

IN THE HIGH COURT OF AUSTRALIA
SYDNEY REGISTRY

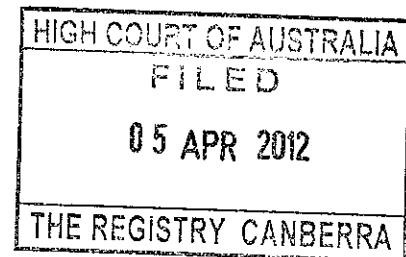
No S409 of 2011

BETWEEN:

JT INTERNATIONAL SA
Plaintiff

AND

COMMONWEALTH OF AUSTRALIA
Defendant



SUBMISSIONS OF THE COMMONWEALTH OF AUSTRALIA

Filed on behalf of the Defendant by:

Australian Government Solicitor
50 Blackall Street Barton ACT 2600
DX 5678 Canberra

Date of this document: 5 April 2012
Contact: Gavin Loughton

File ref: 11100011
Telephone: 02 6253 7203
Facsimile: 02 6253 7583
E-mail: gavin.loughton@ags.gov.au

I

INTERNET PUBLICATION

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

II

ISSUES

2. JT International SA (JTI) has chosen to bring a narrower case than other tobacco companies and to adopt a different procedure than that pursued in *British American Tobacco Australasia Ltd v Commonwealth*, No. S389 of 2011 (**BATA proceedings**). It must abide by the choice it has made.
- 10 3. The determination of JTI's demurrer must proceed on the assumption that all of the facts pleaded and admitted in the Commonwealth's defence are true. What happens if JTI's demurrer is overruled is a distinct question. If the demurrer is overruled on facts assumed to be true in the JTI proceedings but found to be true in the BATA proceedings, there is no "good reason" for JTI to be allowed to go on to contest those facts at trial.¹ There should be no remitter for trial. The JTI proceedings should be dismissed. The validity of the TPP Act, if resolved in the BATA proceedings, ought not be thought to remain in doubt in the JTI proceedings.
- 20 4. JTI's choice to demur has consequences for the property JTI can assert. The property JTI can assert is limited to registered trade marks and get-up. There is no pleading or admission of goodwill. JTI's registered trade marks carry no affirmative right to use and its get-up is not property.

¹ *Breen v Sneddon* (1961) 106 CLR 406 at 412.

5. JTI's choice to demur also has consequences for the argument JTI can present. Most significantly, JTI cannot be heard to say that "the trade marks on its goods are being used exactly for the core function of all trade marks: to identify the origin of goods".² That "core function of all trade marks" is not the sole function of every trade mark.³ The pleaded fact is that JTI, like other manufacturers of tobacco products, uses its trade marks and other aspects of its get-up to promote its tobacco products and that such use by JTI has had the effect of contributing to members of the public wanting to consume those tobacco products.⁴ Nor can JTI be heard to say that its ability to use its get-up is "commercially valuable" or capable of protection by action:⁵ the admitted fact goes no further than that JTI, by using its get-up, "has contributed to the creation and maintenance of a want on the part of some members of the public in Australia to consume JTI Tobacco Products".⁶
6. Subject to some adjustments for the narrower way JTI puts and is able to put its case, the issues are the same as those identified in [2] to [9] of the Commonwealth's written submissions in the BATA proceedings, served on JTI with these submissions.⁷

III

NOTICE

7. The Commonwealth certifies that adequate notice has been given under s 78B of the *Judiciary Act 1903* (Cth).

² JTI written submissions at [45].

³ *Kerly's Law of Trade Marks and Trade Names* (14th ed, 2005) at [2006] (referring to "other functions" of trade marks which include the "advertising function" and "quality function" and observing that "[w]hether and to what extent, any particular mark does perform other functions depends on the particular circumstances: the mark itself, the market in which it is used, the way in which the proprietor uses and promotes the mark ..."). To similar effect, see *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326 at 348-349 (quoting Shanahan, "The Trademark Right: Consumer Protection or Monopoly" (1982) 72 *Trademark Reporter* 233 at 240-241): "[s]ometimes these secondary functions are abused".

⁴ Defence at [4](b) and [8] (Demurrer Book at 14, 16).

⁵ JTI written submissions at [1](2) and [27]-[28].

⁶ Defence at [4] (Demurrer Book at 14).

⁷ Also served on JTI with these submissions will be the Chronology attached to the submissions in the BATA proceedings. The Extrinsic Materials Book referred to in that Chronology will be served at the same time. The Questions Reserved Book and Book of Documents from Schedule C to the Commonwealth's defence referred to in the Chronology were served on JTI on 9 March 2012.

IV

FACTS

8. A plaintiff's demurrer proceeds on the basis that the facts pleaded and admitted in the defence are admitted by the plaintiff to be true for the purpose of the demurrer.⁸ The facts pleaded in the Commonwealth's defence correspond with findings of constitutional fact sought by the Commonwealth in the BATA proceedings.
9. The Full Court's determination of JTI's demurrer must proceed on the assumption that all of the following facts are true: (A) smoking tobacco products causes grave harm to members of the public and public health;⁹ (B) like other tobacco companies, JTI uses trade marks and other aspects of get-up to promote its own tobacco products and with the effect of contributing to members of the public wanting to consume those tobacco products;¹⁰ (C) there is, and was on the material before the Parliament at the time of enactment of the TPP Act, a rational and cogent basis in expert opinion for the statutory judgment spelt out 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.¹¹
10. JTI cannot be heard to say that it uses its trade marks only to identify the origin of its goods¹² as this would contradict facts pleaded and admitted in the Commonwealth's defence. Nor can it be heard to say that its get-up has commercial value or is capable of protection by action at common law or under statute.¹³

V

CONSTITUTIONAL AND LEGISLATIVE PROVISIONS

11. The relevant constitutional and legislative provisions are noted in [43] of the Commonwealth's written submissions in the BATA proceedings. The abbreviations in

⁸ *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]. *Brown v West* (1990) 169 CLR 195 is a rare example of a plaintiff's demurrer in this Court.

⁹ Defence at [9] and Sch A (Demurrer Book at 16, 21-29).

¹⁰ Defence at [4](b), [8] and [9] (Demurrer Book at 14, 16).

¹¹ Defence at [12] (Demurrer Book at 17).

¹² JTI written submissions at [45].

¹³ JTI written submissions at [1](2) and [27].

these submissions adopt those defined in the Commonwealth's written submissions in the BATA proceedings.

VI

ARGUMENT

A No property taken

Statutory rights

12. For the reasons set out in the Commonwealth's written submissions in the BATA proceedings at [47]-[51], JTI has no positive right to use the registered trade marks set out in Sch A to the statement of claim. And for the reasons set out in the
 10 Commonwealth's written submissions in the BATA proceedings at [56]-[63], such statutory rights as JTI has in respect of the registered trade marks are, in any event, inherently susceptible of statutory modification or extinguishment without compensation for the purpose of preventing or reducing harm to members of the public or to public health.¹⁴
13. The written submissions of JTI simply assert that its trade marks are "clearly 'property'"¹⁵ and, while disavowing an argument that a trade mark confers a "positive right",¹⁶ go on at a later point implicitly to assume a positive right to use.¹⁷ They fail to come to grips with the nature and incidents of property in a registered trade mark.

Common law rights

- 20 14. For the reasons set out in the Commonwealth's written submissions in the BATA proceedings at [64]-[70], JTI's get-up is not property and the restriction of its future use of that get-up rises no higher than a restriction on its liberty.
15. The written submissions of JTI contend that its ability to use its get-up is "a valuable commercial right" amenable to protection by an action in passing off or under ss 18 or 23 of the Australian Consumer Law.¹⁸ The factual basis for those contentions is not

¹⁴ Schedule B to the Commonwealth's Defence in the BATA proceedings (mentioned at [60] of the Commonwealth's written submissions in the BATA proceedings) is identical to Schedule B of the Commonwealth's Defence in the JTI proceedings (Demurrer Book at 30-34).

¹⁵ JTI written submissions at [26].

¹⁶ JTI written submissions at n 43.

¹⁷ JTI written submissions at [43](2).

established on the pleadings. Even if the factual basis were established, an ability to bring an action in passing off in the future if relevant circumstances arise does not constitute property and ss 18 and 23 of the Australian Consumer Law (which could be repealed prospectively at any time) also create no property.¹⁹

B No property acquired

16. For the reasons set out in the Commonwealth's written submissions in the BATA proceedings at [71]-[78], neither the Commonwealth nor anyone else acquires any benefit in the nature of property under or by operation of the TPP Act.

10 17. The written submissions of JTI rest on an argument that pursuit of the legislative purposes set out in s 3 of the TPP Act is sufficient to confer on the Commonwealth benefits described as "measurable and identifiable advantages" and that it is not necessary for the purposes of s 51(xxxi) for a benefit to be proprietary in nature.²⁰ The citations given do not support JTI's implicit contention that someone other than the owner need not obtain "at least some identifiable benefit or advantage relating to the ownership or use of property",²¹ the "substance of a proprietary interest"²² or the "reality of proprietorship".²³ Indeed, the very passages on which JTI relies to argue that a "measurable and identifiable advantage" is sufficient to give rise to an acquisition all make clear that that "advantage" must be one "relating to the ownership or use of property". Here, "relating to" has the sense of "involving". On JTI's view, any
20 extinguishment would be an acquisition because it would be pursued for a Commonwealth purpose (if there was no Commonwealth purpose, the law would be beyond power in any event). That view would negate the established distinction between extinguishing a right and acquiring a right.²⁴

18. Legislative purposes cannot themselves be equated with property for the purposes of s 51(xxxi) of the Constitution and none of the purposes identified in s 3 of the TPP Act is a purpose that relates to the ownership or use of any property.

¹⁸ JTI written submissions at [27]-[28].

¹⁹ Cf *Parkedale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191 at 218.

²⁰ JTI written submissions at [33]-[34] and [40].

²¹ *ICM Agriculture Pty Ltd v Commonwealth* (2009) 240 CLR 140 at [82] (quoting *Mutual Pools & Staff Pty. Ltd. v Commonwealth* (1994) 179 CLR 155 at 185), [147] and [190]; *Tasmanian Dam Case* (1983) 158 CLR 1 at 145.

²² *Bank of NSW v Commonwealth* (1948) 76 CLR 1 at 349.

²³ *Newcrest Mining (WA) Limited v Commonwealth* (1997) 190 CLR 513 at 633-634.

²⁴ *ICM Agriculture Pty Ltd v Commonwealth* (2009) 240 CLR 140 at [82] (quoting *Mutual Pools & Staff Pty Ltd v Commonwealth* (1994) 179 CLR 155 at 185).

19. What JTI has to say about the purposes identified in s 3(1)(a) of TPP Act warrants an additional response. The purpose identified in s 3(1)(a) of the TPP Act is improvement of public health. Notwithstanding JTI's refusal in its reply to admit the extent of the health consequences of smoking pleaded in the Commonwealth's defence,²⁵ JTI chooses to rely, as a benefit to the Commonwealth to be brought about by the TPP Act, on a supposed reduction in long term expenditure by the Commonwealth in providing health care for persons suffering tobacco-related illnesses.²⁶ Assuming that JTI is entitled on the hearing of the demurrer so to approbate and reprobate and assuming such a reduction in long term expenditure, the short answer is that any reduction of amounts to be appropriated in the future to address the harm caused by smoking is not in any sense a benefit in the nature of property. A fuller answer would involve a factual inquiry about which the pleadings and the extrinsic material are silent.

C Regulation not acquisition

20. For the reasons set out in the Commonwealth's written submissions in the BATA proceedings at [79]-[95], any acquisition of property would not constitute an acquisition of property within the meaning and scope of s 51(xxxi) of the Constitution. The acquisition would be a necessary incident or consequence of the regulation of a trading activity in a manner appropriate and adapted or reasonably necessary to reduce the grave harm to members of the public and public health caused by that trading activity. To require the provision of just terms would be incongruous.
21. The written submissions of JTI argue that the "TPP Act cannot be justified as regulating the 'noxious use' of property" on the asserted basis that its trade marks "are being used exactly for the core function of all trade marks: to identify the origin of goods".²⁷ The asserted basis is contrary to the facts assumed for the purposes of the demurrer. JTI's use of its trade marks and get-up in order to promote the use of its tobacco products is indeed a "noxious use".

D Just terms provided

22. For the reasons set out in the Commonwealth's written submissions in the BATA proceedings at [96]-[99], the limited rehabilitation provided to JTI is sufficient in the context of the facts assumed for the purposes of the demurrer to constitute just terms if just terms are required.

²⁵ Defence at [9] and Sch A; Reply and Demurrer at [11] (Demurrer Book at 16, 21-29, 46).

²⁶ JTI written submissions at [35].

²⁷ JTI written submissions at [45].

E Section 15 of the TPP Act

23. The written submissions of JTI appear to contend that s 15 of the TPP Act operates only if regulations are made under s 15(2).²⁸ If that submission is made, it is wrong. The power to make regulations under s 15(2) anticipates the possibility of the TPP Act not applying in some respect because of s 15(1). In those circumstances, s 15(2) empowers regulations to be made that impose lesser constraints on the use of trade marks and signs on or in relation to the retail packaging of tobacco products, being constraints that would not infringe s 51(xxxi). The making of regulations under s 15(2) would be appropriate only if it became apparent that the full force of the TPP Act did not apply to one or more tobacco products.

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VII**ORDERS SOUGHT**

24. The demurrer should be overruled and the proceedings should be dismissed. JTI should pay the Commonwealth's costs of the proceedings.

²⁸ JTI written submissions at [19].

Dated: 5 April 2012



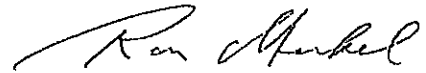
STEPHEN GAGELER SC
Solicitor-General of the Commonwealth

Tel: (02) 9230 8903

Fax: (02) 9230 8920

Email: stephen.gageler@ag.gov.au

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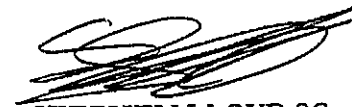


RON MERKEL QC

Tel: (03) 9640 3173

Fax: (03) 9640 3100

20



STEPHEN LLOYD SC

Tel: (02) 9235 3753

Fax: (02) 9221 5604


30



J K KIRK SC

Tel: (02) 9223 9477

Fax: (02) 8028 6060



ANNA MITCHELMORE

Tel: (02) 9223 7654

Fax: (02) 9232 1069



JULIAN COOKE

Tel: (02) 8815 9180

Fax: (02) 9232 8995