketing" (a tobacco industry executive cited in SG2 at 554). The latter quotation, and others to similar effect, appear in Moodie and Hastings, "Making the Pack the Hero, Tobacco Industry Response to Marketing Restrictions in the UK: Findings from a Long-Term Audit" (2011) 9(1) *International Journal of Mental Health and Addiction* 24 (SCB5 1914 at 1925; see also 1915, 1920), a paper cited at n 4 of the Explanatory Memorandum for the TPP Act.

63 **[1]** A 1963 report on cigarette packaging commissioned by a US cigarette manufacturer, cited in Wakefield et al, "The Cigarette Pack as Image: New Evidence from Tobacco Industry Documents" (2002) 11

actual purchase of cigarettes does not exhaust the promotional utility of the packaging: unlike many other consumer products, cigarette packaging is displayed each time the product is used and facilitates the smoker communicating to others the personal characteristics associated with that "brand".[64] Cigarette packaging is designed with the high degree of "social visibility" of the packaging in mind.[65] Minute attention is paid to all aspects of the packet including: colour; font style; the placement, orientation, number and thickness of stripes; and texture of the packaging wrapper.[66] Colours such as pink, purple, white and yellow (conveying qualities of freshness, femininity, cleanliness, purity and health) as well as slimmer packs tend to appeal to young women[67] and lighter colours
10 are also perceived by many consumers (quite mistakenly) to present a lower health risk.[68]

31. The 2012 Surgeon General report records that "[r]esearch conducted by the tobacco industry consistently demonstrates that the brand imagery portrayed on packages is particularly influential during youth and young adulthood",[69] "a sensitive developmental period, characterised by extraordinary brain changes and high levels of emotionality,

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(Suppl I) *Tobacco Control* 73 (SCB5 1948). This paper by Wakefield et al is cited at nn 3 and 4 of the Explanatory Memorandum for the TPP Act. See also **[2]** SG2 at 508 ("The cigarette pack itself is a form of marketing, with companies developing packaging designed to attract attention, appeal to specific consumers, reinforce brand identity, or suggest specific product qualities").

64 **[1]** SG2 at 550; **[2]** There is a brief summary of the importance of "brands" in cigarette promotion; see National Preventative Health Taskforce, *Australia: The Healthiest Country by 2020, National Preventative Health Strategy: The Roadmap for Action* (June 2009) (SCB2 720 at 769); **[3]** The seminal exposition of the concept of "brand" is Gardner and Levy, "The Product and the Brand" (1955) 33(March/April) *Harvard Business Review* 33 (SCB6 2549, esp at 2552); **[4]** Brands that have cultivated (including through packaging) particularly "Australian" identities, and which have therefore been successful here, are discussed in Carter, "The Australian Cigarette Brand as Product, Person and Symbol" (2003) 12(Supp III) *Tobacco Control* iii79 (SCB6 2391 at 2394-2395).

65 **[1]** SG2 at 550; **[2]** Wakefield and Letcher, "My Pack is Cuter than your Pack" (2002) 11 *Tobacco Control* 154 (SCB13 5479 at 5479).

66 DiFranza, Clark and Pollay, "Cigarette Package Design - Opportunities for Disease Prevention" (2002) 1(2) *Tobacco Induced Diseases* 97 (SCB6 2513 at 2516-2518).

67 **[1]** Wakefield et al, "The Cigarette Pack as Image: New Evidence from Tobacco Industry Documents" (2002) 11(Suppl I) *Tobacco Control* 73 (SCB5 1948 at 1952). For the importance of colour in cigarette packaging generally see **[2]** SG1 at 530 ("silver and gold colors can be used to convey status and prestige, particularly for 'premium' brands…Red packages and logos can convey excitement, strength, wealth, and power…while pastel colors are associated with freshness, innocence, and relaxation and are more common among brands that appeal to females…").

68 **[1]** SG2 at 552; **[2]** Hammond and Parkinson, "The Impact of Cigarette Package Design on Perceptions of Risk" (2009) 31(3) *Journal of Public Health* 345 (SCB5 1897 at 1897, 1902), a paper cited at n 3 of the Explanatory Memorandum for the TPP Act; **[3]** Mutti et al, "Beyond Light and Mild: Cigarette Brand Descriptors and Perceptions of Risk in the International Tobacco Control (ITC) Four Country Survey" (2011) 106 *Addiction* 1166 (SCB5 1937 at 1937, 1944), an article tabled in Parliament (Hansard, HR, 25 May 2011, 4570); **[4]** Research commissioned by the Commonwealth in the course of developing the TPP Act reached similar conclusions: see Parr, Ell and Gagg, *Market Testing of New Health Warnings and Information Messages for Tobacco Product Packaging: Phase 3 Refinement of Health Warnings* (Report, Prepared for the Commonwealth Department of Health and Ageing by GfK bluemoon, June 2011) (SCB4 1321 at 1482-1483, 1527) ("Other general findings that emerged from the research were that darker colours were seen to contain cigarettes which were more 'harmful to health' and 'harder to quit'. Conversely, lighter colours were seen to be 'easier to quit'").

69 **[1]** SG2 at 550. See also **[2]** DiFranza et al, "Tobacco Acquisition and Cigarette Brand Selection among Youth" (1994) 3 *Tobacco Control* 334 (SCB6 2507 at 2510).

impulsivity and risk-taking", during which there is "a heightened vulnerability for the development of smoking behavior".[70]

32. The written submissions of Philip Morris assert that the "highest and best uses" of registered trade marks, get-up and packaging by a tobacco company are to distinguish that company's tobacco products from another company's tobacco products in the course of trade.[71] Tobacco companies use their distinctive trade marks, get-up and packaging to promote their tobacco products to members of the public and that use is the cause of grave harm. Philip Morris' attempt to separate distinction from promotion is artificial and wrong.

C Mandatory health warnings

33. Mandatory health warnings have appeared on cigarette packets in Australia since the 1970s. Legislation providing for graphic health warnings on cigarette packets has existed in Australia since 2004 and has mandated graphic health warnings since 2006.[72]

34. Since 2006, mandatory health warnings have also included references to the Quitline telephone number (which sufferers of nicotine addiction can call to obtain not-for-profit telephone counselling services)[73] and the Commonwealth website www.quitnow.info.au (which provides information about Quitline and related programs to assist sufferers of nicotine addiction)[74]. The new health warnings provided for by the 2011 Standard, which become mandatory on 1 December 2012, will require the "Quitline logo", consisting of a registered trade mark of the Anti-Cancer Council of Victoria comprising the word "Quitline" and the Quitline telephone number, to overlay most graphics.[75] The most recent available statistics reveal that, of smokers aged 14 years or older who had changed their smoking behaviour in some way between 2007 and 2010 (for example, by smoking less, or by attempting to quit), nearly half did so because they thought smoking was affecting their health or fitness and nearly one sixth identified the health warnings on cigarette packets as one of the factors motivating that change.[76] Research also indicates

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70 SG2 at 448; and see also chapter conclusion 1 at 480.

71 Philip Morris written submissions at [8].

72 In accordance with the *Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations 2004* (Cth) see reg 7; Parts 3, 4. These Regulations were also referred to and applied by some States; e.g. *Tobacco Products Control Act 2006* (WA) s 124(3); *Health Legislation Amendment Act 2006* (Qld) s 281; *Tobacco Regulations 2007* (Vic) reg 8.

73 Agreed Facts [33], (Questions Reserved Book at 14-15).

74 Agreed Facts [32], (Questions Reserved Book at 14).

75 2011 Standard ss 1.3(6), 3.1(2), 4.1(2); subsection (3) of each of ss 3.2-3.8 and 4.2-4.8; subsection (2) of each of ss 5.3-5.6; ss 9.4(3), 9.4(4).

76 Australian Institute of Health and Welfare, *2010 National Drug Strategy Household Survey* (July 2011) (SCB13 5580 at 5626).

that graphic health warnings assist ex-smokers in not relapsing and assist non-smokers in remaining non-smokers.[77]

35. Research before and after 2006 confirms what common human experience suggests: health warnings on tobacco packaging successfully communicate information about the health effects of smoking;[78] graphic warnings communicate more effectively than text-only warnings,[79] which is particularly important in relation to adolescents;[80] and larger graphic health warnings communicate more effectively than smaller graphic health warnings.[81]

D Statutory judgment about plain packaging

10 36. The statutory judgment identified in s 3(2) of the TPP Act is that plain retail packaging will reduce the appeal of tobacco products, increase the effectiveness of health warnings and reduce the potential for retail packaging to mislead and that, in so doing, plain retail packaging contributes to the objects identified in s 3(1) of improving public health and giving effect to Australia's obligations under the FCTC.

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77 Shanahan and Elliott, *Evaluation of the Effectiveness of the Graphic Health Warnings on Tobacco Product Packaging 2008* (Report, Prepared for the Commonwealth Department of Health and Ageing by Elliott & Shanahan Research, 2009) (SCB2 446 at 575, 563).

78 **[1]** Shanahan and Elliott, *Evaluation of the Effectiveness of the Graphic Health Warnings on Tobacco Product Packaging 2008* (Report, Prepared for the Commonwealth Department of Health and Ageing by Elliott & Shanahan Research, 2009) (SCB2 446 at 467, 562, 640-641); **[2]** Borland et al, "Impact of Graphic and Text Warnings on Cigarette Packs - Findings from Four Countries over Five Years" (2009) 18 *Tobacco Control* 358 (SCB6 at 2375ff). This article was tabled in Parliament (Hansard, HR, 25 May 2011, 4570); **[3]** A similar conclusion was reached in Canada in relation to health warnings there: Institute of Medicine (United States), *Ending the Tobacco Problem: A Blueprint for the Nation* (The National Academies Press 2007) (SCB8 3026 at 3085).

79 What is evident to any person who looks at the graphic health warnings is confirmed in the research: **[1]** Borland et al, "Impact of Graphic and Text Warnings on Cigarette Packs - Findings from Four Countries over Five Years" (2009) 18 *Tobacco Control* 358 (SCB6 at 2375ff); **[2]** Hammond et al, "Graphic Canadian Cigarette Warning Labels and Adverse Outcomes: Evidence from Canadian Smokers" (2004) 94(8) *American Journal of Public Health* 1442 (SCB7 2998 at 3000); **[3]** Hammond et al, "Text and Graphic Warnings on Cigarette Packages - Findings from the International Tobacco Control Four Country Study" (2007) 32(3) *American Journal Preventive Medicine* 202 (SCB7 3011 at 3016).

80 Graphic health warnings give rise to increased "cognitive processing" (i.e. evoke a stronger mental response) and negative images of cigarette packs on the part of the adolescent viewer: White, Webster and Wakefield, "Do Graphic Health Warning Labels have an Impact on Adolescents' Smoking-Related Beliefs and Behaviours?" (2008) 103 *Addiction* 1562 (SCB13 5569 esp at 5574). That is important because positive feeling and images associated with smoking (rather than considered analysis) is influential in adolescents' decisions to take up smoking: Slovic, "Affect, Analysis, Adolescence and Risk", in Romer (ed), *Reducing Adolescent Risk Toward an Integrated Approach* (Sage Publications, 2003) 44 (SCB9 3591 at 3591-3592).

81 **[1]** Borland et al, "Impact of Graphic and Text Warnings on Cigarette Packs - Findings from Four Countries over Five Years" (2009) 18 *Tobacco Control* 358 (SCB6 2375 at 2380) ("the balance of evidence, to which this study adds, is that larger warnings are more effective"); **[2]** Research commissioned in the course of developing the 2011 Standard indicated that a cigarette pack with 75% of its front covered by a graphic health warning was more effective on all measures than a cigarette pack with a smaller graphic health warning: Parr, Tan, Ell and Miller, *Market Research to Determine Effective Plain Packaging of Tobacco Products* (Report, Prepared for the Commonwealth Department of Health and Ageing by GfK bluemoon, August 2011) (SCB4 1429 at 1434, 1594, 1599).

37. The statutory judgment is consistent with the consensus of the 174 Parties to the FCTC. The FCTC obliges Parties not only by Art 5(2)(b) "to adopt and implement effective legislative ... measures ... for preventing and reducing tobacco consumption, nicotine addiction and exposure to tobacco smoke" but, more specifically, by Art 11(1)(a) "to adopt and implement ... effective measures to ensure that tobacco product packaging and labelling do not promote a tobacco product by any means that are false, misleading, deceptive or likely to create an erroneous impression about its characteristics, health effects, hazards or emissions", and by Art 13(2) "to undertake a comprehensive ban of all tobacco advertising, promotion and sponsorship". In 2008, the Conference of the Parties to the FCTC adopted by consensus guidelines for the implementation of Arts 11 and 13 of the FCTC both of which recommend consideration by Parties of plain retail packaging. The guidelines for the implementation of Art 11 recommend that "Parties should consider adopting measures to restrict or prohibit the use of logos, colours, brand images or promotional information on packaging other than brand names and product names displayed in a standard colour and font style (plain packaging)" on the basis that "[t]his may increase the noticeability and effectiveness of health warnings and messages, prevent the package from detracting attention from them, and address industry package design techniques that may suggest that some products are less harmful than others".[82] The guidelines for the implementation of Art 13 recommend that "Parties should consider adopting plain packaging requirements to eliminate the effects of advertising or promotion on packaging".[83] That Australia is as yet the first Party to the FCTC to act on these recommendations does not detract from the global significance of the adoption of them.

38. The statutory judgment was supported when the TPP Act was enacted by:[84] the recommendation in 2009 of a committee of medical experts and other persons with expertise in public health, known as the "National Preventative Health Taskforce" (**Taskforce**), for the elimination of "promotion of tobacco products through design of packaging";[85] further research published at the same time as or after the Taskforce had

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82 Guidelines for implementation of Article 11 of the WHO Framework Convention on Tobacco Control, adopted at the third session of the Conference of the Parties (decision FCTC/COP3(10)), 22 November 2008, cl 46.

83 Guidelines for implementation of Article 13 of the WHO Framework Convention on Tobacco Control, adopted at the third session of the Conference of the Parties (decision FCTC/COP3(12)), 22 November 2008, cl 15-17.

84 Served with these submissions will be a Chronology of the introduction of plain packaging.

85 National Preventative Health Taskforce, *Australia: The Healthiest Country by 2020, National Preventative Health Strategy: The Roadmap for Action* (June 2009) (SCB2 720 at 769-770). The Taskforce's extensive analysis of the scientific literature is set out in a separate document, National Preventative Health Taskforce, *Australia: The Healthiest Country by 2020: Technical Report 2: Tobacco Control in Australia: Making Smoking History* (June 2009) (SCB3 at 844, esp at 875-876, 954-956). The terms of reference of the Taskforce are at SCB2 720 at 823. The membership and qualifications of the Taskforce are briefly set out at SCB2 720 at 825-827; and the experts on tobacco who provided advice to the Taskforce are listed at SCB2 720 at 842. A list of

made its recommendations suggesting that plain packaging would reduce the appeal of smoking;[86] the conclusions of a panel of marketing experts commissioned by the Canadian government to enquire into the possible impacts of plain packaging on tobacco products;[87] and submissions made and evidence presented to the Parliamentary Committee, which led it to recommend passage of the Bill for the TPP Act.[88] The statutory judgment has been further vindicated since the enactment of the TPP Act by the concise and authoritative analysis of plain packaging now contained in the 2012 Surgeon General report.[89]

39. The statutory judgment specifically identified in s 3(2)(a) of the TPP Act, that plain retail packaging will reduce the appeal of tobacco products, was supported by the Taskforce's conclusion that "decreasing the number of design elements on the package reduces its appeal and perceptions about the likely enjoyment and desirability of smoking",[90] and is reflected in the crisp conclusion now contained in the 2012 Surgeon General report that "plain packaging makes smoking less appealing".[91] The scientific research supporting those conclusions[92] includes studies suggesting: a general perception, heightened in adolescents and young adults (in particular adolescents of school age), that cigarettes in plain packaging would be less attractive and satisfying and smokers of them less stylish, popular and mature;[93] and that plain packaging will override favourable perceptions arising from cigarette branding.[94]

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submissions received by the Taskforce (including submissions from many specialist bodies and other experts) is at SCB2 720 at 830-840.

86 E.g. **[1]** Shanahan and Elliott, *Evaluation of the Effectiveness of the Graphic Health Warnings on Tobacco Product Packaging 2008* (Report, Prepared for the Commonwealth Department of Health and Ageing by Elliott & Shanahan Research, 2009) (SCB2 446 at 635; see also 478, 501); **[2]** Wakefield, Germain, and Durkin, "How does Increasingly Plainer Cigarette Packaging Influence Adult Smokers' Perceptions about Brand Image? An Experimental Study" (2008) 17 *Tobacco Control* 416 (SCB13 5483ff, esp at 5487). This paper is cited in the Commonwealth government's response to the report of the Taskforce: Commonwealth Department of Health and Ageing, *Taking Preventative Action - A Response to Australia: The Healthiest Country by 2020* (May 2010) (SCB3 1019 at 1063).

87 Goldberg et al, *When Packages Can't Speak: Possible Impacts of Plain and Generic Packaging of Tobacco Products* (Report, Prepared for Health Canada, March 1995) (SCB7 2569 at 2589-2590) concluding, from studies the panel of experts had designed and commissioned, that (subject to countermeasures by the tobacco industry) plain packaging of tobacco products "would likely depress the incidence of smoking uptake by non-smoking teens, and increase the incidence of smoking cessation by teen and adult smokers". A useful discussion by the panel of the relevant marketing principles and theory in their application to plain packaging of tobacco products is at SCB7 2569 at 2598-2610.

88 Imperial Court Book, Document 9.

89 SG2 at 552-553.

90 National Preventative Health Taskforce, *Australia: The Healthiest Country by 2020, National Preventative Health Strategy: The Roadmap for Action* (June 2009) (SCB2 720 at 769).

91 SG2 at 552.

92 Summarised in part in the National Preventative Health Taskforce, *Australia: The Healthiest Country by 2020: Technical Report 2: Tobacco Control in Australia: Making Smoking History* (June 2009) (SCB3 844 at 875-876, 954-956); SG2 at 552-553.

93 **[1]** Wakefield, Germain, and Durkin, "How does Increasingly Plainer Cigarette Packaging Influence Adult Smokers' Perceptions about Brand Image? An Experimental Study" (2008) 17 *Tobacco Control* 416 (SCB13 5483ff, esp at 5487). To similar effect are the findings reported in **[2]** Germain, Wakefield and Durkin,

40. The statutory judgment specifically identified in s 3(2)(b) of the TPP Act, that plain retail packaging will increase the effectiveness of health warnings, was supported by the Taskforce's conclusion that "plain packaging would increase the salience of health warnings" and is reflected in the conclusion now contained in the 2012 Surgeon General report that one of the "potential effects" of plain packaging is that it "enhances the effectiveness of health warnings by increasing their noticeability, recall and believability".[95] The scientific research underlying those conclusions[96] includes studies attributing significance to the absence of other images on the packet in ensuring greater attention is paid to the health warnings.[97]

10 41. The statutory judgment specifically identified in s 3(2)(c) of the TPP Act, that plain retail packaging will reduce the potential for retail packaging to mislead, is founded in large part in the conclusion of the Taskforce that misperceptions about health risks induced by variations in colour and other design elements "are part of a constellation of modifiable tobacco marketing factors that make smoking easier to take up and harder to quit",[98] and coincides with the 2012 Surgeon General report's conclusion that "plain packaging has the potential to reduce the level of false beliefs about the harmfulness of different

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"Adolescents' Perceptions of Cigarette Brand Image: Does Plain Packaging Make a Difference?" (2010) 46(4) *Journal of Adolescent Health* 385 (SCB5 at 1866, esp at 1869, 1871). For the evidence pertaining to adolescents of school age see in particular **[3]** Rootman and Flay, *A Study on Youth Smoking: Plain Packaging, Health Warnings, Event Marketing and Price Reductions* (Report, University of Toronto et al, 1995) (SCB8 at 3472 at 3479); **[4]** Beede, Lawson and Shepherd, *The Promotional Impact of Cigarette Packaging: a Study of Adolescent Responses to Cigarette Plain Packs* (Report, University of Otago, 1990) (SCB5 1821 at 1833, 1845) (an account of this research was published in Beede and Lawson, "Brand Image Attraction: the Promotional Impact of Cigarette Packaging" (1991) 18 *New Zealand Family Physician* 175 (SCB5 at 2130ff)); **[5]** Centre for Health Promotion, University of Toronto, *Effects of Plain Packaging on the Image of Tobacco Products Among Youth* (November 1993) (SCB6 2400 at 2405, 2417-2418).

94 Goldberg et al, *When Packages Can't Speak: Possible Impacts of Plain and Generic Packaging of Tobacco Products* (Report, Prepared for Health Canada, March 1995) (SCB7 2569 at 2584; see also 2588).

95 SG2 at 552. For the Taskforce's conclusion see National Preventative Health Taskforce, *Australia: The Healthiest Country by 2020, National Preventative Health Strategy: The Roadmap for Action* (June 2009) (SCB2 720 at 769).

96 Summarised in part in the National Preventative Health Taskforce, *Australia: The Healthiest Country by 2020: Technical Report 2: Tobacco Control in Australia: Making Smoking History* (June 2009) (SCB3 844 at 875); SG2 at 552.

97 **[1]** Beede and Lawson, "The Effect of Plain Packages on the Perception of Cigarette Health Warnings" (1992) 106 *Public Health* 315 (SCB5 2134 at 2139-2140); **[2]** Goldberg et al, "The Effect of Plain Packaging on Response to Health Warnings" (1999) 89(9) *American Journal of Public Health* 1434 (SCB5 at 1875) (with the qualification that the health warning needs to be stark, brief, and direct, otherwise plain packaging is not likely to enhance its effectiveness); **[3]** Hoek, "Effects of Dissuasive Packaging on Young Adult Smokers" (2011) 20(3) *Tobacco Control* 183 (SCB5 1907 at 1910) ("The results suggest branding partially offsets the effect of larger warnings and imply that larger warning labels would be most effective if placed on unbranded (or minimally branded) packages"); **[4]** Munafo et al, "Plain Packaging Increases Visual Attention to Health Warnings on Cigarette Packs in Non-Smokers and Weekly Smokers but not Daily Smokers" (2011) 106 *Addiction* 1505 (SCB5 at 1930ff). This last study suggests that plain packaging may not enhance the deterrent effect of health warnings for daily smokers, but it may enhance the deterrent effect of health warnings for less frequent smokers and persons who do not smoke.

98 National Preventative Health Taskforce, *Australia: The Healthiest Country by 2020, National Preventative Health Strategy: The Roadmap for Action* (June 2009) (SCB2 720 at 769).

brands".[99] The scientific literature supporting those conclusions includes studies and internal tobacco industry research revealing that many smokers and non-smokers believe that some cigarette brands are less harmful or addictive than others;[100] that cigarette packaging, especially through use of lighter colours, contributes to this belief;[101] that this belief is illusory;[102] and that plain packaging would assist in correcting it.[103]

42. The written submissions of Imperial assert the existence of "controversy" about the evidence underlying these statutory judgments and rely on the Parliamentary Committee's report.[104] The Parliamentary Committee in fact concluded that criticisms of the "evidence base" supporting the TPP Act were "insubstantial, and on the whole, superficial".[105]

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99 SG2 at 552.

100 **[1]** Institute of Medicine (United States), *Ending the Tobacco Problem: A Blueprint for the Nation* (The National Academies Press 2007) (SCB8 3026 at 3076) (The Institute of Medicine is a "federally chartered corporation" (36 USC § 150301) that has the duty of "investigat[ing], examin[ing], experiment[ing] and report[ing] on any subject of science or art" (36 USC § 150303)); **[2]** Mutti et al, "Beyond Light and Mild: Cigarette Brand Descriptors and Perceptions of Risk in the International Tobacco Control (ITC) Four Country Survey" (2011) 106 *Addiction* 1166 (SCB5 1937 at 1944), an article tabled in Parliament (Hansard, HR, 25 May 2011, 4570); **[3]** Wakefield et al, "The Cigarette Pack as Image: New Evidence from Tobacco Industry Documents" (2002) 11(Suppl I) *Tobacco Control* 73 (SCB5 1948 at 1951-1952).

101 The literature is surveyed in **[1]** SG2 at 551-552. See e.g. **[2]** Hammond and Parkinson, "The Impact of Cigarette Package Design on Perceptions of Risk" (2009) 31(3) *Journal of Public Health* 345 (SCB5 1897 at 1902), a paper cited at n 3 of the Explanatory Memorandum for the TPP Act; **[3]** Mutti et al, "Beyond Light and Mild: Cigarette Brand Descriptors and Perceptions of Risk in the International Tobacco Control (ITC) Four Country Survey" (2011) 106 *Addiction* 1166 (SCB5 1937 at 1944); **[4]** Research commissioned by the Commonwealth in the course of developing the TPP Act reached similar conclusions: see Parr, Ell and Gagg, *Market Testing of New Health Warnings and Information Messages for Tobacco Product Packaging: Phase 3 Refinement of Health Warnings* (Report, Prepared for the Commonwealth Department of Health and Ageing by GfK bluemoon, June 2011) (SCB4 1321 at 1482-1483, 1527).

102 See "Major conclusion 3" of SG 2004 (SCB11 4365 at 4409). The available scientific evidence does not indicate that design changes made to cigarettes over the past 50 years (e.g. cigarettes that contain less nicotine or that, in machine testing, produce less "tar") have resulted in better public health outcomes: National Cancer Institute (United States), *Risks Associated with Smoking Cigarettes with Low Machine-Measured Yields of Tar and Nicotine* (Smoking and Tobacco Control Monograph No 13, October 2001) (SCB8 3167 at 3177-3186). Smokers of "low tar" etc tend to "compensate" by inhaling more deeply, having more puffs of a given cigarette, or covering up the ventilation holes in "low tar" cigarettes in order to obtain the desired amount of nicotine: SCB8 3167 at 3178-3179, 3210. In the past cigarettes have been designed to facilitate such "compensatory" behaviour: SCB8 3167 at 3207-3209.

103 See e.g. the studies at [2] (esp SCB5 1897 at 1903) and [3] (esp SCB5 1937 at 1945) at n 101 above; and also Hammond et al, "Cigarette Pack Design and Perceptions of Risk among UK Adults and Youth" (2009) 19(6) *European Journal of Public Health* 631 (SCB5 1878 at 1882-1883).

104 Imperial written submissions at [31].

105 Imperial Court Book, Document 9 at [1.23], [1.57].

V

CONSTITUTIONAL AND LEGISLATIVE PROVISIONS

43. The relevant constitutional provisions are ss 51(i), (xviii), (xx), (xxix) and (xxxi). In addition to the TPP Act, the TM Act, the 2011 Standard and the CC Act, the relevant current legislative provisions are contained in: the *Tobacco Plain Packaging Regulations 2011* (Cth) (**TPP Regulations**); the *Copyright Act 1968* (Cth) (**Copyright Act**); the *Patents Act 1990* (Cth) (**Patents Act**) and the *Designs Act 2003* (Cth) (**Designs Act**).

VI

ARGUMENT

10 ### A No property taken

44. Acquisition of property requires the taking of property. The taking of property involves, at least, some substantial diminution of a pre-existing right of property. Diminution does not include modification or even extinguishment where, in the case of a statutory right, that right is inherently susceptible to that modification or extinguishment.

45. Tobacco companies claim two kinds of property will be taken from them as a consequence of the restrictions in the TPP Act: statutory rights (registered trade marks, patents, registered designs and copyright); and common law rights (said to extend to the physical materials comprising cigarettes and retail packaging, as well as to the ability to apply unregistered trade marks and get-up so as to maintain reputation and goodwill).

20 *Statutory rights: inherently limited*

46. Accepting that a law "reducing the content of subsisting statutory exclusive rights" may attract the operation of s 51(xxxi) of the Constitution,[106] the first stage of any analysis is to identify with some precision both the statutory rights said to constitute the property and the effect of the impugned law on those statutory rights.[107] When that analysis is undertaken, it becomes apparent that the statutory rights in question are not of the

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106 *Attorney-General (Northern Territory) v Chaffey* (2007) 231 CLR 651 at [24]; see also *Commonwealth v WMC Resources Ltd* (1998) 194 CLR 1 at [182]-[186]; *Telstra Corporation Ltd v Commonwealth* (2008) 234 CLR 210 at [49].

107 See e.g. *Attorney-General (Northern Territory) v Chaffey* (2007) 231 CLR 651 at [21]-[22]; *Telstra Corporation Ltd v Commonwealth* (2008) 234 CLR 210 at [49]-[54].

amplitude that tobacco companies assert and the statutory property they have has not been taken from them.

47. The argument that the TPP Act will take property conferred by the registration of their trade marks is common to all tobacco companies and is best answered first. The argument depends on establishing that the statutory rights that flow from registration of a trade mark include some positive right or authority to use the trade mark or some positive freedom or immunity from the operation of regulatory laws. The argument is unsustainable. What an owner gains by registration of a trade mark is relevantly no more than a monopoly right to exclude others from using the mark without the owner's authority. That is clear on the face of the TM Act and is supported by the history and context of its enactment.

48. The critical provision of the TM Act – s 20(1) – provides that "[i]f a trade mark is registered, the registered owner of the trade mark has ... the *exclusive* rights" to "use the trade mark", and to "authorise other persons to use the trade mark", in relation to the goods or services for which the trade mark is registered. What is granted is a statutory assurance of exclusive use of the trade mark; a monopoly right to exclude others from using that mark in relation to the relevant goods and services. That right is a chose in action in the form of a right to commence proceedings for infringement of a trade mark under Part 12 of the TM Act for which there is an "ancillary right" to obtain relief.[108] To the extent that some freedom to use the trade mark is presupposed by that grant of exclusivity, that freedom is not granted by the TM Act: whether, and if so to what extent, there is freedom to use the trade mark depends on other laws. While the intended "use" or "non-use" of a trade mark has certain ramifications under the TM Act (for example, the ability to apply for registration depends on actual or intended use of the trade mark,[109] the absence of such an intention is a ground of opposition to registration,[110] and extended non-use of a trade mark for any reason constitutes a basis for removal of a registered trade mark)[111] an application for registration must be rejected if use of the trade mark would be *contrary to law*.[112] This presupposes that any other laws (including State laws) may apply to prohibit the use of trade marks. The TM Act does not imply to the contrary in providing, as an exception to the concept of infringement, that a person does not infringe a registered trade mark when "the person exercises a right

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108 *Registrar of Trade Marks v Woolworths Ltd* (1999) 93 FCR 365 at [22].
109 Section 27(1).
110 Section 59.
111 Section 92(4).
112 Section 42(b). See *Advantage-Rent-A-Car Inc v Advantage Car Rental Pty Ltd* (2001) 52 IPR 24 at [25]-[26]; *Neumann v Sons of the Desert SL* [2008] FCA 1183 at [31].

to use a trade mark given to the person under this Act".[113] That aspect of the statutory scheme is directed to circumstances where the alleged infringer has a registered trade mark "substantially identical or deceptively similar" to the trade mark of the owner alleging infringement, and ensures that the owner alleging infringement has no right to prevent the use by the alleged infringer of its own trade mark.[114]

49. The language of s 20(1) of the TM Act is in substance the same as s 58 of the *Trademarks Act 1955* (Cth) (**1955 Act**) and in substance the same as each of its Australian and United Kingdom predecessors dating back to 1875.[115] Consistently with the nature of the rights provided by the common law in respect of unregistered trade marks (to exclude others from use through actions for passing off or deceit),[116] the explanation of that statutory language has always been that "what is created by registration [of a trade mark] is not the proprietor's right to use the mark but a right to prevent other persons from using it as a trade mark or in certain other specified ways".[117] That explanation was established in the United Kingdom in 1907[118] and accepted in Australia in 1932,[119] having been foreshadowed decades earlier.[120] It was adopted in respect of s 58 of the 1955 Act in a unanimous judgment of the High Court in 2000, upholding a claim against the registered proprietor of a trade mark in both passing off and for breach of s 52 of the *Trade Practices Act 1974* (Cth).[121] The giving by s 58 of rights enforceable against third parties was explained as having been "done without conferring upon the registered proprietor an

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113 Section 122(1)(e) and 120.

114 Section 20(1) is expressed to be "subject to this Part" which part includes s 23 of the TM Act. Also note *ESPN, Inc v Thomas* [2010] FCA 1232 at [17]; see further Davison et al, *Shanahan's Australian Law of Trade Marks and Passing Off* (4th ed, 2008, Lawbook Co) at [85.1830].

115 See *Trade Marks Registration Act 1875* (UK) s 3; *Patents, Designs and Trade Marks Act 1883* (UK) s 76; *Trade Marks Act 1905* (UK) s 39; *Trade Marks Act 1938* (UK) ss 4 and 5; *Trade Marks Registration Act 1876* (Vic) s 5; *Designs and Trade Marks Act 1884* (WA) s 33; *Trade Marks Act 1905* (Cth) s 50.

116 *Attorney-General for NSW v Brewery Employés Union of NSW* (1908) 6 CLR 469 at 535-536, 583; *Henry Clay & Bock & Co Ltd v Eddy* (1915) 19 CLR 641 at 650-657; *NSW Dairy Corporation* (1989) 86 ALR 549 at 568-569; *Sebastian's Law of Trade Marks*, (4th ed, 1899, Stevens and Sons Ltd) at 5.

117 *In re Svenska Aktiebolaget Gasaccumulator's Application* [1962] 1 WLR 657 at 666; [1962] RPC 106 (CA) at 113.

118 *Re an Application to Register a Trade Mark by Lyle and Kinahan Ltd* (1907) 24 RPC 249 at 262. See also *Van Zeller v Mason, Cattley & Co* (1907) 25 RPC 37 (esp at 41). See also Blanco, White and Jacob, *Kerley's Law of Trade Marks and Trade Names* (12th ed, 1986, Sweet & Maxwell) at [14-04], [15-22], [15-23]. The same view has also been applied in New Zealand: *Sunshine Leisure Products (NZ) Ltd v Great Outdoors Co Ltd* (1985) 6 IPR 179; *Arthur Martin (Sales) Ltd v Electra Mechanics (1975) Ltd* (1986) 13 IPR 122; *Levi Strauss & Co v Kimbyr Investments Ltd* (1993) 28 IPR 249 (NZ HC) at 266-267.

119 *Leach v Wyatt* (1931) 48 WN (NSW) 173 at 175.

120 *Harris v Ogg* (1884) 5 NSWR(E) 114 at 118-19; *Bryant v Heyde* (1886) 7 NSWR(E) 72; *Attorney-General for NSW v Brewery Employés Union of NSW* (1908) 6 CLR 469 at 555; see also *Henry Clay & Bock & Co Ltd v Eddy* (1915) 19 CLR 641. Note discussion in *NSW Dairy Corporation v Murray-Goulburn Co-Operative Co Ltd* (1989) 86 ALR 549 at 570.

121 *Campomar Sociedad, Limitada v Nike International Ltd* (2000) 202 CLR 45 at [61] (quoting *New South Wales Dairy Corporation v Murray Goulburn Co-operative Co Ltd* (1990) 171 CLR 363 at 396), [64], [65] (quoting *Re an Application to Register a Trade Mark by Lyle and Kinahan Ltd* (1907) 24 RPC 249 at 262 and citing *Leach v Wyatt* (1931) 48 WN (NSW) 173).

immunity from suit at the instance of third parties which themselves had relevant rights at common law or under another law of the Commonwealth".[122]

50. Nor is there anything in the legislative history of the TM Act to suggest an intention to confer some positive right to use a registered trade mark (and no tobacco company has suggested to the contrary). The TM Act was "an evolution from, rather than a revolutionary change of, the 1955 Act",[123] intended to give effect to Australia's obligations under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (**TRIPS**) along with implementing the Commonwealth government's response to the report of a review of the 1955 Act by a working party in 1992.[124] The 1992 working party report, the second reading speech, and the explanatory memorandum for the TM Act do not manifest any intention to alter the basic nature of the exclusive right granted to an owner of a trade mark. Nor did Australia's obligations under TRIPS require such an alteration.[125]

51. In restricting what marks and get-up may be deployed on the retail packaging of tobacco products for sale in Australia, the TPP Act does nothing to diminish any statutory right conferred by the TM Act. Critically, the TPP Act does nothing to *permit others* to use registered trade marks. The statutory assurance of exclusive use is not eroded. It is the freedom to use trade marks that is reduced. The TPP Act prevents this reduced usage undermining potential or continued registration.[126] The TPP Act does not even contain a total prohibition on the use of trade marks. Its operation to prevent a trade mark appearing on retail packaging[127] is qualified: brand names (or business names or company names) together with variant names (many of which are the subject of trade

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122 *Campomar Sociedad, Limitada v Nike International Ltd* (2000) 202 CLR 45 at [64]. *Campomar Sociedad, Limitada v Nike International Ltd* (2000) 202 CLR 45 was cited in *Health World Ltd v Shin-Sun Australia Pty Ltd* (2010) 240 CLR 590 at [22], [29], without suggesting that the nature of the right conferred by registration of a trade mark had changed significantly with the enactment of the TM Act. *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144, the only other occasion the High Court has considered the TM Act, contains no suggestion of a substantial change in the nature of the right conferred by a registered trade mark under the TM Act.

123 *Registrar of Trade Marks v Woolworths Ltd* (1999) 93 FCR 365 at [20] referring to the *Trade Marks Act 1955* (Cth) and quoting from the Minister's Second Reading Speech at n 124 below.

124 See Minister's Second Reading Speech on the *Trade Marks Bill 1995*, HR Debates, 27 September 1995 at 1909-1911. Note also *Registrar of Trade Marks v Woolworths Ltd* (1999) 93 FCR 365 at [20].

125 TRIPS only provides in Art 16.1 for a negative right to prevent all third parties from using marks in certain circumstances and does not establish an obligation to confer on a trade mark owner a positive right to use that mark: see, e.g. WTO Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* (WT/DS290/R), 15 March 2005 at [7.246], [7.602], [7.610]-[7.611]. See also Mitchell, "Australia's Move to the Plain Packaging of Cigarettes and its WTO Compatibility", (2010) 5 *Asian Journal of WTO & International Health Law & Policy* 405; Voon and Mitchell, "Face off: Assessing WTO Challenges to Australia's Scheme for Plain Tobacco Packaging" (2011) 22 *Public Law Review* 218. Contra: Gervais, *Analysis of the Compatibility of certain Tobacco Product Packaging Rules with the TRIPS Agreement and the Paris Convention*, 30 November 2010, Paper prepared for JTI.

126 Section 28.

127 Section 20.

marks) can still appear on retail packaging,[128] albeit only in a specified manner,[129] and trade marks can still appear without restriction on retail packaging intended for export.[130] Beyond the scope of the TPP Act, but subject to other Commonwealth, State and Territory laws, trade marks can still be deployed in advertisements and communications directed at other members of the tobacco industry,[131] on business communications such as correspondence or invoices,[132] in or on buildings,[133] and on wholesale packaging.[134]

52. The argument that the TPP Act will take statutory property in patents, registered designs and copyright is wrong because each of those other forms of intellectual property also involves a statutory assurance of exclusive use, not a positive right or authority to use.[135] The Patents Act – in s 13(1) – gives the patentee the exclusive right during the term of the patent to exploit the invention and to authorize another person to exploit the invention. The right conferred by letters patent has been recognised since the *Statute of Monopolies 1623* (UK) as being a valid exception to "the common law right in virtue of which any member of the community may exercise any trade or business",[136] so long as the manner of new manufacture the subject of the letters patent was "not contrary to the lawe…or generallie inconvenient".[137] The nature of that right is well settled:[138] "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";[139] "the purpose of the patent is to protect him in this monopoly, not to give him a use which, save for the patent, he did not have before, but only to separate to him an exclusive use".[140] There is no reason to doubt that the same applies with respect to designs.[141] The right to exclude others from

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128 Section 20(3)(a).

129 Sections 19 and 21.

130 Section 49. Such a use constitutes use within Australia: s 228 of the TM Act.

131 Note *Tobacco Advertising Prohibition Act 1992* (Cth) (**TAP Act**) s 10(3).

132 Note TAP Act s 9(2).

133 Note TAP Act s 9(3).

134 Note TPP Act s 5.

135 See Laddie, Prescott and Vitoria, *The Modern Law of Copyright and Designs* (2nd ed, 1995, Butterworths) at [1.1].

136 *A-G (Cth) v Adelaide SS Co* [1913] AC 781 (PC appeal from this Court) at 793.

137 See *Statute of Monopolies 1623* s 6 reproduced in *NRDC v Commissioner of Patents* (1959) 102 CLR 252 at 268-269.

138 *Grain Pool of Western Australia v Commonwealth* (2000) 202 CLR 479 at [81]-[85]. See also *Potter v Broken Hill Pty Co Ltd* (1906) 3 CLR 479 at 493-494, 502-503, 507-508 with respect to the *Patents Act 1899* (NSW); *National Phonograph Co of Australia Ltd v Menck* (1911) 12 CLR 15 (Privy Council on appeal from this Court) at 22; *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191 at 220; *Sanofi v Parke Davis Pty Ltd (No. 2)* (1983) 152 CLR 1 at 19; also e.g. Falconer, Aldous and Young, *Terrell on the Law of Patents* (12th ed, 1971, Sweet & Maxwell) at [6].

139 *Steers v Rogers* [1893] AC 232 at 235 referred to in *Grain Pool of Western Australia v Commonwealth* (2000) 202 CLR 479 at [84].

140 *United States v American Bell Telephone Co* (1896) 167 US 224 at 239 referred to in *Grain Pool of Western Australia v Commonwealth* (2000) 202 CLR 479 at [84].

141 Note the comments relating to designs under the *Designs Act 1906* (Cth) in *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191 at 220, also cited in *Grain Pool of Western Australia v Commonwealth* (2000) 202 CLR 479 at [84].

exploiting the design is expressly recognised in s 10(1) of the Designs Act and existed in predecessor legislation.[142] In respect of artistic copyright works, the right to exclude others from reproducing, publishing and communicating those works is similarly expressly recognised in ss 13 and 31(1)(b) of the Copyright Act.[143] It is that "subsisting statutory right to exclude others from doing acts within copyright ... with the concomitant right to license others to do so" that is the "incorporeal property" capable of being characterised as property for the purposes of s 51(xxxi) of the Constitution.[144] The "'social contract' envisaged by the *Statute of Anne* [*1710* (UK)], and still underlying the present [Copyright] Act, was that an author could obtain a monopoly, limited in time, in return for making a work available to the reading public".[146] The social contract was never that the author was immunised from being subjected to law restricting the use of the copyright works.

53. None of the statutory rights tobacco companies claim will be taken from them by the TPP Act therefore 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.

54. The written submissions of BATA treat property as a "bundle of rights" and proceed on the implicit understanding that its statutory rights to registered trade marks, patents, registered designs and copyright include a positive right to use.[147] Those submissions are wrong for the reasons stated. BATA asserts that the TPP Act has deprived it of everything that makes the trade marks worth having.[148] Yet tobacco companies still have the right to exclude others from use of their trade marks and thereby protect the value associated with their brands. For example, BATA could rely upon its registered trade marks to prevent a competitor from seeking to use a brand name deceptively similar to "Winfield" on a cigarette package otherwise complying with the plain packaging

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142 *Designing and Printing of Linens etc Act 1787* (UK); *The Copyright of Designs Act 1842* (UK); *Patents, Designs and Trade Marks Act 1883* (UK); *Registered Designs Act 1949* (UK); Colonial legislation e.g. *Copyright Act 1869 and 1890* (Vic); *Patents, Designs and Trade Marks Act 1884* (Qld); *Designs Act 1906* (Cth). Also see TRIPS, Art 26.

143 In respect of copyright and designs generally note the comments in *Interlego AG v Croner Trading Pty Ltd* (1992) 39 FCR 348 at 366, 370, 375, 379 (special leave to appeal to this Court refused (1993) 68 ALJR 123). Also see *Lasercomb America Inc v Job Reynolds* (1990) 19 IPR 115 (US CA, 4th Circuit) at 120–121.

144 *Phonographic Performance Company of Australia Ltd v Commonwealth* [2012] HCA 8 at [109]. See also *Copinger and Skone James on Copyright* (2011) at [2-02]: "Copyright ... although now expressed as the exclusive right to do certain acts, essentially gives the right owner the right to restrict others from doing those acts or to authorize them to do them, and, when copyright is referred to as 'an exclusive right', the emphasis is on the word 'exclusive'."

146 *Ice TV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458 at [25].

147 At [10]-[14], [37].

148 BATA written submissions at [39]; see also JTI written submissions at [32].

legislation. In any event, the focus on value is misdirected. The economic value associated with property may depend not only on the legal rights held but on associated freedom which is not proprietorial and may be regulated at any time; and which susceptibility to regulation renders that value contingent.[149] The fact that value arises from both the rights and the freedom does not mean that the freedom is somehow inserted into the bundle of property rights and thus constitutionally protected. Similarly, the value of some statutory property might depend upon certain (market) expectations – for example, that a licence or grant will be renewed. But that expectation-based value does not harden the rights actually granted into an *entitlement* to renewal.

55. The written submissions of Philip Morris and Imperial are directed to registered trade marks and say nothing of patents, registered designs or copyright. They attempt to overcome the problem that registration confers no positive right to use a trade mark by emphasising the description of property as a "legally endorsed concentration of power over things or resources" and arguing that the TPP Act deprives them and BATA of power to control the "benefits of exploitation" of trade marks[150] or of power to control "access" to those benefits.[151] Their arguments proceed at too high a level of abstraction. They fall into the trap of blurring the critical distinction that the description of property they adopt is designed to highlight: "[m]uch of our false thinking about property stems from the residual perception that "property" is itself a thing or resource rather than a legally endorsed concentration of power over things and resources".[152] The "false thinking" here is to merge the power of a registered owner over a registered trade mark with the registered trade mark itself and to do so without recognising the limits of that power. "Because 'property' is a comprehensive term [which] can be used to describe all or any of very many different kinds of relationship between a person and a subject matter", "[t]o say that person A has property in item B invites the question of what is the interest that A has in B?";[153] "I may have 'property' in a resource for one purpose but not for another".[154] That is the question with which Philip Morris and Imperial insufficiently engage. The answer here is that the property of person A (the registered owner) in item B (the registered trade mark) is the sum of the statutory rights conferred by the TM Act. A positive right to "access" or use the trade mark is not one of them. Contrary to the

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149 E.g. a licence to transmit radio signals from a particular place may still be subject to planning laws: *Commercial Radio Coffs Harbour v Fuller* (1986) 161 CLR 47.

150 Philip Morris written submissions at [22], [28], [32], [33].

151 Imperial written submissions at [13], [24].

152 Gray, "Property in Thin Air" (1991) 50 *Cambridge Law Journal* 252 at 299, cited in *Yanner v Eaton* (1999) 201 CLR 351 at 366 [18] and in *Telstra Corporation Ltd v Commonwealth* (2008) 234 CLR 210 at [44].

153 *Yanner v Eaton* (1999) 201 CLR 351 at [20].

154 Gray, "Property in Thin Air" (1991) 50 *Cambridge Law Journal* 252 at 296.

claim of Philip Morris, this approach does not "take all statutory rights outside the scope of s 51(xxxi)".[155] It is simply a matter of clearly identifying the rights in issue.

Statutory rights: inherently susceptible of variation

56. A right with "no existence apart from statute is one that of its nature may be susceptible to modification or extinguishment".[156] Whether, and if so to what extent, a particular statutory right is susceptible to modification or extinguishment is a question of construction. Relevant to the task of construction is: the text and context of the statute creating that right; the nature of the right created, including any common law analogues;[157] whether the right reflects a balancing of interests that are themselves susceptible of variation within the period for which the right is created;[158] and the history and pattern of express or implied statutory modifications of the same or similar rights.[159]

57. To the extent a statutory right is inherently susceptible to modification or extinguishment, a law modifying or extinguishing that right involves no taking and hence no acquisition of property.

58. The statutory rights created by the TM Act, Patents Act, Designs Act and Copyright Act – leaving to one side any issue of their content – are susceptible to modification or extinguishment at least for the purpose of preventing or reducing harm to the public or public health. That conclusion follows from the nature of the rights which are granted for significant periods.[160] They are exceptions to the general rule at common law that monopolies are unlawful and against public policy.[161] The rights are intended at least in part to benefit the public[162] and, in respect of patents, copyright and designs, may involve new developments pushing the boundaries of knowledge, science or technology, the

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155 Philip Morris written submissions at [25].

156 *Wurridjal v Commonwealth* (2009) 237 CLR 309 at [92] citing *Georgiadis v Australian & Overseas Telecommunications Corporation* (1994) 179 CLR 297 at 306.

157 Compare the statutory lease in *Newcrest Mining (WA) Ltd v Commonwealth* (1997) 190 CLR 513 with the exploration permit in *Commonwealth v WMC Resources Ltd* (1998) 194 CLR 1.

158 *Health Insurance Commission v Peverill* (1994) 179 CLR 226 at 237; *Attorney-General (NT) v Chaffey* (2007) 231 CLR 651 at [46], [55], [64]-[66].

159 *Attorney-General (NT) v Chaffey* (2007) 231 CLR 651 at [47].

160 For trade marks – 10 years from the filing date, renewable in perpetuity (ss 72, 77(1) of the TM Act); standard patents – 20 years from the date of the patent (ss 65 and 67 of the Patents Act); design – up to a maximum of 10 years from the filing date (s 46 of the Designs Act); and copyright – for artistic works, 70 years after the death of the author (s 33(2) of the Copyright Act).

161 See *A-G (Cth) v Adelaide SS Company* [1913] AC 781 at 793-794.

162 In respect of trade marks see *Campomar Sociedad, Limitada v Nike International Ltd* (2000) 202 CLR 45 at [42]; also see Davison et al, *Shanahan's Australian Law of Trade Marks and Passing Off* (4th ed, 2008, Law Book Co), [1.05]; for patents see *United States v American Bell Telephone Co* (1897) 167 US (US SC) 238 to 240 referred to in *Grain Pool of Western Australia v The Commonwealth* (2000) 202 CLR 479 at [84]; for copyright see *Ice TV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458 at [25].

dangers or disadvantages of which may only become apparent over the course of time.[163] That conclusion that they are susceptible to modification or extinguishment is also illustrated and informed by history.

59. There is also a very long history of the statutory regulation of the packaging and labelling of all sorts of products (including food, poisons, therapeutic goods, agricultural products, children's toys and industrial chemicals) for the purpose of preventing or reducing harm to the public or to public health.[164] That history has included instances of restricting retail sale to products in plain packaging.[165] It is not apparent that anyone has ever previously suggested that that form of statutory regulation involves some modification or extinguishment of statutory rights to trade marks, patents, designs or copyright. To the

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163 This is recognised in Art 8 of TRIPS which states that members of the WTO "may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development" provided those measures are consistent with TRIPS.

164 For example, for obvious public health objectives, the *Sale and use of Poisons Act 1876* (NSW) prohibited the wholesale or retail sale of poison "unless the bottle or other vessel wrapper or cover box or case immediately containing" the product bore "the word 'Poison' printed conspicuously together with the name of the article and the name and address of the seller thereof" (s 18). See also: *Poisons Act 1862* (SA) s 3; *Pharmacy Act 1868* (UK) s 17; and *Poisons Act 1879* (WA) s 3. Similarly, importing medicine with non-compliant labelling was prohibited by the *Commerce (Trade Descriptions) Act 1905* (Cth) (as made) ss 7, 15 and the *Commerce Regulations 1906* (Cth) (as made) regs 5, 6. In relation to current medicine labelling requirements, including font and colour, see: *Therapeutic Goods Act 1989* (Cth); *Therapeutics Goods Order No 69 – General requirements for labels for medicines*; and *Poisons Standard 2011*. In relation to food safety, the *Health Act 1928* (Vic) required, unless exempt, all packaged food and drugs to bear "legibly and durably printed stencilled impressed or marked" labels setting out prescribed particulars (s 240). The *Food and Drug Standards Regulations 1935* (Vic) also prescribed both general and specific labelling requirements. All labels, for example, were prohibited from containing any false or misleading "statement, claim, design, device, fancy name, or abbreviation" (reg 6(6)). Labels for particular foods, drugs or substances were required to bear specific designations (e.g. "reconstituted" milk (reg 33(6)(b))). Certain foods were to be labelled "UNFIT FOR INFANTS" (e.g. reg 33(5)(c)). Certain skim milk products were to have "written diagonally across the face of the whole label in such colours as to afford a distinct colour contrast to the ground the words SKIM MILK" in prescribed font size (regs 35(7)(a), 36(5)(a)). There were also certain packaging requirements. Margarine was required to be sold packaged and labelled as "margarine" in a prescribed font size (reg 32(4)). Biological products (e.g. vaccines and toxins) were required to "be packed in clear glass containers" (reg 82(5)). Unpackaged cakes of "disinfectant" or "sea-water" soap were required to have those relevant appellations impressed upon them (regs 84(4)(d), 84(8)(b)). In relation to current food labelling requirements, including mandatory warnings, labelling of ingredients and legibility requirements, see: *Food Standards Australia New Zealand Act 1991* (Cth) and Australia New Zealand Food Standards Code.

165 *The Margarine Act 1887* (UK) s 6 and *The Sale of Food and Drugs Act 1899* (UK) ss 5, 6, e.g. prohibited the sale of "margarine" or "margarine-cheese" other than in plain packaging: *Halsbury's Laws of England* (1st ed, 1911) Vol 15 at 57 [127]. See also *Food and Drugs (Adulteration) Act 1928* (18 & 19 Geo 5 c 31) ss 6(3)(c), 6(4): *Halsbury's Laws of England* (2nd ed, 1934) Vol 15 at 202 [367]. A contemporary example of a plain packaging requirement is found in the classification cooperative scheme, based on the *Classification (Publications, Films and Computer Games) Act 1995* (Cth) (*Classification Act*) and complementary State and Territory enforcement legislation. The *Classification (Publications, Films and Computer Games) Enforcement Act 1995* (NSW) restricts the delivery, and in some circumstances sale, of certain restricted material to that "contained in a package made of opaque material" (ss 20, 21). See also *Classification (Publications, Films and Computer Games) (Enforcement) Act 1995* (ACT) ss 29, 30; *Classification of Publications, Films and Computer Games Act* (NT) ss 55, 56; *Classification (Publications, Films and Computer Games) Act 1995* (SA) ss 47, 48; *Classification (Publications, Films and Computer Games) Enforcement Act 1995* (Tas) ss 14, 15; *Classification (Publications, Films and Computer Games) (Enforcement) Act 1995* (Vic) ss 26, 27; *Classification (Publications, Films and Computer Games) Enforcement Act 1996* (WA) ss 64, 65.

extent there might be thought to be some inconsistency or repugnancy between the statutes imposing regulation of that nature and the statutes conferring those rights, the history illustrates and informs the susceptibility of those rights to regulation of that nature. There are, of course, other examples of statutes that specifically and expressly restrict the use of intellectual property in other ways in the public interest.[166]

60. The sale of cigarettes to minors was restricted in Australia around the time of federation.[167] The packaging of cigarettes has been regulated in Australia since the 1960s[168] and Commonwealth, State and Territory legislation regulating the promotion of tobacco products since the 1960s is described in section B of Part IV. The bulk of that legislation was identified in Schedule B of the Commonwealth's defence in the BATA proceedings. The effect of that legislation has been to constrain, to an increasingly significant extent, the use of trade marks, patents, designs and copyright. It is an agreed fact that BATA has the ability to control the content and appearance of the BATA packaging *subject to law*, including the legislation identified in Schedule B. The TPP Act is but the latest step in controlling regulation and sale of tobacco as a harmful product.

61. The written submissions of BATA argue that intellectual property rights "are not so fragile or insubstantial as to fall outside the protection of s 51(xxxi) of the Constitution" and point out that trade marks find their origin in the common law.[169] That is correct, but the fragility of a right and the susceptibility of that right to variation are different concepts,[170] and a common law trade mark was always susceptible to statutory modification or extinguishment.[171] Indeed, it would be extraordinary to construe any of the intellectual property Acts as conferring rights or abilities to use such property in a manner harmful to the public, which harmful use could not subsequently be constrained without the provision of compensation. There is no basis in the text, express or implied, that any such right or freedom was conferred.

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166 E.g. *Protection of Word 'Anzac' Regulations 1921* (Cth); *Scout Association Act 1924* (Cth) ss 2, 4; *Flags Act 1953* (Cth) s 6; *Defence Act 1903* (Cth) s 83; *Defence (Prohibited Words and Letters) Regulations 1957* (Cth) reg 2 (re use of such names as "Royal Australian Navy" and "RAAF"); *ANL Act* 1956 (Cth) s 52. See further Davison et al, *Shanahan's Australian Law of Trade Marks and Passing Off* (4th ed, 2008, Lawbook Co) at [25.785].

167 *Juvenile Smoking Suppression Act 1900* (Tas); *Juvenile Smoking Suppression Act 1903* (NSW); *Children's Protection Amendment Act 1904* (SA); *Juvenile Smoking Suppression Act 1905* (Qld); *Juvenile Smoking Prevention Act 1906* (Vic); *Smoking by Juveniles Prevention Act 1907* (Tas); *Police Offences Act 1915* (Vic) s 213; *Sale of Liquor and Tobacco Act 1916* (WA).

168 E.g. *Health Act 1958* (Vic) (requirements for the "cleanliness and sterilization of packages") s 272; *Cigarettes (Labelling) Act 1971* (SA); *Cigarettes (Labelling) Act 1972* (NSW); *Cigarettes (Labelling) Regulations 1985* (Tas); *Tobacco (Warning Labels) Regulations 1987* (WA); *Tobacco Act 1992* (NT) s 6; *Tobacco Products Regulation Act 1997* (SA) s 31; *Public Health Act 1997* (Tas) s 73; *Tobacco Control Act 2002* (NT) ss 12-13; *Public Health (Tobacco) Act 2008* (NSW) ss 5-8.

169 BATA written submissions at [51].

170 *ICM Agriculture Pty Ltd v Commonwealth* (2009) 240 CLR 140 at [76]-[80].

171 See, e.g. s 230 of the TM Act.

62. The written submissions of Philip Morris simply assert that registered trade marks are not inherently susceptible to variation "in any relevant sense" and add that the TPP Act "is not a law of general application".[172] That assertion is wrong for the reasons stated and whether or not the TPP Act is a law of general application is beside the point.

63. The written submissions of Imperial set up a person of straw in saying that the Commonwealth's argument is based on "some form of syllogistic fallacy" by which all property must become inherently susceptible to all forms of legislative restriction on use and go on to assert that there have never previously been measures akin to the TPP Act.[173] The Commonwealth's argument involves no syllogism (fallacious or at all) and the assertion that the TPP Act is novel or unique is true only in the sense that plain packaging has not previously been required for tobacco products. Packaging of tobacco products has long been the subject of regulation and plain packaging has previously been required for other products. It is simply incorrect to suggest, as Imperial does,[174] that only with the TPP Act has the display of tobacco trade marks been restricted.

Common law rights

64. The frequently repeated statement that property in s 51(xxxi) of the Constitution "extends to innominate and anomalous interests"[175] does not mean that every interest in some degree protected by law is property for the purposes of the section.[176] Much less does it mean that freedom becomes property simply because that freedom has been exercised in the past to create value and would, if unrestrained, continue to be so exercised in the future.

65. Under a legal system based on the common law "everybody is free to do anything, subject only to the provisions of the law".[177] One way that freedom may be exercised is to conduct a business of trading in goods packaged in a distinctive marking, at one time described as a "common law trade mark" and now more commonly described as "get-up". The conduct of such a business may result over time in members of the public coming favourably to associate the distinctive marking with the goods of the business and thereby may result in the business generating "reputation" or "goodwill". The goodwill so generated can be protected by an action in passing off. The action in passing

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172 Philip Morris written submissions at [25].
173 Imperial written submissions at [17].
174 Imperial written submissions at [17].
175 *Bank of New South Wales v Commonwealth* (1948) 76 CLR 1 at 349.
176 E.g. *ICM Agriculture Pty Ltd v Commonwealth* (2009) 240 CLR 140 at [76], [80].
177 *Lange v Australian Broadcasting Corporation* (1997) 189 CLR 520 at 564 quoting *Attorney-General v Guardian Newspapers [No 2]* [1990] 1 AC 109 at 283.

off proceeds on the basis that for another to use the same or a similar marking amounts to a misrepresentation causing damage to the goodwill.[178] The right to bring an action in passing off is a negative right: a right to exclude others from using that get-up and thereby from damaging the goodwill of the business; it is not a positive right to use that get-up or goodwill.[179]

66. It has now been accepted for nearly a century that get-up is not property and that the property protected by an action for passing off is the goodwill of the business using the get-up.[180] The goodwill of a business, although an item of property at common law,[181] "has no existence independently of the conduct of a business and ... cannot be severed from the business which created it".[182] The goodwill is entirely derivative and contingent on the continuation of the trading activity of the business using the get-up. The continuation of the trading activity of the business using the get-up in turn depends on the residue of common law liberty that may be left from time to time by statute. As the liberty is diminished by statute, so too is the goodwill. The stream of goodwill (and its constitutional protection) cannot rise higher than the source.

67. The protection afforded by s 51(xxxi) of the Constitution, as noted in Part II, "is a protection to property and not to the general commercial and economic position occupied by traders";[183] it protects neither the freedom to trade nor any diminution in reputation or goodwill that may be a consequence of a diminution of that freedom. Moreover, the property to which the protection applies is *existing* property, not property that, but for some new constraint on freedom, might be expected to be produced in the future: "[t]here is no acquisition of property involved in the modification or extinguishment of a right or interest that has not yet accrued".[184] There can be no acquisition of property within the meaning and scope of s 51(xxxi) of the Constitution by a law that requires that all goods of a specified kind manufactured or sold after a specified date must comply with specifications as to the qualities, composition or

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178 See e.g. *Reckitt & Colman Products Ltd v Borden Inc* (1990) 17 IPR 1, [1990] 1 All ER 873 (HL) at IPR 7; *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd* (1980) 32 ALR 387 at 393-392; *Taco Company of Australia Inc v Taco Bell Pty Ltd* (1982) 42 ALR 177 at 188, 196; *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302 at 357-358, 366-367; *Peter Bodum AS v DKSH Australia Pty Ltd* (2011) 280 ALR 639 at [212].

179 *General Electric Co v General Electric Co Ltd* [1973] RPC 297 (HL) at 325.

180 See *AG Spalding & Bros v AW Gamage Ltd* [1914-15] All ER Rep 147; (1915) 32 RPC 273 (HL) at 284; *Angelides v James Stedman Hendersons Sweets Ltd* (1927) 40 CLR 43 at 60; *Turner v General Motors (Australia) Pty Ltd* (1929) 42 CLR 352 at 362-363; *General Electric Co v General Electric Co Ltd* [1973] RPC 297 (HL) at 325; *Star Industrial Co. Ltd v Yap Kwee Kor* [1976] FSR 256 at 269; *Warnink (Erven) v Townend & Sons (Hull) Ltd* [1979] AC 731(HL) at 752; *Harrods v Harrodian School Ltd* [1996] RPC 697 (CA) at 711; *Campomar Sociedad, Limitada v Nike International Ltd* (2000) 202 CLR 45 at [108]-[109].

181 *Commissioner of Taxation (Cth) v Murry* (1998) 193 CLR 605 at [16]-[23].

182 *Commissioner of Taxation (Cth) v Murry* (1998) 193 CLR 605 at [36], see also at [22], [30]-[31].

183 *British Medical Association v Commonwealth* (1949) 79 CLR 201 at 270.

184 *Victoria v Commonwealth* (1996) 187 CLR 416 at 559.

configuration of those goods as to their packaging or labelling, or as to any information that must be placed or displayed on the goods or their packaging. That is because what is constrained is the exercise of freedom to trade in the future and not the continuing exercise of an existing right of property.

68. The operative provisions of the TPP Act commence variously on 1 October 2012 and 1 December 2012.[185] In operating prospectively to restrict the manufacture and sale of tobacco products to compliant products in plain retail packaging, the TPP Act takes no property: in any tobacco products to be manufactured and sold in the future; in any existing get-up that would otherwise have been applied to tobacco products to be manufactured and sold in the future; or in any goodwill of tobacco companies deriving from the past or current use of their get-up. The TPP Act takes no property in any tobacco products, or their retail packaging, to be manufactured and sold in the future because those products do not yet exist; it takes no property in get-up because get-up does not constitute property; and it takes no property in goodwill because it is a form of property that is entirely derivative and contingent on freedom and it is only the freedom that the TPP Act diminishes.

69. The written submissions of BATA and Philip Morris argue that the TPP Act will bring about a practical or effective "sterilisation" of property, but appear to base that argument entirely on BATA's inability to use its existing get-up on tobacco products to be brought into existence in the future.[186] The argument is unsustainable. There can be no sterilisation of property that does not yet exist, get-up is not property and the use of existing get-up in the future is an exercise of a freedom not of a right of property.

70. The written submissions of Imperial adopt BATA's submissions as to how its property will be affected by the TPP Act and encompass all of the property claimed to be affected within the global assertion that the TPP Act will result in loss to a "material degree of a legally endorsed control over access to the resources or things which are the subject of those interests".[187] Just what that means when applied to tobacco products to be manufactured and sold in the future, to get-up and to reputation or goodwill is unexplained.

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185 TPP Act s 2.

186 BATA written submissions at [37], [46]; Philip Morris written submissions at [31].

187 Imperial written submissions at [24].

B No property acquired

71. Taking of property alone is not acquisition of property. The extra element required is that some person other than the owner obtains: "at least some identifiable benefit or advantage relating to the ownership or use of property";[188] the "substance of a proprietary interest";[189] or the "reality of proprietorship".[190] The benefit need not equate precisely to the property taken from the owner,[191] but it must be a benefit that is itself in the nature of property and it must be corresponding, correlative and significant.[192] Questions of substance and degree may arise.[193] Statements of the need for another person to acquire "an interest in property, however slight or insubstantial it may be",[194] cannot be read as suggesting that a trivial benefit would be sufficient. This constitutional guarantee, like others, is not concerned with insubstantial or de minimis effects.[195]

72. The TPP Act is evidently designed to achieve each of the objects identified in s 3 of the TPP Act: reducing the appeal of tobacco products, increasing the effectiveness of health warnings, reducing the potential for retail packaging to mislead, and thereby contributing to improving public health and giving effect to Australia's obligations under the FCTC.

73. Neither improving public health nor giving effect to international obligations can possibly be described as a benefit in the nature of property to another person. Nor can reducing the appeal of tobacco products or reducing the potential for retail packaging to mislead. There is room for debate only to the extent that the TPP Act pursues the benefit of increasing the effectiveness of mandatory health warnings. That benefit arises through the TPP Act (in the language of the relevant FCTC recommendation) preventing the packaging of tobacco products from detracting attention from the health warnings otherwise required under Commonwealth legislation.

74. To restrict by law the manufacture or sale of goods within a specified category to goods carrying specified information relating to health or safety problems associated with use of those goods goes no further than to impose standards those goods must meet as a

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188 *ICM Agriculture v Commonwealth* (2009) 240 CLR 140 at [82], [147], [190].

189 *Bank of NSW v Commonwealth* (1948) 76 CLR 1 at 349.

190 *Newcrest Mining (WA) Limited v Commonwealth* (1997) 190 CLR 513 at 633-634.

191 *Georgiadis v Australian and Overseas Telecommunications Corporation* (1994) 179 CLR 297 at 304-305; *Newcrest Mining (WA) Limited v Commonwealth* (1997) 190 CLR 513 at 560, 561, 634.

192 *Mutual Pools & Staff v Commonwealth* (1994) 179 CLR 155 at 185; *Commonwealth v WMC Resources Ltd* (1998) 194 CLR 1 at [24], [132]; *Smith v ANL Ltd* (2000) 204 CLR 493 at [46].

193 *Smith v ANL Ltd* (2000) 204 CLR 493 at [23], see also [22]; *Telstra Corporation Ltd v Commonwealth* (2008) 234 CLR 210 at [52].

194 *Commonwealth v Tasmania* (1983) 158 CLR 1 at 145; *ICM Agriculture v Commonwealth* (2009) 240 CLR 140 at [147],[190].

195 See e.g. *Wotton v Queensland* [2012] HCA 2 at [54]; *Betfair Pty Ltd v Racing NSW* [2012] HCA 12 at [59].

condition of a trader choosing to enter or remain in the market for those goods.[196] By enacting a law that sets out standards with which a trader must comply if the trader chooses to trade or continue to trade in goods within a specified category, the Commonwealth Parliament does not confer on the Commonwealth or anyone else any incident of the trader's ownership of the traded goods or any incident of the trader's ownership of any other property that the trader would use to make or promote those goods if there were no standard. The Commonwealth Parliament does not give to the Commonwealth any part of the trader's business and no property of the trader is in any meaningful sense appropriated to the "use and service of the Crown".[197] There is no analogy with legislation that displaces the authority of an owner of property and places that property under the control of another who has complete powers of disposition.[198] It can make no difference for this purpose that the specified health or safety information takes the form of a reference to further sources of information (websites or telephone numbers) where further information relating to health or safety problems associated with use of the goods can be obtained or that the information extends to assistance in redressing the harm caused by the goods. The provider of the information or assistance obtains no benefit in the nature of property.

75. On a proper analysis, neither the mandate for the health warnings in the 2011 Standard nor the enhancement of the effectiveness of those health warnings by the TPP Act confers on the Commonwealth or anyone else any benefit that is in the nature of property. The purpose of the Quitline logo is to inform sufferers of nicotine addiction and others of the availability of telephone counselling services for which the provider makes no charge.[199] The Quitline service-providers and the Anti-Cancer Council of Victoria as owner of the Quitline trade mark obtain no material benefit from having not-for-profit telephone counselling services promoted. No doubt there will be more callers, but the only meaningful benefit is that of improving public health. The enhancement by the TPP Act of the efficacy of the Quitline logo is not in substance and degree a benefit in the nature of property to anyone.

76. The written submissions of BATA argue that the TPP Act confers on the Commonwealth enumerated benefits identified as: (1) "a *per se benefit* that arises by ensuring that particular intellectual property may not be used in a particular way"; (2) a consequent ability for the Commonwealth to impose its "own design, labelling and get-

196 The very long history of the regulation of the packaging and labelling of all sorts of products for the purpose of preventing or reducing harm to the public or to public health is noted in section A of Part VI.

197 *Attorney-General (Cth) v Schmidt* (1961) 105 CLR 361 at 373.

198 *Bank of New South Wales v Commonwealth* (1948) 76 CLR 1 at 348.

199 Questions Reserved Book at [33].

up" on the tobacco products and packaging of tobacco companies; (3) a consequent ability thereby to "project any and all messages that the Commonwealth legislates from time to time to include" on the packaging of tobacco products; (4) the benefit of advertising Quitline services; (5) the "right to dictate the appearance and contents" of cigarette packets without obligation to pay; and (6) the achievement by the Commonwealth of "particular objectives of its own" being those "at least partly set out" in s 3 of the TPP Act.[200] The first and last contradict the requirement for some identifiable benefit or advantage relating to the ownership or use of property. None of the other four, individually or in combination with others, is a benefit in the nature of property.

77. The written submissions of Philip Morris argue that the effect of the TPP Act is to give the Commonwealth "control over the benefits of exploitation" of the registered trade marks and get-up of tobacco companies amounting, in effect, to "exclusive possession of the surface areas of the packs and cigarettes".[201] The Commonwealth exploits nothing and possesses nothing.

78. The written submissions of Imperial, in addition to adopting the submissions of BATA, argue that the TPP Act and the 2011 Standard should be seen as a scheme by which "the Commonwealth has secured for itself a benefit or advantage in that it may now determine all aspects of the appearance of [tobacco companies' packaging] and cause [that packaging] to convey its messages ... in the form it chooses" thereby "obtaining for itself a degree of control of similar intensity and amplitude to that formally possessed by [tobacco companies]".[202] Consistently with that submission, the written submissions of Imperial go on specifically to characterise the 2011 Standard as an acquisition of property by the Commonwealth being "the control over the content of the messages which appear on the pack".[203] The Imperial argument suffers from its own over-exploitation of the word "control" its use of which is illustrated by its observation that the "benefits or advantages that may be derived from control over most subjects of property will be legion".[204] There is no similarity in kind, intensity or amplitude between the restraint legislatively imposed by the TPP Act and the direction and command tobacco companies have over their own businesses.

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200 BATA written submissions at [46].

201 Philip Morris written submissions at [31], [33].

202 Imperial written submissions at [25].

203 Imperial written submissions Annexure A at [1]-[2]. The TPP Act and the 2011 Standard constitute a scheme in the sense that they are complementary measures directed to the same ultimate purpose of reducing the harm to the public and to public health caused by tobacco smoking. They are not mutually dependent: plain packaging could exist without graphic health warnings and graphic health warnings could exist without the plain packaging.

204 Imperial written submissions at [22].

C Regulation not acquisition

79. Were the restrictions in the TPP Act to effect an acquisition of property, the question would arise whether that acquisition is an acquisition within the meaning and scope of the compound expression "acquisition-on-just-terms" in s 51(xxxi) of the Constitution:[205] that is to say, an acquisition of a kind that, if it is to be made at all, must be made under s 51(xxxi) and for that reason cannot be made under ss 51(i), (xviii), (xx) and (xxix) of the Constitution.

80. It is "well settled" that s 51(xxxi) of the Constitution reduces the content of other grants of legislative power "through the medium of a rule of construction" that "an express power, subject to a safeguard, restriction or qualification, to legislate on a particular subject or to a particular effect" is 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 authorised the same kind of legislation but without the safeguard, restriction or qualification".[206] That principle of construction, by which the requirement for "just terms" or the "guarantee" in s 51(xxxi) "abstracts" from other heads of Commonwealth legislative power, cannot be applied in "a too sweeping and undiscriminating way" and "does not apply except with respect to the ground actually covered" by s 51(xxxi).[207] It has been said to be "obvious" that: laws regulating conduct "may for any number of legitimate legislative purposes, effect or authorise an 'acquisition of property' within the wide meaning of those words as used in s 51(xxxi)"; Commonwealth legislative power would be reduced to an extent exceeding any legitimate view of the constitutional design "[i]f 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 a quid pro quo of just terms"; and there are laws that may not properly be characterised for the purposes of s 51(xxxi) as laws with respect to the acquisition of property "notwithstanding the fact that an acquisition of property may be an incident of their operation or application".[208]

81. "[N]o set test or formula" has emerged for determining whether a particular law can or cannot properly be characterised as effecting an acquisition of property within the meaning and scope of s 51(xxxi) of the Constitution.[209] Overlapping approaches have been applied. One approach is reflected in [20] of the Commonwealth's defence. On

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205 *Grace Bros Pty Ltd v Commonwealth* (1946) 72 CLR 269 at 290 quoted in *Telstra Corporation Ltd v Commonwealth* (2008) 234 CLR 210 at [43].

206 *Nintendo Co Ltd v Centronics Systems Pty Ltd* (1994) 181 CLR 134 at 160 citing *Attorney-General (Cth) v Schmidt* (1961) 105 CLR 361 at 371-372.

207 *Attorney-General (Cth) v Schmidt* (1961) 105 CLR 361 at 371-372.

208 *Mutual Pools & Staff Pty Ltd v Commonwealth* (1994) 179 CLR 155 at 189.

209 *Mutual Pools & Staff Pty Ltd v Commonwealth* (1994) 179 CLR 155 at 189.

that approach, s 51(xxxi) does not abstract from another head of Commonwealth legislative power "the power to prescribe the means appropriate and adapted to the achievement of an objective falling within [that other] head of power where the acquisition of property without just terms is a necessary or characteristic feature of the means prescribed".[210] In this respect, "necessary" does not mean "indispensable".[211] It is used in the collocation "necessary or characteristic feature" to describe the incidental relationship between the acquisition of property and the means prescribed by the law to achieve some objective within another head of power that is not itself an objective of acquiring property. Another approach is reflected in [21] of the Commonwealth's defence. On that other approach, s 51(xxxi) does not abstract from another head of Commonwealth legislative power if and to the extent that the quid pro quo of "just terms" would be "inconsistent" or "incongruous" with the means selected by a law to vindicate a public interest in the exercise of another head of Commonwealth legislative power.[212] In this respect, "incongruity" is not confined to "impossibility". It extends to circumstances where the provision of "terms" would not be "just" because they would be incompatible, inharmonious or out-of-keeping with proportionate legislative means chosen to effect a legitimate legislative purpose.[213] Those two approaches have been described as involving application of the "same" test.[214] Yet another approach has been to hold that s 51(xxxi) does not abstract from another head of Commonwealth legislative power if and to the extent that a law acquires property only by reason of the "incidental operation" of a law imposing an obligation that involves "a genuine adjustment of the competing rights, claims or obligations of persons in a particular relationship" which "need[s] to be regulated in the common interest".[215]

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210 *Mutual Pools & Staff Pty Ltd v Commonwealth* (1994) 179 CLR 155 at 179-180; *Airservices Australia v Canadian Airlines International Ltd* (1999) 202 CLR 133 at [98].

211 *Airservices Australia v Canadian Airlines International Ltd* (1999) 202 CLR 133 at [98].

212 *Theophanous v Commonwealth* (2006) 225 CLR 101 at [60], [63]; *Airservices Australia v Canadian Airlines International Ltd* (1999) 202 CLR 133 at [494].

213 *Theophanous v Commonwealth* (2006) 225 CLR 101 at [57] notes that the notion of "incongruity" appears first to have been emphasised by Gibbs J in *Trade Practices Commission v Tooth & Co Ltd* (1979) 142 CLR 397 at 408 where it was held that a provision imposing a norm of treating conduct having the practical effect in some circumstances of compelling a constitutional corporation to grant or renew a lease did not provide for an acquisition of property within the scope of s 51(xxxi). As noted in *Re Tooth & Co Ltd (No 2)* (1978) 34 FLR 112 at 148, a similar approach can be seen in the holding in *Silk Brothers Pty Ltd v State Electricity Commission* (1943) 67 CLR 1 at 20 that the protection of a tenant in possession against a landlord's right to recover possession at the end of a lease in a time of war was supported by s 51(vi) of the Constitution. The language of "incongruity" in this context appears to have originated in *Mutual Pools & Staff Pty Ltd v Commonwealth* (1994) 179 CLR 155 at 219-220 and to have been picked up in *Re Director of Public Prosecutions; Ex parte Lawler* (1994) 179 CLR 270 at 285 where it was used to describe, amongst other things, "a law effecting or authorising seizure of the property of enemy aliens or the condemnation of prize".

214 *Airservices Australia v Canadian Airlines International Ltd* (1999) 202 CLR 133 at [99].

215 *Mutual Pools & Staff Pty Ltd v Commonwealth* (1994) 179 CLR 155 at 189, 191; *Nintendo Co Ltd v Centronics Systems Pty Ltd* (1994) 181 CLR 134 at 160-161; *Airservices Australia v Canadian Airlines International Ltd* (1999) 202 CLR 133 at [497], [501]; *Wurridjal v Commonwealth* (2009) 237 CLR 309 at [91].

82. Each of the overlapping approaches is a manifestation of the general approach to characterisation applicable whenever "[an] impugned law invokes the support of a legislative power that is qualified by an express or implied limitation": "[the] law will not be supported by [the legislative] power if it infringes the limitation on the power unless the infringement is merely incidental to the achievement of a legitimate (that is, non-infringing) purpose or object and the provisions of the law are reasonably appropriate and adapted (proportionate) to that end", for the purpose of determining which a court "may enquire into the proportionality of the means adopted by the law to achieve the postulated purpose or object".[216] If the means are disproportionate "the purpose or object which the law in fact achieves does not 'pervade and explain the operation of the law to an extent that warrants the overall characterisation of the law as one with respect to' the subject matter of the power".[217] 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. The express guarantee of freedom of trade and commerce among the States in s 92 involves consideration of whether any substantial burden on trade and commerce among the States is "reasonably necessary" to the effectuation of a non-infringing (competitively neutral) purpose, in the sense that the burden admits of an "acceptable explanation or justification".[218] The express guarantee of freedom from geographic preference in s 99 involves consideration of whether any differential treatment and unequal outcome is the product of a distinction appropriate and adapted to a non-infringing (non-preferential) purpose.[219] The implied guarantee of freedom of political communication involves asking whether any substantial burden on political communication is reasonably appropriate and adapted to serving, in a manner compatible with the maintenance of the constitutionally prescribed system of government, a non-infringing ("legitimate") end.[220]

83. The applicable constitutional principle, expressed for present purposes at its broadest, is that a law that is otherwise capable of being supported by another head of Commonwealth legislative power cannot ordinarily properly be characterised as effecting an acquisition of property within the meaning and scope of s 51(xxxi) of the Constitution where: (1) the law has a legitimate (non-infringing) legislative purpose other than the acquisition of property; (2) the legislative means adopted by the law are appropriate and adapted (proportionate) to the achievement of that purpose; and (3) the acquisition of

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216 *Cunliffe v Commonwealth* (1994) 182 CLR 272 at 322-324.

217 *Cunliffe v Commonwealth* (1994) 182 CLR 272 at 324 quoting *Richardson v Forestry Commission* (1988) 164 CLR 261 at 311-312.

218 *Betfair Pty Ltd v Western Australia* (2008) 234 CLR 418 at [102]-[105] quoting *Castlemaine Tooheys Limited v South Australia* (1990) 169 CLR 436 at 477.

219 *Permanent Trustee Australia Ltd v Commissioner of State Revenue (Vic)* (2004) 220 CLR 388 at [91].

220 *Wotton v Queensland* [2012] HCA 2 at [25].

property is a necessary consequence or incident of those legislative means. A consequential or incidental acquisition of that nature does not ordinarily pervade and explain the law to an extent that warrants its overall characterisation as a law with respect to the acquisition of property. The legislative provision of just terms as a quid pro quo for a consequential or incidental acquisition of that nature would ordinarily be incongruous.

84. The applicable constitutional principle can be expressed, alternatively and sufficiently for the present purposes, in a narrow form: 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.[221] The phrase "reasonably necessary" in such a context does not mean "unavoidable or essential" but involves "close scrutiny", congruent with a search for "compelling justification".[222] The acquisition is no more than consequential or incidental to the legislative vindication of a compelling public interest by narrowly tailored legislative means. To invalidate the restriction on trading activity in the absence of legislated compensation to those whose harmful activity is restricted would be profoundly incongruous.

85. The applicable constitutional principle, whether broadly or narrowly expressed, accords with the limited "guidance" that is to be gained for the purposes of s 51(xxxi) of the Constitution from analysis concerning the "takings clause" of the Fifth Amendment to the United States Constitution.[223] It has long been accepted that: "[a] prohibition simply

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221 *North Eastern Dairy Co Ltd v Dairy Industry Authority of New South Wales* (1975) 134 CLR 559 at 608 quoted in *Betfair Pty Ltd v Western Australia* (2008) 234 CLR 418 at [102].

222 *Mulholland v Australian Electoral Commission* (2004) 220 CLR 181 at [40]; *Thomas v Mowbray* (2007) 233 CLR 307 at [19]-[24]; *Hogan v Hinch* (2011) 243 CLR 506 at [72]; *Wotton v Queensland* [2012] HCA 2 at [89].

223 *Trade Practices Commission v Tooth & Co Ltd* (1979) 142 CLR 397 at 414-415 approved and applied in the *Tasmanian Dam Case* (1983) 158 CLR 1 at 284. *Pumpelly v Green Bay Company* 80 US 166 (1871), to which Imperial refers, is inapposite. *Pumpelly v Green Bay Company* did not concern restrictions on use; it concerned a claim for trespass on the case in relation to what was conceded to be the "seizure and taking possession" of land: at 167, 169. It is an example of the special class of case in the United States in which government physically occupies or physically destroys land: *Loretto v Teleprompter Manhattan CATV Corp* 458 US 419 at 427-428 (1981); *Stop the Beach Renourishment, Inc v Florida Department of Environmental Protection* 560 US __ 8 (2010). This class of case gives rise to a categorical duty to compensate: *Tahoe-Sierra Preservation Council Inc v Tahoe Regional Planning Agency* 535 US 302 at 322 (2001). In 1878, the Supreme Court restricted *Pumpelly v Green Bay Company* to circumstances in which "there was a physical invasion of the real estate of the private owner, and a practical ouster of his possession": *Transportation Co v Chicago* 99 US 635 at 642 (1878). In contrast, there was no taking on the facts in *Transportation Co*, which involved the obstruction of access to premises thereby restricting their use, as "there was no such invasion" and "[n]o entry was made upon the plaintiffs' lot": at 642. This conclusion was reaffirmed in *Mugler v Kansas* 123 US 623 (1887), which directly contrasted the "physical invasion" in *Pumpelly v Green Bay Company* with "[a] prohibition simply upon the use of property …": at 668.

upon the use of property for purposes that are declared, by valid legislation, to be injurious to the health, morals, or safety of the community, cannot, in any just sense, be deemed a taking";[224] and that government cannot be "burdened with the condition that [it] must compensate ... individual owners for pecuniary losses they may sustain, by reason of their not being permitted, by a noxious use of their property, to inflict injury upon the community".[225] That straightforward approach continues to be applied to "public health and safety regulations".[226] The modern general approach is more complex: it is to examine "[t]he purposes served, as well as the effects produced" by an impugned regulation[227] taking into account "the *magnitude or character of the burden* a particular regulation imposes upon private property rights" and "how any regulatory burden is *distributed* among property owners".[228]

86. The application of the constitutional principle, whether broadly or narrowly expressed, must be approached consistently with other constitutional guarantees as a matter of substance and may involve questions of fact and degree. Those questions, however, are not at large. The question for a Ch III court ought go no further than to ask whether the Parliament "reasonably apprehended" that the measure was appropriate and adapted, or necessary (as the case may be);[229] whether the "legislative judgment" in fact made "could reasonably be made" in the sense that there is a "sufficient" or "reasonable" basis for making it.[230]

87. Measured against the applicable constitutional principle, whether broadly or narrowly expressed, any acquisition of property that may be effected by the TPP Act is not an acquisition of property of a kind that is abstracted by s 51(xxxi) of the Constitution from the scope of ss 51(i), (xviii), (xx) and (xxix) of the Constitution.

88. First, any acquisition of property by the Commonwealth, the providers of Quitline services or the owner of the Quitline trade mark would be a necessary incident or

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224 *Mugler v Kansas* 123 US 623 (1887) at 668. See also *Pennsylvania Coal Co v Mahon* 260 US 393 at 413, 417, 422 (1922); *Kimball Laundry Co v United States* 338 US 1 at 5 (1949); *Andrus v Allard* 444 US 51 at 65-66 (1979); *Keystone Bituminous Coal Association v DeBenedictis* 480 US 470 at 491-492 (1986); Tribe, *American Constitutional Law* (2nd ed, 1988, Foundation Press) at 607 § 9-7.

225 *Mugler v Kansas* 123 US 623 (1887) at 669. See also *Pennsylvania Coal Co v Mahon* 260 US 393 at 417; *Goldblatt v Hempstead* 369 US 590 at 592-593 (1961); *Keystone Bituminous Coal Association v DeBenedictis* 480 US 470 at 488-489.

226 *Rose Acre Farms Inc v United States* 559 F.3d 1260 at 1281 (Fed Cir, 2009).

227 *Palazzolo v Rhode Island* 533 US 606 at 634 (2001). See also *Penn Central Transportation Co v New York City* 438 US 104 at 124-127 (1977).

228 *Lingle v Chevron* 544 US 528 at 539, 542, 545, 547 (2004).

229 *Castlemaine Tooheys Ltd v South Australia* (1990) 169 CLR 436 at 477 quoted in *Betfair Pty Ltd v Western Australia* (2008) 234 CLR 418 at [104].

230 *Richardson v Forestry Commission* (1988) 164 CLR 261 at 294, 296.

consequence of the restriction by the TPP Act of the manufacture and sale of tobacco products to compliant products in plain retail packaging.

89. Second, it is not in dispute that, subject only to s 51(xxxi) of the Constitution, the restriction by the TPP Act of the manufacture and sale of tobacco products by tobacco companies (each of which is a constitutional corporation) is within the scope of s 51(xx) of the Constitution.[231] It could not be seriously disputed that, subject again only to s 51(xxxi) of the Constitution, other specific restrictions in the TPP Act are supported by 51(i)[232] and (xviii)[233] of the Constitution. Nor could it be seriously disputed that, subject to the same proviso, the more general restrictions imposed by the TPP Act on the manufacture and sale of tobacco products are appropriate and adapted to the implementation under s 51(xxix) of the Constitution of Australia's obligations under Arts 5(2)(b), 11(1)(a) and 13(2) of the FCTC.[234]

90. Third, the restriction by the TPP Act of the manufacture and sale of tobacco products to compliant products in plain retail packaging has as its ultimate purpose the improvement of public health through the reduction of the harm to members of the public and to public health caused by the smoking of tobacco products. That purpose is expressly identified in s 3(1)(a) of the TPP Act and is the expressed purpose of the FCTC identified in s 3(1)(b) of the TPP Act. It is that purpose and none other that pervades and explains the totality of the TPP Act.

91. Fourth, the restriction by the TPP Act of the manufacture and sale of tobacco products to compliant products in plain retail packaging is appropriate and adapted, and reasonably necessary, to the reduction of the harm to members of the public and to public health caused by the smoking of tobacco products in each of the three ways identified in s 3(2) of the TPP Act: by reducing the appeal of tobacco products to members of the public; by increasing the effectiveness of health warnings; and by reducing the potential for retail packaging to mislead. That fourth conclusion ought flow from the constitutional facts that: (A) smoking tobacco products causes grave harm to members of the public and to public health; (B) retail packaging is used by tobacco companies for the purpose and with the effect of promoting their respective tobacco products to members of the public; and (C) health warnings have the purpose and likely effect both of informing members of the public of harm caused by tobacco products and

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231 *New South Wales v Commonwealth (Work Choices Case)* (2006) 229 CLR 1 at [178], [198].

232 *Murphyores Incorporated Pty Ltd v Commonwealth* (1976) 136 CLR 1 at 12, 19.

233 *Grain Pool of Western Australia v Commonwealth* (2000) 202 CLR 479 at 493-494 citing *Attorney-General for NSW v Brewery Employés Union of NSW* (1908) 6 CLR 469 at 610-612.

234 *Victoria v Commonwealth* (1996) 187 CLR 416 at 486-487.

of discouraging members of the public from smoking tobacco products. Those facts, the details of which are set out in sections A, B and C of Part IV, constitute a sufficient foundation for the Parliament reasonably to form the statutory judgment identified in s 3 of the TPP Act: on any view, the means so selected by the Parliament to achieve the purpose of improving public health are targeted very precisely at one of the causes of harm to public health. If it is necessary to the fourth conclusion to show that the statutory judgment identified in s 3 of the TPP Act has a rational or cogent basis in expert opinion, then it ought be found as a constitutional fact that the material before the Parliament, as now supplemented by the 2012 Surgeon General report, provides such a rational and cogent basis in expert opinion. The relevant detail is set out in section D of Part IV.

92. Essentially the same four propositions apply to the 2011 Standard, the expressed purposes of which are not materially different from those in s 3 of the TPP Act.[235] The ultimate and pervading purpose, to which the 2011 Standard is both appropriate and adapted and reasonably necessary, is the improvement of public health through the reduction of the harm to members of the public and to public health caused by the smoking of tobacco products.

93. The written submissions of BATA acknowledge that an acquisition of property will not fall within the scope of s 51(xxxi) if the requirement of just terms would be incongruous and go on to assert that the provision of just terms for the acquisition of its property would not be incompatible with the nature of the TPP Act merely on the basis that the TPP Act "is said to be an attempt to achieve a general social benefit".[237] Those submissions do not engage with the existence or the application of the constitutional principle on which the Commonwealth relies.

94. The written submissions of Philip Morris contend that s 51(xxxi) "would be rendered a dead letter" on the Commonwealth's approach "because it would provide no protection of any kind in the face of an assertion by the Commonwealth of an overriding public interest otherwise within its power" and go on to contend that no case has held that incongruity can arise in relation to any of ss 51(i), (xx) or (xxix) of the Constitution and that the Commonwealth's approach is inconsistent with authority holding s 51(xxxi) to apply to the occupation of land for defence purposes in a time of war and to the conferral of a statutory lease on the Commonwealth for the purposes of the Northern

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235 See 2011 Standard s 1.4; Explanatory Statement, *Competition and Consumer (Tobacco) Information Standard 2011* at 4 [EMB 80 at 84]; PTT Act s 3.

237 BATA written submissions at [61]-[64].

Territory intervention.[238] Each of those contentions is wrong. The first mistakes the constitutional principle on which the Commonwealth relies. The second overlooks that the notion of incongruity in this context had its origin in a case holding an acquisition of property to be incidental to the imposition of a norm of trading conduct on a constitutional corporation.[239] The third fails to appreciate the incomplete but significant distinction between acquiring property so that the property can be used for an identified public purpose and acquiring property as a necessary incident of the regulation of conduct that serves the public interest by seeking to limit the harm caused by that conduct. The authority to which Philip Morris refers is concerned with the former; the constitutional principle on which the Commonwealth relies is concerned with the latter. The distinction is analogous to that drawn in the context of the implied freedom of political communication between laws that "incidentally restrict political communication" and laws that "prohibit or regulate communications which are inherently political".[240] The distinction has a textual foothold in the focus in s 51(xxxi) on the "purpose" for which an acquisition occurs.[241]

95. The written submissions of Imperial commence with the argument that the method of analysis applicable to other constitutional guarantees is inapplicable to s 51(xxxi) for two reasons. One is because the guarantee of just terms is expressed to apply even where an expropriation is intended to serve a wider public interest. The other is because the restriction of just terms is not absolute. It is said rather to be a "fiscal" constraint intended by the framers of the Constitution to limit (by requiring the payment of compensation) but not to prohibit "invasion of private right under the pretext of the public good".[242] The submissions go on: to eschew any attempt to explain conclusions of incongruity by reference to "a single unified theory" or "formulaic inquiry"; to argue that the constitutional principle on which the Commonwealth relies reflects the fallacy that a law can have only a single and "most correct" characterisation; and to suggest that the "means and ends review" which the constitutional principle on which the Commonwealth relies would require a Ch III court to engage is something to which a Ch III court is "not well suited".[243] As to the earlier arguments of Imperial, the differences between s 51(xxxi) and other constitutional guarantees are overstated. A law may not infringe a constitutional guarantee where the law serves the public interest of

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238 Philip Morris written submissions [14]-[18] referring to *Minister of State for the Army v Dalziel* (1944) 68 CLR 261 and *Wurridjal v Commonwealth* (2009) 237 CLR 309 at [103].

239 *Trade Practices Commission v Tooth & Co Ltd* (1979) 142 CLR 397 at 408 noted at n 213 above.

240 *Wotton v Queensland* [2012] HCA 2 at [30].

241 *Re Tooth & Co (No 2)* (1978) 34 FLR 112 at 146-147; *Mutual Pools & Staff Pty Ltd v Commonwealth* (1994) 179 CLR 155 at 179-181; *Nintendo Co Ltd v Centronics Systems Pty Ltd* (1994) 181 CLR 134 at 166-167.

242 Imperial written submissions at [4]-[10] (quoting *Pumpelly v Green Bay Company* 80 US 166 at 177 (1871)), [27]-[30].

243 Imperial written submissions at [27]-[31].

preventing or reducing harm to the public by means that are proportionate to the achievement of that public interest. The guarantee in s 51(xxxi) is no exception. The framers' intentions, to the extent they can legitimately be used to shed light on the constitutional purpose of s 51(xxxi), reveal little more than a desire to ensure that the Commonwealth would have ample power of eminent domain so as to have undoubted power to acquire property for public works.[244] The contemporaneous commentary of Quick and Garran reflects a clear understanding that regulatory requirements were not to amount to an acquisition of property within the meaning and scope of the section: "[w]henever any business, franchise, or privilege becomes obnoxious to the public health, manners or morals, it may be regulated by the police power of the State even to suppression; individual rights being compelled to give way for the benefit of the whole body politic".[245] As to the later arguments of Imperial: no justification ought be required for relying on constitutional principle; the constitutional principle on which the Commonwealth relies reflects not the fallacy of single characterisation but a principled articulation of the "ground actually covered" by s 51(xxxi); and "means and ends review" is not only the kind of review in which a Ch III court is necessarily engaged when considering other constitutional guarantees but the kind of review to which a Ch III court is *best* suited.[246]

D Just terms provided

96. The "general and indefinite conception of just terms" refers to "what is fair and just between the community and the owner of the thing taken": "[u]nlike 'compensation', which connotes full money equivalence, 'just terms' are concerned with fairness". Just terms require no less, but no more, than a "true attempt to provide fair and just standards of compensating or rehabilitating ... an owner of property, fair and just between [that owner] and the government of the country". "The standard of justice postulated by the expression "just terms" is one of fair dealing between the Australian nation and an Australian State or individual in relation to the acquisition of property for a purpose within national legislative competence".[247] The Parliament has a "measure of latitude" as to how to comply.[248]

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244 See *Convention Debates*, Adelaide (Vol III) at 1199 and Melbourne (Vol I) at 151-154, 1874 as cited in Quick & Garran, *The Annotated Constitution of the Australian Commonwealth* (1901) at 640.

245 Quick & Garran, *The Annotated Constitution of the Australian Commonwealth* (1901) at 641-642 citing *New Orleans Waterworks Co v Saint Tammany Water-works Co* 14 F.194 at 200 (1882) and Baker, *Annotated Constitution* (1891) at 183.

246 *Castlemaine Tooheys Ltd v South Australia* (1990) 169 CLR 436 at 473.

247 *Nelungaloo Pty Ltd v Commonwealth* (1952) 85 CLR 545 as quoted in *Wurridjal v Commonwealth* (2009) 237 CLR 309 at [190].

248 *Smith v ANL Ltd* (2000) 204 CLR 493 at [48].

97. Measured against the constitutional standard of fair dealing, notwithstanding that the TPP Act does not make provision for *compensation* to be paid to tobacco companies, the TPP Act does provide just terms as between tobacco companies and the Australian nation representing the Australian community put at risk by their products.

98. The restrictions on use of trade marks and associated get up imposed by the TPP Act (and any incidental consequential acquisition) are so narrowly targeted as to be no greater than reasonably necessary to serve the compelling public interest of reducing harm to the public and public health. That narrow targeting can be seen in the continuing ability for brand names (or business names or company names) together with variant names (many of which are the subject of trade marks) still to appear on retail packaging,[249] albeit only in a specified manner,[250] and trade marks can still appear without restriction on retail packaging intended for export.[251] The TPP Act makes express provision for the positive re-adjustment of tobacco companies' statutory rights so as not to lose the registration of trade marks and registered designs through non-use.[252] That rehabilitation is not trivial and, in the context of the constitutional facts set out in sections A-D of Part IV, it is fair as between tobacco companies as owners of property and the Australian nation representing the Australian community. 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.

99. The written submissions of BATA, Philip Morris and Imperial say nothing of rehabilitation and say nothing of fairness. They each equate "just terms" with compensation and go on to equate compensation with the full monetary value to the owner of the property acquired.[253] There are early cases that support that view as well as some statements of individual Justices none of which were uttered in a context anything like the present. The view does not represent the modern doctrine of this Court.

100. As for Imperial's challenge to the 2011 Standard, it would be saved from invalidity by s 139F of the CC Act. That provision takes the form of a standard "Historic

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249 Section 20(3)(a).
250 Sections 19 and 21.
251 Section 49. Such a use constitutes use within Australia: s 228 of the TM Act.
252 Sections 28 and 29.
253 BATA written submissions at [52]-[60]; Philip Morris written submissions at [34]-[36]; Imperial written submissions at [32]-[33].

Shipwrecks" clause, requiring the Commonwealth to pay "a reasonable amount of compensation" if the operation of Part XI of the Act (including Schedule 2, pursuant to s 134 of which the 2011 Standard was made) would result in an acquisition of property otherwise than on just terms. The measure of "reasonable compensation" is capable of judicial application in the context in which it is designed potentially to apply.[254] Imperial's argument to the contrary, in Annexure A to its written submissions at [1](twice appearing)-[2], is without substance.

E Section 15 of the TPP Act

101. The "acquisition of property" referred to in s 15 of the TPP Act is specifically defined to have the same meaning as in s 51(xxxi) of the Constitution.[255] It is an acquisition of property within the meaning and scope of the compound expression "acquisition-on-just-terms" being an acquisition of a kind that, if it is to be made at all, must be made under s 51(xxxi).[256]

102. There is no such acquisition of property and s 15 is therefore not engaged. No question arises as to its validity.

103. Section 15(1) delineates that the TPP Act does not apply to the extent, if any, that its operation would result in an acquisition of property otherwise than on just terms. Section 15(2) is of a kind with s 15(1), being addressed to a specific aspect of the legislative scheme. The operation of s 15 is orthodox.[257] Its terms have the same effect as if it said that the TPP Act "shall be read and construed subject to the Constitution" (to use the words of s 15A of the Acts Interpretation Act), save that it is particular to the TPP Act and it refers specifically to the limitation in s 51(xxxi). It confirms that if there is a conflict between the terms of the TPP Act and the constitutional requirement, then this is not a case where the Parliament intends the law to apply "fully and completely according to its terms, or not at all".[258]

104. The written submissions of BATA, adopted by the written submissions of Imperial, make the extraordinary argument that the "varying" jurisprudence of the High Court on

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254 *Telstra Corporation Ltd v The Commonwealth* (2008) 234 CLR 210 at [42]; *Wurridjal v The Commonwealth* (2009) 237 CLR 309 at [337].

255 Section 4(1).

256 *Grace Bros Pty Ltd v Commonwealth* (1946) 72 CLR 269 at 290 quoted in *Telstra Corporation Ltd v Commonwealth* (2008) 234 CLR 210 at [43].

257 It is not dissimilar to the provision discussed by Dixon J in the *Bank Nationalisation Case* (1948) 76 CLR 1 at 371-372; the content of the provision can be found in the note at 2.

258 *Pidoto v Victoria* (1943) 68 CLR 87 at 108; *Victoria v Commonwealth* (1996) 187 CLR 416 at 502.

s 51(xxxi) means that s 15 introduces such a degree of "uncertainty and impermanence" into the operation of the TPP Act as to deprive it of the character of a "law" and confers legislative power on the Court. An equally extraordinary variation of the argument appears to be that s 15 confers legislative power on the High Court because each new constitutional decision, in effect, makes new law.[259] That argument should be rejected out of hand. Even if uncertainty of operation were a criterion of invalidity of legislation, and it is not,[260] the Court's interpretation of the Constitution cannot be the source of that uncertainty. A Commonwealth law may employ as an integer for its operation a principle or provision that remains the subject of evolving judicial exposition or interpretation.[261]

105. The written submissions of BATA, adopted by the written submissions of Imperial, go on to argue that s 15 requires the Court to perform the legislative function of re-writing the TPP Act.[262] It does not. It requires no more rewriting of the TPP Act than does s 15A and its operation is the same as has resulted from s 15A.[263] The limitation to be applied appears from the terms of the law.[264] Precisely where (if anywhere) that limit cuts may no doubt be the subject of argument. But it is at least as certain as the legal limitation arising from the implied intergovernmental immunity;[265] or the criterion of whether or not a matter is in federal jurisdiction;[266] or the criterion of whether or not delegated legislation infringes on the guaranteed freedom of communication on political and government matters;[267] or the criterion of being within identified heads of federal legislative power;[268] or the criterion of being within *any* head of legislative power.[269] Indeed, the criterion is just the same as applied for an "Historic Shipwrecks" clause.[270]

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259 BATA written submissions at [65]-[67]; Imperial written submissions at [34].

260 *Byrnes v The Queen* (1999) 199 CLR 1 at [11]; R *v Hughes* (2000) 202 CLR 535 at [26].

261 *Aid/Watch Inc v Commissioner of Taxation* (2010) 241 CLR 539 at [20], [23]; *Grain Pool of Western Australia v Commonwealth* at [8]-[11]; R *v Federal Court of Australia; Ex parte WA National Football League* (1979) 143 CLR 190 at 199.

262 BATA written submissions at [68]-[71]; Imperial written submissions at [34].

263 For example in *Georgiadis v AOTC, Commonwealth of Australia v Mewett* (1997) 191 CLR 471 and *Smith v ANL Ltd* (2000) 204 CLR 493 the statutes in question were read down so as not to apply to pre-existing causes of action, so as to avoid the invalid acquisition of such. In *Newcrest Mining (WA) Ltd v Commonwealth* (1997) 190 CLR 513, similarly, the statutory proclamations under the *National Parks and Wildlife Conservation Act 1975* (Cth) were only declared to be invalid in respect of certain mining leases and "to the extent that [they] effected acquisitions of property from Newcrest Mining (WA) Ltd other than on the just terms within the meaning of s 51(xxxi) of the Constitution of the Commonwealth" (at 663).

264 Cf *Victoria v Commonwealth* (1996) 187 CLR 416 at 502.

265 *Victoria v Commonwealth* (1996) 187 CLR 416 at 502-503.

266 *British American Tobacco Australia Ltd v Western Australia* (2003) 217 CLR 30 at [86]-[87].

267 *Wotton v Queensland* [2012] HCA 2 at [20]-[23].

268 *Grain Pool of Western Australia v Commonwealth* (2000) 202 CLR 479 at [8]-[11].

269 *The Queen v Hughes* (2000) 202 CLR 535 at [40]-[42].

270 Cf *Wurridjal v Commonwealth* (2009) 237 CLR 309 at [304], [461]-[463].

106. The operation of s 15 of the TPP Act is valid. If it did trespass upon constitutional principle then it would itself be severable. Given its content, it could hardly be said that the Parliament would have intended the remainder of the TPP Act to fall with it.

F Section 231A of the TM Act

107. Section 231A of the TM Act (a "Henry VIII clause") enables regulations to make provision in relation to the effect of the operation of the TPP Act on the TM Act and to prevail over the TM Act to the extent of any inconsistency.

108. No regulations have been made for the purposes of s 231A of the TM Act and any consideration of its validity is therefore premature.

10 109. Section 231A is a valid exercise of the same legislative power that supports other provisions of the TM Act, s 51(xviii) of the Constitution.[271] This Court unanimously rejected challenges to the validity of equivalent provisions authorising the making of regulations modifying the operation of statutes in 1931[272] and again in 2004.[273] The reasoning in those cases is consistent with other recent authority,[274] there is no application for them to be reopened, and there would be no basis for reopening them even if such an application were to be made.[275] The separation of powers effected by the Constitution "does not preclude the delegation of a legislative power by the Parliament to the executive in such terms that the repository of the power is free to exercise its own discretion and judgment",[276] there is no "abdication" of legislative power while the
20 Parliament retains the power to repeal or amend the TM Act,[277] and regulations made for the purposes of s 231A of the TM Act would, in any event, be instruments capable of being disallowed by either House of Parliament.[278]

110. The written submissions of Imperial, which alone seeks to challenge the validity of s 231A of the TM Act, do no more than raise "two difficulties in terms of validity" couched in the language of judicial dicta. Imperial says that the Governor-General in

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271 Cf *New South Wales v Commonwealth (Work Choices Case)* (2006) 229 CLR 1 at [418].

272 *Victorian Stevedoring and General Contracting Co Pty Ltd and Meakes v Dignan* (1931) 46 CLR 73 at 74, 100.

273 *Permanent Trustee Australia Ltd v Commissioner of State Revenue (Vic)* (2004) 220 CLR 388 at [75]-[78].

274 E.g. *Capital Duplicators Pty Ltd v Australian Capital Territory* (1992) 177 CLR 248 at 265, and cases there referred to; *Byrnes v The Queen* (1999) 199 CLR 1 at [4]; *R v Hughes* (2000) 202 CLR 535 at [26], [94]; *New South Wales v Commonwealth (Work Choices Case)* (2006) 229 CLR 1 at [400]-[418].

275 *Evda Nominees v Victoria* (1984) 154 CLR 311 at 316; *Pasini v United Mexican States* (2002) 209 CLR 246 at [13].

276 *Capital Duplicators Pty Ltd v Australian Capital Territory* (1992) 177 CLR 248 at 265.

277 *Permanent Trustee Australia Ltd v Commissioner of State Revenue (Vic)* (2004) 220 CLR 388 at [77].

278 See ss 5, 6 and 42 of the *Legislative Instruments Act 2003* (Cth). Note similarly *Permanent Trustee Australia Ltd v Commissioner of State Revenue (Vic)* (2004) 220 CLR 388 at [78].

making regulations is empowered to "do as she or he will ... subject only to the limits of the legislative powers of the Parliament" and that s 231A is "akin" to a hypothetical law empowering a Minister "to exercise a totally open-ended discretion as to what aliens can and what aliens cannot come to and stay in Australia".[279] Without conceding that either description would spell invalidity, neither is a fair description of s 231A. The power of the Governor-General under s 231(1)(a) of the TM Act to make regulations for the purposes of s 231A of the TM Act is not at large: it is confined by the subject-matter, scope and purposes of the TM Act and, given the terms of s 231A, must be exercised by reference to the effect on that Act of the TPP Act.[280]

VII

ANSWERS TO QUESTIONS

111. The first four of the Questions Reserved should be answered as follows:

(1) No.
(2) No.
(3) Does not arise.
(4) No.

112. The Commonwealth raises no procedural objection to the additional questions proposed by Imperial. Those additional questions should be answered as follows:

(5) No.
(6) No.
(7) Does not arise.
(8) Inappropriate to answer. Alternatively, no.

113. The final question should be answered that BATA should pay the Commonwealth's costs of the Questions Reserved. The tobacco company interveners should each pay to the Commonwealth one quarter of the Commonwealth's costs of the Questions Reserved. Payment of costs by the tobacco company interveners should operate in relief of BATA's obligation to pay costs to the Commonwealth.[281]

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279 Imperial written submissions Annexure A at [4] (citing *Giris Pty Ltd v Federal Commissioner of Taxation* (1969) 119 CLR 365 at 379), [5] (citing *Plaintiff S157/2002 v Commonwealth* (2003) 211 CLR 476 at [100]-[101]).

280 Cf *New South Wales v Commonwealth (Work Choices Case)* (2006) 229 CLR 1 at [415]-[417].

281 Cf *Lange v Australian Broadcasting Corporation* (1997) 189 CLR 520 at 576-577 orders 3-6. One quarter is broadly in proportion to the volume of written submissions.

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