IN THE HIGH COURT OF AUSTRALIA
SYDNEY REGISTRY **No. S409 of 2011**

BETWEEN: **JT INTERNATIONAL SA**
Plaintiff

AND

COMMONWEALTH OF AUSTRALIA
Defendant

PLAINTIFF'S SUBMISSIONS IN REPLY

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SUMMARY

There are six main points in reply to the submissions reply to the submissions of the Commonwealth, and of the Australian Capital Territory and the Northern Territory. The Plaintiff uses the same abbreviations as in its principal submissions dated 26 March 2012.

1. JTI's demurrer provides a straightforward basis for resolving the legal issues in this case. There is no basis for making findings of constitutional facts in these proceedings, in relation to matters to which JTI has demurred. This Court should resist the Commonwealth's attempt to mingle inappropriately this proceeding with the *British American Tobacco Australasia* proceeding, and should not find the constitutional facts sought in either proceeding. Indeed, those constitutional facts are completely inapt to be so found upon the basis of openly contested materials. ***See paras 7-10 below***

2. The extinguishment of JTI's Trade Marks and Get-Up is evidenced by a comparison of the position before and after the commencement of the TPP Act. The Commonwealth's attempt to give conclusive weight to the difference between "positive" and "negative" rights ignores the substance and practical operation of the TPP Act.

   See paras 12-18 below

3. The extinguishment of JTI's property gives rise to benefits to the Commonwealth that are sufficiently proprietary in nature. In particular, the TPP Act replaces JTI's Get-Up with government-mandated get up and substitutes the Commonwealth as proprietor. In any event, it is not necessary that the identifiable and measurable advantage be proprietary.

   See paras 19-23 below

4. The prohibition on the use of intellectual property on the last valuable place in which it can be used lawfully cannot be characterised as a mere regulation or adjustment of rights. Moreover, it cannot be a noxious use of intellectual property to use trade marks and get up in connection with the sale of lawfully available products. ***See paras 24-29 below***

5. The Commonwealth's novel "regulatory benefit exception" to s 51(xxxi) is a bare assertion that is inconsistent with established doctrine. The Commonwealth impermissibly seeks to recast the operation of s 51(xxxi) into questions of "fairness" and proportionality. However, the question of whether the TPP Act is "appropriate and adapted" to achieving its ends could only be relevant to whether it could be supported by a head of power, other than s 51(xxxi). The test for whether the TPP Act falls outside s 51(xxxi) is whether the provision of just terms would be "inconsistent or incongruous".

   See paras 34-39 below

6. In this case, the provision of just terms is **not** "inconsistent or incongruous". The provision of just terms is neither incompatible with the nature of the TPP Act, nor would it defeat the purposes of that Act. The underlying purpose of s 51(xxxi) of the Constitution is that where the acquisition of property causes a benefit to the public (which is the asserted purpose of the TPP Act), the public should pay for that benefit.

   See paras 40-46 below

CONSTITUTIONAL FACTS

JTI principal submissions, [20]-[24]

No basis for finding constitutional facts that are demurred to

7. Contrary to the Commonwealth's assertions,[1] findings of constitutional fact are not apt for the proper resolution of this proceeding, or at all.[2]

   (1) The Commonwealth invites the Court in the *British American Tobacco Australasia* proceeding to find as constitutional facts the very same facts to which JTI has demurred in this proceeding; the Commonwealth then relies upon those common facts to assert the very same constitutional principle.[3]

   (2) The Commonwealth's attempt to blur the distinction between the two proceedings by cross-referencing to its submissions in the *British American Tobacco Australasia* proceeding, in which there are agreed facts and tendered evidentiary material, does nothing to overcome that fact.[4]

8. The demurrer procedure adopted in this proceeding provides a logical and simple approach to the determination of the asserted constitutional principle. JTI's ground of demurrer is that the factual matters pleaded some of which are highly contentious[5] (and which the Commonwealth invites the Court to find as constitutional facts) are irrelevant to the constitutional validity of the TPP Act.[6] JTI has also denied those same factual matters pleaded.[7] Thus, if JTI's demurrer were overruled and the issues of fact found relevant, the proper course would be for this Court to remit the matter for a trial court to determine whatever facts were necessary for the final resolution of the matter. The facts alleged in the Defence are capable of being proven at trial in the ordinary way.[8]

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1 The Commonwealth contends that, if JTI's demurrer is overruled and constitutional facts are found in the *British American Tobacco Australasia* proceeding, then JTI's proceeding should be dismissed: Commonwealth (JTI) submissions, para 3; see also Commonwealth submissions on the summons, para 9 **Supplementary Demurrer book, 8**

2 JTI principal submissions, paras 20 to 24.

3 JTI has demurred to para [12] of the Commonwealth's Defence, which states that there is a "rational and/or cogent basis" for concluding that the plain packaging of tobacco products will have certain effects. The Commonwealth invites the Court to make findings of constitutional fact that the plain packaging of tobacco products will have those same effects to establish that Parliament had a reasonable basis for its legislative judgment: Commonwealth (BATA) submissions, paras 86 and 91.

4 For example, Commonwealth (JTI) submissions, para 6 refers to Commonwealth (BATA) submissions, paras 2-9 as to issues, which includes "the strength of the evidentiary foundation for the statutory judgment" (para 7). JTI has demurred to the allegation that there is a "rational and/or cogent basis". Commonwealth (JTI) submissions, para 12 refers to Commonwealth (BATA) submissions, paras 56-63, which at para 60 refers to agreed facts in the *British American Tobacco Australasia* proceeding.

5 Ms Roxon, the then Minister for Health and Ageing, stated in response to questions about proof that plain packing would reduce smoking rates: "The sort of proof they are looking for doesn't exist when this hasn't been introduced around the world." (http://abcnews.go.com/Business/wireStory?id=13712773&page=2#.T4Jlk5iXtyw, accessed 9 April 2012).

6 Defence and Demurrer, paras 21(4). **Demurrer book, 49**

7 Defence and Demurrer, para 14. **Demurrer book, 47-48**

8 Some constitutional facts "are not readily established by objective methods in curial proceedings", such as facts going to the essential functions of government: see *Austin v The Commonwealth* (2003) 215 CLR 185

9. In fact, that is the intended procedure where a party demurs and pleads under r 27.07.4 of the *High Court Rules 2004*, as JTI has done in this proceeding. Indeed, following the determination of a demurrer, the Court may even permit parties to amend their pleadings.[9] To preclude JTI from being able to contest matters which it has denied in its pleadings would undermine the integrity of the pleadings process, and the separate referral of this matter to the Full Court.[10] Moreover, if JTI were "bound" by any findings of constitutional fact made in the *British American Tobacco Australasia* proceeding that would be a powerful reason **not** to make any findings in those proceedings.[11]

10. No doubt there is some flexibility in the finding of constitutional facts; however, this
10 Court has noted there would be "risks of great abuse" if the power to find constitutional facts were wholly untrammelled.[12] Accordingly, that flexibility is exercised within, and not in disregard of, the procedures the Court has set down to determine a matter – in this case, a demurrer.[13] There is simply no necessity[14] for the Court to depart from the settled and logical procedure for determining demurrers and to make the findings sought in either this or the *British American Tobacco Australasia* proceeding. Indeed, to so find the constitutional facts upon the 6,711 pages of material filed by the Commonwealth[15] passes far beyond any exercise undertaken by this Court to find constitutional facts. This issue is the subject of a summons put on by JTI that has been referred to the Full Court.[16]

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at [124] (Gaudron, Gummow and Hayne JJ), and the cases cited in footnote 156. Similarly, facts relating to the defence power also are not readily established in court proceedings: see *Stenhouse v Coleman* (1944) 69 CLR 457 at 469-470 (Dixon J).

9 *King Gee Clothing Company Proprietary Limited v The Commonwealth* (1945) 71 CLR 184 at 200 (Dixon J), 209 (Williams J).

JTI submissions on the summons, paras 8(2) and 12 **Supplementary Demurrer book, 11-12**

10 In addition, if a demurrer is overruled because the facts pleaded are (or might be) sufficient in their legal effect to constitute the right or defence, this Court has permitted the party that brought the demurrer still to contest the matter on the basis that the facts pleaded are not made out: *Marcus Clark & Co Ltd v The Commonwealth* (1952) 87 CLR 177 at 225 (Dixon CJ), 258 (Fullagar J).

JTI submissions on the summons, paras 8(2) and 12 **Supplementary Demurrer book, 11-12**

11 JTI submissions on the summons, para 12 **Supplementary Demurrer book, 12**

In any event, the extent of the preclusive effect stated in *Breen v Sneddon* (1961) 106 CLR 406 is qualified somewhat by later statements that a litigant may seek to adduce further evidence in this Court to contend that, owing to changed circumstances, the previous finding of constitutional fact should no longer be accepted: Leslie Zines, *The High Court and the Constitution* (5th ed 2008) at 651; *Freightlines & Construction Holding Ltd v New South Wales* (1967) 116 CLR 1 (PC) at 18.

12 *Thomas v Mowbray* (2007) 233 CLR 307 at [639] (Heydon J).

13 See JTI submissions on the summons, paras 11 to 14 **Supplementary Demurrer book, 12-13**

14 The flexibility in finding constitutional facts derives from a principle of necessity: *Thomas v Mowbray* (2007) 233 CLR 307 at [626]-[627] (Heydon J).

15 Affidavit of Anthony Francis Johnson, paras 3 to 4. **Supplementary Demurrer book, 12-13**

16 Summons dated 20 March 2012 **Supplementary Demurrer book, 1-2**

That summons was filed in response to a letter from the Commonwealth: Exhibit AFJ-1 to the affidavit of Anthony Francis Johnson **Supplementary Demurrer book, 6**

See *JTI v The Commonwealth* 2012 HCA Trans 80 at p 8 (order 2) **Supplementary Demurrer book, 22**

Factual matters raised by JTI are within judicial notice

11. This Court should reject the Commonwealth's assertion that JTI is precluded from raising certain matters that are said to fall outside the pleadings.

(1) JTI submits that the trade marks that are extinguished by the TPP Act (on tobacco retail packaging and tobacco products) are being used for the core function of all trade marks: to identify the origin of goods.[17] This is a confined submission about the use of trade marks on tobacco retail packaging and tobacco products generally, not anything specific to JTI's products. Moreover, it is an argument directed to the legislative purposes of the TPP Act in directly prohibiting the use of trade marks.[18]

(2) JTI has contended that self-evidently its Get-Up is commercially valuable, and capable of being protected by an action in passing off or for misleading or deceptive conduct.[19] These matters as they relate to Get-Up used for JTI's Camel and Old Holborn currently sold in Australia are conclusions of law, or notorious matters of which judicial notice can be taken. They are also sufficiently established by the production of Camel and Old Holborn packs to the Court. On a demurrer, this Court may have regard to matters that fall within judicial notice, properly so-called.[20]

(3) The Commonwealth also complains about JTI's reference to the intended reduction in health expenditure claimed by the Commonwealth in the context of the benefits to the Commonwealth from the extinguishment of JTI's property.[21] Contrary to the Commonwealth's assertion,[22] JTI does not approbate or reprobate. The Commonwealth complaint misunderstands JTI's argument, which turns upon one of the **legislative purposes** of the TPP Act claimed by the Commonwealth (as distinct from how it will operate in fact).[23]

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17 JTI principal submissions, para 45. Contra Commonwealth (JTI) submissions, paras 5 and 10, which misquote JTI's submissions.

18 See below paras 24 to 29.

19 JTI principal submissions, paras 27-28; cf Commonwealth (JTI) submissions, paras 5 and 10.

20 See eg *Australian Textiles Pty Ltd v The Commonwealth* (1945) 71 CLR 161 at 179 (Dixon J, with Rich and Williams JJ agreeing); *Crouch v The Commonwealth* (1948) 77 CLR 339 at 349 (Latham CJ), 361 (Williams J); *Gonzwa v The Commonwealth* (1944) 68 CLR 469 at 477 (Latham CJ); *Illawarra District County Council v Wickham* (1959) 101 CLR 467 at 490 (Menzies J).

Constitutional facts extend beyond judicial notice, because it is not confined to matters that are beyond dispute: *Thomas v Mowbray* (2007) 233 CLR 307 at [619], [637] (Heydon J).

21 Commonwealth (JTI) submissions, para 19.

22 Contra Commonwealth (JTI) submissions, para 19.

23 See JTI principal submissions, paras 35, 38 and footnote 46.

"ACQUISITION" OF JTI'S PROPERTY WITHOUT JUST TERMS

JTI's Trade Marks and Get-Up are extinguished *JTI principal submissions, [30]-[32]*

12. The correct analysis is not that JTI's Trade Marks and Get-Up are only negative rights to exclude use by other people, and that JTI retains those rights of exclusion.[24] The commercial value of its Trade Marks and Get-Up is in its ability to exploit their use, as well as to exclude their use by others. This right is reflected in s 20(1)(a) of the *Trade Marks Act 1995*, which states that the registered owner of a trade mark has the "exclusive rights to use the trade mark". The Commonwealth's position ignores reality.

13. The Commonwealth's approach – which seeks to draw a dispositive distinction between "positive" rights and "negative" rights[25] – runs counter to this Court's decision in *Telstra*.[26] This Court held that it invites error to begin from a constructed taxonomy of a rule and exceptions to that rule, and held further that it is necessary to consider both "**the practical and** the legal operation of the legislative provisions" that are said to create property rights.[27]

14. In this case, a simple comparison of the position of JTI before and after the commencement of the TPP Act demonstrates in the starkest way that its effect upon JTI is in substance to extinguish all valuable use of its Trade Marks and Get-Up in Australia. Prior to commencement, JTI can use its Trade Marks and Get-Up on its packs and product sold in Australia; after commencement, it cannot. To say that there is no extinguishment of those rights – which are "property" for the reasons explained[28] – would impermissibly elevate form over substance.

15. JTI also has rights to licence others to use trade marks it owns;[29] the TPP Act effectively extinguishes this valuable right by prohibiting the use of a trade mark relating to tobacco products on the last and most valuable place that was permitted for those marks – retail packaging and the products themselves. The right to licence others to use a trade mark is rendered worthless if that other person is also prohibited from using the trade mark.

16. Simply put, a right to use a trade mark that cannot be exercised in relation to its valuable use by the registered owner or any others may only be characterised as extinguished. Further, there can be no doubt that extinguishment of all valuable use is the TPP Act's intended effect: s 28(3) of the TPP Act specifically provides that non use of a trade mark by the reason of that Act is not a ground to revoke registration of a trade mark.

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24 Commonwealth (JTI) submissions, paras 12-13 and 15; Commonwealth (BATA) submissions, paras 51 and 65.

25 See particularly Commonwealth (BATA) submissions, para 47.

26 (2008) 234 CLR 210.

27 *Telstra* at [49] (the Court), emphasis added.

28 See JTI principal submissions, paras 26-28.

29 Notably, as the trade marker owner of its Old Holborn brand. *Trade Marks Act 1995*, s 20(1)(b). See also *Phonographic Performance* [2012] HCA 8 at [109] (Crennan and Kiefel JJ): the exclusive right to use copyright has a "concomitant right to license others to do so".

17. The Commonwealth's submission that 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"[30] is wrong: the property here being taken is constituted by rights and control which are completely abrogated, as opposed to the object the subject of the rights and control.

18. The fact that trade marks are potentially subject to legislative modification properly goes to whether there is an "acquisition" of property, not whether there is "property" to begin with.[31]

Identifiable and measurable benefit to Commonwealth *JTI principal submissions, [33]-[40]*

19. The TPP Act and Regulations provide the Commonwealth with a corresponding benefit that is proprietary in nature.

(1) The TPP Act and Regulations extinguish JTI's Get-Up (which is "property" within s 51(xxxi)[32]), and replace it with Commonwealth-mandated get up – namely, drab packs with brand, business or variant names of a specified font, size and colour and prescribed images and text.[33] The Commonwealth has taken absolute control over the get-up of tobacco packs for its own use. There is clearly a measurable and identifiable advantage to the Commonwealth when it exercises that control over the get-up of tobacco product packaging in seeking to achieve its stated purpose of improving "the effectiveness of health warnings" on packs. However, the Commonwealth receives an advantage, whatever the matter it chooses to promote – whether it be in seeking to make health warnings more effective, to "paint" more of the pack drab brown (as it objects to the choice of colour used by JTI), or to print reminders on pack to lodge tax returns. There is a precise correspondence between what is lost by JTI and what is gained by the Commonwealth.

(2) The TPP Act has as one of its legislative purposes (as distinct from how it will operate in fact) the Commonwealth's claimed reduction in rates of use of tobacco products, and therefore of health expenditure for illnesses that it alleges are "tobacco related"[34] and the concomitant direct benefit of money (which is property[35]) to the Commonwealth. This proprietary benefit is sufficiently correlative because reducing the social cost of tobacco use is one part of the TPP Act's legislative purposes. Contrary to the Commonwealth's submission, the extrinsic materials are **not** "silent" about the intended direct benefit it has claimed

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30 Commonwealth (JTI) submissions, para 14; Commonwealth (BATA) submissions, para 68.

31 *Health Insurance Commission v Peverill* (1994) 179 CLR 226 at 235 (Mason CJ, Deane and Gaudron JJ), 256 (Toohey J), 264-265 (McHugh J); cf 245 (Brennan J). Contra Commonwealth (JTI) submissions, para 12 and Commonwealth (BATA) submissions, paras 56 to 60.

32 JTI principal submissions, paras 27 and 28.

33 These requirements are summarised in JTI principal submissions, paras 11 to 13.

34 See JTI principal submissions, para 35 and footnote 46.

35 *Australian Tape Manufacturers v The Commonwealth* (1993) 176 CLR 480 at 509-511 (Mason CJ, Brennan, Deane and Gaudron JJ).

of money to the Commonwealth.[36] JTI relies upon the extrinsic materials set out in the Appendix to this Reply.

20. The Northern Territory's submission in response to the argument in para 19(1) (assuming that the benefit is proprietary), is to assert that on JTI's analysis any legislation, unaffected by degree, dictating the packaging of goods would effect an acquisition of property.[37] That is mistaken: JTI contends that what takes the TPP Act and Regulations outside the scope of permissible regulation is that it effects a total destruction of its ability to control the use of its packs and to use its intellectual property, together with a direct and corresponding benefit to the Commonwealth.

10 21. Contrary to the Commonwealth's submissions,[38] there is no requirement for the corresponding benefit to be "not insubstantial" – this issue only arises where there has been an extinguishment of property, which means that, by hypothesis, the effect of the Commonwealth law is more than de minimis.[39]

22. ***Not necessary for advantage to be "proprietary":*** Regardless, JTI maintains that, where a Commonwealth law extinguishes property, there is no requirement that the corresponding benefit be "proprietary" in any strict sense. Any such requirement could not stand with the extended definition of "property" in s 51(xxxi), and would unduly narrow the protection conferred by s 51(xxxi).[40] Instead, it is sufficient if what is extinguished is "property" within s 51(xxxi), and another person obtains an identifiable
20 and measurable benefit as a result.[41]

(1) In *Newcrest*,[42] for example, the Commonwealth law extinguished a mining lease **in substance** (by prohibiting mining, although the mining tenements were not extinguished in terms) – therefore the corresponding benefit or advantage to the Commonwealth also occurred as a matter of substance. The Commonwealth's property was "enhanced because it was no longer liable to suffer the extraction of the minerals from its land in exercise of the rights conferred by Newcrest's mining tenements".[43]

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36 Commonwealth (JTI) submissions, para 22.

37 Northern Territory (BAT) submissions, para 8.

38 Contra Commonwealth (BATA) submissions, para 71.

39 *Commonwealth v Tasmania* (1983) 158 CLR 1 at 145 (Mason J).

40 JTI principal submissions, para 40. Contra Commonwealth (JTI) submissions, para 17.

41 *ICM* (2009) 240 CLR 140 at [82] (French CJ, Gummow and Crennan JJ), citing *Mutual Pools & Staff Pty Ltd v The Commonwealth* (1994) 179 CLR 155 at 185 (Deane and Gaudron JJ); *Newcrest Mining (WA) Ltd v The Commonwealth* (1997) 190 CLR 513 at 634 (Gummow J, with Toohey and Gaudron JJ agreeing on this point); JTI principal submissions, para 33.

42 *Newcrest Mining (WA) Ltd v The Commonwealth* (1997) 190 CLR 513.

43 See the analysis of *Newcrest* in *ICM Agriculture v The Commonwealth* (2009) 240 CLR 140 at [85] (French CJ, Gummow and Crennan JJ); *Smith v ANL Ltd* (2000) 204 CLR 493 at [22] (Gaudron and Gummow JJ).

(2) The reasoning in *Blank Tapes*[44] must be read in that light. The use of copyright material that was authorised by the law in that case – copying material onto blank tapes – was a use "which a copyright owner could not realistically control or practically licence" in any event.[45] In addition, the Commonwealth law also required the manufacturer of the tapes to make a payment to an organisation representing copyright holders, an amount which could be expected to be passed on in the purchase price of blank tapes.[46] Any benefit conferred on the person making copies could not be said to be identifiable or measurable. Following *Nintendo*,[47] this law in *Blank Tapes* would now be upheld simply as an adjustment of competing rights, claims or obligations of persons in a particular area of activity, and not properly characterised as a law for the acquisition of property.

23. Thus, the criterion of an acquisition is an extinguishment of property by Commonwealth law that gives rise to a benefit that is sufficiently identifiable and measurable.[48] As explained in JTI's principal submissions,[49] to the extent that the benefits arising under the TPP Act are not proprietary in its strict meaning, the extinguishment of JTI's Trade Mark and Get-Up gives rise to identifiable and measurable benefits claimed by, and to, the Commonwealth that amount to an "acquisition". It is obvious that if the property that has been taken may include "innominate and anomalous interests",[50] so too may the corresponding benefit.

No mere regulation, nor prohibition of "noxious use" *JTI principal submissions, [41]-[46]*

24. ***Not mere regulation or adjustment of rights:*** The acquisition of property in this case cannot properly be described as a mere regulation or adjustment of rights, nor as merely "incidental". The whole point of plain packaging is to prevent the manufacturers of lawful products from using their trade marks and get up on tobacco products and packaging offered for retail sale. The extinguishment of the manufacturers' rights (and resulting "acquisition") is the essential element of the TPP Act. It is beside the point that the Commonwealth asserts that the acquisition is for what it perceives to be beneficial public purposes, specifically the objects in s 3.[51] Governments will always acquire

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44 *Australian Tape Manufacturers v The Commonwealth* (1993) 176 CLR 480 at 499 (Mason CJ, Brennan, Deane and Gaudron JJ), 528 (Dawson and Toohey JJ), concerning s 135ZZM of the *Copyright Act 1968*.

45 *Phonographic Performance* [2012] HCA 8 at [111] (Crennan and Kiefel JJ). See also *Blank Tapes* (1993) 176 CLR 480 at 495-496 (Mason CJ, Brennan, Deane and Gaudron JJ).

46 *Blank Tapes* (1993) 176 CLR 480 at 519, 521 (Dawson and Toohey JJ), although the fee was not "for" the right to use the copyright: ibid at 499 (Mason CJ, Brennan, Deane and Gaudron JJ).

47 *Nintendo Co Ltd v Centronics Systems Pty Ltd* (1994) 181 CLR 134 at 161 (Mason CJ, Brennan, Deane, Toohey, Gaudron and McHugh JJ).

48 Contra Commonwealth (JTI) submissions, para 17.

49 JTI principal submissions, paras 34 to 37.

50 *Bank of NSW v The Commonwealth (Bank Nationalisation Case)* (1948) 76 CLR 1 at 349 (Dixon J); *Wurridjal v The Commonwealth* (2009) 237 CLR 309 at [88] (French CJ), [356] (Crennan J); see also [294] (Kirby J, dissenting in result).

51 Contra ACT (BATA) submissions, paras 29 and 30.

property for a reason; and that does not mean that the acquisition is an "adjustment" or "incidental".

25. The fact that the Trade Marks arise under a Commonwealth law and to that extent are subject to future legislative modification does not take them outside the protection of s 51(xxxi).[52] Unlike some other statutory rights, Trade Marks are not inherently unstable, and indeed have been consistently recognised by this Court as being a species of "property" within s 51(xxxi).[53]

26. ***No "noxious use" of property:*** Nor can the TPP Act be justified as a prohibition of a "noxious use" of property. This doctrine derives from the differently expressed "takings clause" of the Fifth Amendment of the United States Constitution,[54] and other differently-expressed constitutional provisions,[55] and therefore must be treated with some caution.

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52 JTI principal submissions, para 42. Cf Commonwealth (JTI) submissions, para 12 and Commonwealth (BATA) submissions, paras 56 to 60.

53 See most recently *Phonographic Performance* [2012] HCA 8 at [109] (Crennan and Kiefel JJ). The other judgments in *Phonographic Performance* did not consider the constitutional nature of intellectual property rights: see particularly [42] (Heydon J). See also *Attorney-General (NT) v Chaffey* (2007) 231 CLR 651 at [24] (Gleeson CJ, Gummow, Hayne and Crennan JJ).

The stable nature of trade marks is recognised in s 18(2) of the Trade Marks Act, which provides that regulations providing that a specified sign is not to be used do not apply to marks that were registered or being used in good faith before the relevant regulation was registered.

54 See eg *Pennsylvania Coal Co v Mahon* 260 US 393 (1922) at 417 (Brandeis J, dissenting): A "restriction imposed to protect the public health, safety or morals from dangers threatened is not a taking. The restriction here in question is merely the prohibition of a noxious use."

The US provision refers to "taking" of property (not "acquisition"), and cannot be disassociated from the due process requirements relating to property in the Fifth Amendment nor indeed general principles relating to bills of rights: *Grace Bros Pty Ltd v Commonwealth* (1946) 72 CLR 269 at 289-290 (Dixon J), see also 285 (Starke J); *Minister of State for the Army v Dalziel* (1944) 68 CLR 261 at 291 (Starke J), 294-295 (McTiernan J); *The Commonwealth v Huon Transport Pty Ltd* (1945) 70 CLR 293 at 326 (Dixon J), 327 (McTiernan J); *Commonwealth v Tasmania (Tasmanian Dams Case)* (1983) 158 CLR 1 at 144-146 (Mason CJ), 247-248 (Brennan J); *Health Insurance Commission v Peverill* (1994) 179 CLR 226 at 248 (Dawson J). On the connection between due process and the takings clause, see eg Mark Tunick, "Constitutional Protection of Private Property: Uncoupling the Takings and Due Process Clauses" (2001) 3 *University of Pennsylvania Journal of Constitutional Law* 885; *Lingle v Chevron USA Inc* 544 US 528 (2005) at 540: the previous test of whether a taking of property substantially advances legitimate state interests "prescribes an inquiry in the nature of a due process, not a takings, test, and that it has no proper place in our takings jurisprudence".

There are statements by some members of this Court specifically rejecting US cases on so-called "regulatory takings": *Trade Practices Commission v Tooth* (1979) 142 CLR 397 at 405 (Barwick CJ, dissenting in the result), 427-428 (Mason J); contra 413-415 (Stephen J).

55 See eg *Campbell-Rodriques v Attorney-General (Jamaica)* [2007] UKPC 65, cited in para 13 of the Cancer Council submissions. *Campbell-Rodriques* concerned s 18(1) of the Constitution of Jamaica, which provides (see [2007] UKPC 65 at [6]):

> (1) No property of any description shall be compulsorily taken possession of and no interest in or right over property of any description shall be compulsorily acquired except by or under the provisions of a law that –
>
> (a) prescribes the principles on which and the manner in which compensation therefore is to be determined and given; and
>
> (b) secures to any person claiming an interest in or right over such property a right of access to a court for the purpose of—
>
> (i) establishing such interest or right (if any);
>
> (ii) determining the amount of such compensation (if any) to which he is entitled; and
>
> (iii) enforcing his right to any such compensation.

27. Even if notions of "noxious use" were applicable here, such notions are not apt to support the TPP Act. Although the Commonwealth submissions are replete with references to the harmful effects of using tobacco products, the TPP Act restricts the use of trade marks and get up (relevantly) on tobacco packaging and the product itself, it does not seek to restrict the use of tobacco products themselves.

28. Rather, the TPP Act prohibits the use of trade marks and get-up principally because of the use and alleged effects of use of the goods associated with the trade marks and get-up (tobacco products), not because of the use of the marks or get-up themselves. It cannot be a noxious use of intellectual property to use trade marks and get-up in connection with the sale of lawfully available products.

29. ***Prohibition:*** The ACT submits that, in circumstances where Parliament could prohibit the manufacture and sale of tobacco within Australia, it would be counter-intuitive if it could not adopt the less drastic means of the TPP Act without it being required to pay just terms.[56] There is no anomaly.

    (1) The argument that if Parliament can prohibit something without paying just terms, it should be able to do something lesser without also paying just terms cannot be accepted as an absolute proposition. The question in each case is whether the extinguishment of rights gives rise to a measurable and identifiable advantage to the Commonwealth or other person. For example, the law considered in the *Bank Nationalisation Case*[57] was short of an absolute prohibition on non-State banking, but constituted an acquisition of property because of the correlative benefits to the Commonwealth.

    (2) It should also be noted that the Commonwealth cannot evade the operation of s 51(xxxi) through a mere drafting device of enacting a prohibition (as *Newcrest* demonstrates). Just as labelling a measure a "forfeiture" does not take it outside s 51(xxxi),[58] nor does labelling a measure a prohibition.

Section 18(1) is in the nature of a due process requirement, and far removed from s 51(xxxi).

Indeed, in *Belfast Corporation v O D Cars Ltd* [1960] AC 490, the House of Lords specifically rejected the relevance of Australian authorities on s 51(xxxi) to that case: at 519-520. *Belfast* is referred to in Cancer Council submissions, para 13. The relevance of *Belfast* to Australia was rejected in *Tooth* (1979) 142 CLR 397 at 405 (Barwick CJ, dissenting in the result), 427-428 (Mason J).

56 ACT (BATA) submissions, paras 15-17.

JTI alleges that its Trade Marks and Get-Up are applied to the Tobacco Products for the purposes of identifying (including by identifying the origin of) the Tobacco Products and distinguishing the Tobacco Products from other tobacco products, to adult smokers in Australia: Reply and demurrer, para 10(2)

Demurrer book, [46]

57 *Bank of NSW v The Commonwealth* (1948) 76 CLR 1.

58 *Airservices Australia v Canadian Airlines* (1999) 202 CLR 133 at [101] (Gleeson CJ and Kirby J).

TPP Act does not provide "just terms" *JTI principal submissions, [57]-[58]*

30. The Commonwealth's contention that if there is an important public reason for acquiring property, just terms (transposed to mean "fair dealing") might permit little or no compensation at all, is novel and without authority.[59]

31. To the contrary, the relevant enquiry is:[60]

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

This accords with the purpose of the "just terms" requirement in s 51(xxxi), which is to provide the individual or the State "a protection against governmental interferences with his proprietary rights without just recompense".[61]

32. References to "fair dealing" mean no more than there is "a measure of latitude" for Parliament in determining the scope of compensation,[62] and do not mean that just terms can be reduced to nothing.[63] The statements by Kitto J in *Nelungaloo* relied on by the Commonwealth would not support that result. Kitto J was emphasising the "specially Australian character" of the issue of just terms in s 51(xxxi),[64] in the context of determining whether to grant a certificate to appeal to the Privy Council under s 74 of the Constitution.

NOVEL REGULATORY BENEFIT EXCEPTION IS WITHOUT MERIT

33. The Commonwealth contends that the TPP Act does not engage s 51(xxxi) at all – principally because of the alleged effects of using tobacco products, and the alleged "rational and/or cogent basis" for plain packaging. This contention goes beyond accepted

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59 Commonwealth (BATA) submissions, para 96, citing *Nelungaloo Pty Ltd v The Commonwealth* (1952) 85 CLR 545. Note that (contrary to the Commonwealth's footnote) not all of the passages cited in the submission were quoted in *Wurridjal v The Commonwealth* (2009) 237 CLR 309 at [190].

See also Commonwealth (BATA) submissions, para 98 ("beyond the requirements of any reasonable notion of fairness").

60 *Georgiadis v Australian and Overseas Telecommunications Corporation* (1994) 179 CLR 297 at 310 (Brennan J), emphasis added; *Smith v ANL Ltd* (2000) 204 CLR 493 at [8] (Gleeson CJ). See also *WMC Resources v The Commonwealth* (1998) 194 CLR 1 at [67] (Toohey J, dissenting in the result): "where terms depart from equivalence this may be a strong indication that they are not fair, not just".

61 *Bank of NSW v The Commonwealth* (1948) 76 CLR 1 at 349 (Dixon J).

62 *Smith v ANL Ltd* (2000) 204 CLR 493 at [48] (Gaudron and Gummow JJ), as noted in Commonwealth (BATA) submissions, para 96.

63 For example, in *Grace Brothers Pty Ltd v The Commonwealth*, it was permissible for the price payable on land compulsorily acquired by the Commonwealth to be assessed at a date prior to the announcement of the acquisition, to prevent a "windfall" from accruing to the owner: (1946) 72 CLR 269 at 280 (Latham CJ), 286 (Starke J), 292 (Dixon J), 295-296 (McTiernan J); contra 301 (Williams J, dissenting).

64 (1952) 85 CLR 545 at 600.

principles about genuine regulation or adjustment of rights falling outside s 51(xxxi). As explained above, the TPP Act cannot be justified on that basis.[65]

Test is whether just terms "inconsistent or incongruous" *JTI principal submissions, [54]*

34. There are some statements that appear to ask whether a Commonwealth law is appropriate and adapted to achieving a legislative purpose, in the context of asking whether an acquisition of property falls outside s 51(xxxi).[66] On analysis, however, these statements are only asking whether the Commonwealth law could be supported by a head of power other than s 51(xxxi).[67]

35. The point is made most clearly by McHugh J in *Airservices Australia v Canadian Airlines*.[68] His Honour stated that there is a two-stage process to determine whether an acquisition of property is within federal power but outside s 51(xxxi):[69]

    (1) First, is the impugned law a law within s 51(xxxi)?

    (2) Second, if no, is the law otherwise within the legislative power of the Commonwealth as a law with respect to another head of power?

36. Crucially, McHugh J said in *Airservices Australia v Canadian Airlines* that "[i]t is incorrect to seek to answer the second question and treat it as determining the answer to the first"[70] and held that the factor that determines whether an acquisition of property falls outside s 51(xxxi) is whether the provision of just terms would be "irrelevant or incongruous".[71] To similar effect, the plurality in *Theophanous v The Commonwealth*[72] held that an acquisition of property would fall outside s 51(xxxi) if the provision of just terms would be "inconsistent or incongruous".

37. The Commonwealth proposes to subsume s 51(xxxi) into a general inquiry about proportionality and fairness and render its application unlikely in most cases of Commonwealth appropriation. However, the suitability or justification of an acquisition of property is not relevant to whether it stands outside s 51(xxxi).[73] The question of whether the law can be supported by another head of power may involve questions of

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65 See paras 24 and 25 above.

66 See JTI principal submissions, para 54.

67 JTI accepts that the TPP Act is supported by the corporations power, where questions of "appropriate and adapted" are not relevant to validity: see JTI principal submissions, paras 55 and 56.

68 (1999) 202 CLR 133.

69 Ibid at [339].

70 Ibid. See also *Re Director of Public Prosecutions (Cth); Ex parte Lawler* (1994) 179 CLR 270 at 285-286 (Deane and Gaudron JJ).

71 *Airservices* (1999) 202 CLR 133 at [340]-[341].

72 (2006) 225 CLR 101 at [60] (Gummow, Kirby, Hayne, Heydon and Crennan JJ).

73 In *Phonographic Performance* [2012] HCA 8 at [111], Crennan and Kiefel JJ held that, in determining whether a new exception to an intellectual property right fell outside s 51(xxxi), a relevant factor was the public interest to be served by reducing the owner's exclusive rights. However, this was not a free-standing assessment of the public interest, but an examination of the degree of impairment of the owner's rights.

whether the law is "appropriate and adapted" or has a sufficient connection with a head of power, under ordinary principles of characterisation.[74] *Theophanous* casts doubt on whether proportionality is relevant to validity, once it has been determined that the acquisition stands outside s 51(xxxi) (question (2) above).[75]

38. Contrary to the Commonwealth's submissions,[76] there is no reason to import into s 51(xxxi) tests of validity that are used for constitutional limitations such as s 92 of the Constitution. Issues of constitutional interpretation are too complex and diverse to be resolved by adopting an all-embracing doctrine of interpretation.[77] In any event, there is a crucial difference between the constitutional contexts of these tests. A constitutional limitation such as s 92 prohibits action from being taken at all, whereas s 51(xxxi) is a condition on exercising a power of acquisition. It is not surprising that the approach in reconciling two sources of power (albeit with one power containing a condition) is different from the approach in reconciling a source of power and a constitutional prohibition.

39. The Commonwealth's argument conflates these two inquiries, running together notions of "appropriate and adapted" and "reasonably necessary" (which could only go to whether there is a head of power), with notions of whether an acquisition without just terms is "inconsistent or incongruous". The vice of this approach is that it substantially weakens the inquiry as to whether an acquisition falls outside s 51(xxxi) – the Commonwealth starts by asking whether just terms would be "inharmonious" or "out of keeping" with the legislative means chosen,[78] and ends by asking whether an acquisition of property is merely "consequential" or "incidental".[79]

The provision of just terms is not "inconsistent or incongruous"

40. The Commonwealth's approach is contrary to how the plurality in *Theophanous* used the expression "inconsistent and incongruous". The plurality in that case held that just terms would be inconsistent or incongruous when to characterise an exaction of government as an acquisition of property would be "incompatible with the very nature of the measure".[80] Their Honours referred to levying taxation, imposition of fines, exaction of penalties or forfeitures, and enforcement of a statutory lien.[81]

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74 *Theophanous* refers to *Leask v The Commonwealth* (1996) 187 CLR 579 at 593-595 (Brennan CJ), 602-603 (Dawson J), 616-617 (McHugh J), 624 (Gummow J). In this respect, *Leask* overtakes the discussion in *Cunliffe v The Commonwealth* (1994) 182 CLR 272, relied on by the Commonwealth: Commonwealth (BATA) submissions, para 82 (footnotes 216 and 217).

75 *Theophanous* at [69]-[70] (Gummow, Kirby, Hayne, Heydon and Crennan JJ), responding to *Lawler* (1994) 179 CLR 270 at 292-293, 294 (McHugh J).

76 See Commonwealth (BATA) submissions, para 82.

77 See *SGH Ltd v Federal Commissioner of Taxation* (2002) 210 CLR 51 at [41]-[42] (Gummow J).

78 Commonwealth (BATA) submissions, para 81.

79 Commonwealth (BATA) submissions, para 83.

80 *Theophanous* (2006) 225 CLR 101 at [60] (Gummow, Kirby, Hayne, Heydon and Crennan JJ).

81 Ibid.

41. To similar effect, other cases have asked whether the measure "permits of just terms",[82] whether the acquisition is "antithetical" to the notion of just terms,[83] whether providing just terms would be "absurd",[84] whether providing just terms would "defeat the purpose" of the statutory measure,[85] or whether the purpose of the measure would be "frustrated" by providing just terms.[86]

42. ***Nothing antithetical to the provision of just terms:*** In this case, there is nothing in the TPP Act that is incompatible by its very nature with the provision of just terms. The sale of tobacco products in Australia is highly regulated but legal, and therefore notions of forfeiture in aid of a sanction (so important in *Lawler*[87] and *Theophanous*[88]) are inapplicable. Providing just terms would make it much more expensive to achieve the objects of the TPP Act, but that is the case whenever the government seeks to acquire property. That feature alone does not defeat the purposes of the TPP Act, and take it outside s 51(xxxi). If the public benefit were so extreme, a reasonable legislature would have included a "shipwreck clause" instead of a reading down provision.

43. ***Not a "necessary or characteristic feature":*** There are different formulations of when an acquisition of property of this sort might fall outside s 51(xxxi). Sometimes it is asked whether the acquisition of property without just terms is a "necessary or characteristic feature".[89]

44. This test necessarily must operate harmoniously with the "inconsistent or incongruous" test. Given that this doctrine is an exception to the usual position that s 51(xxxi) (and its requirement for "just terms") is the exclusive source of power for the Commonwealth to acquire property compulsorily, the notions of "necessary" and "characteristic" must be kept within reasonable bounds. The Commonwealth argument, if accepted, would radically expand the power of the Commonwealth to acquire property without providing just terms, and would greatly reduce the protection of property. It is immaterial whether the Commonwealth intends to use the property for its own purposes[90] – it is well settled

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82 *Lawler* (1994) 179 CLR 270 at 285 (Deane and Gaudron JJ).

83 *Wurridjal* (2009) 239 CLR 309 at [358] (Crennan J).

84 *Lawler* (1994) 179 CLR 270 at 293 (McHugh J): to pay fair compensation to the owner of property validly forfeited would be "simply absurd".

85 *Siminton v Australian Prudential Regulatory Authority (No 2)* (2008) 168 FCR 122 at [29] (the Court): to provide just terms "would **defeat the purpose of the restraint itself** and would be inconsistent or incongruous in a relevant sense" (emphasis added).

86 *Airservices* (1999) 202 CLR 133 at [345] (McHugh J): the purpose of statutory liens would be "frustrated" if just terms were required.

87 (1994) 179 CLR 270 at 276 (Mason CJ), 278 (Brennan J), 285 (Deane and Gaudron JJ), 291 (Dawson J, with Toohey J agreeing on this point), 293 (McHugh J).

88 (2006) 225 CLR 101 at [14] (Gleeson CJ), [63] (Gummow, Kirby, Hayne, Heydon and Crennan JJ).

In *Airservices* (1999) 202 CLR 133, it was significant that the liens were incidental to collecting a debt owing to the Commonwealth: see [99]-[101] (Gleeson CJ and Kirby J), [158]-[159] (Gaudron J), [345] (McHugh J), [494] (Gummow J, with Hayne J agreeing on this point).

89 *Mutual Pools* (1994) 179 CLR 155 at 180-181 (Brennan J); *Airservices* (1999) 202 CLR 133 at [98] (Gleeson CJ and Kirby J).

90 Cf Commonwealth (BATA) submissions, para 74 (referring to the "use and service of the Crown").

that s 51(xxxi) is engaged when the acquisition is to the benefit of a person other than the Commonwealth.[91] Moreover, in *Newcrest*,[92] a prohibition on mining constituted an "acquisition of property", even though the Commonwealth had no intention of using the mineral rights for itself.

45. Statements that "necessary" does not mean indispensable[93] may be explained by two factors:

(1) First, an acquisition of property otherwise than on just terms might be a familiar historical measure, even if the acquisition without just terms is not strictly indispensable. For example, in *Airservices* it was significant that the liens in question were similar to those that had a long history.[94] By contrast, the TPP Act has no historic precedent (the Minister responsible for the legislation, has described the TPP Act as a "world-first initiative", and tobacco as being "not like any other legal product").[95]

(2) Second, the level of "necessity" may vary, depending on the extent to which a Commonwealth Act reduces existing property rights.[96] Here, the TPP Act largely prohibits the use of the Trade Marks and Get-Up on the last places where they may be lawfully used in Australia.

46. Accordingly, the acquisition of JTI's Trade Marks and Get-Up **without just terms** is neither a necessary nor a characteristic of plain packaging, as those terms are properly analysed.

CERTIFICATION

47. These submissions are suitable for publication on the Internet.

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91 See eg *ICM* (2009) 240 CLR 140 at [133] (Hayne, Kiefel and Bell JJ), and the cases cited.

92 (1997) 190 CLR 513.

93 *Airservices* at [98] (Gleeson CJ and Kirby J).

94 See particularly *Airservices* at [161] (Gaudron J); see also [97] (Gleeson CJ and Kirby J), [504] (Gummow J). Cf Commonwealth (BATA) submissions, para 59.

95 Cf Commonwealth (BATA) submissions, para 59 (footnote 165). Second Reading Speech, House of Representatives Debates, 6 July 2011 at p 7708 **Commonwealth extrinsic materials book, 53**

96 See *Phonographic Performance* [2012] HCA 8 at [111] (Crennan and Kiefel JJ): the extent to which an Act reduces property rights is relevant to whether an acquisition of property falls outside s 51(xxxi).

APPENDIX – EXTRINSIC MATERIALS

Explanatory Memorandum to the Tobacco Plain Packaging Bill 2011 (p1)

...

Tobacco smoking remains one of the leading causes if preventable death and disease among Australians, killing over 15,000 Australians every year. The social costs of smoking (including health costs) are estimated at $31.5 billion each year.

Commonwealth book of extrinsic materials, p 7

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Second Reading Debate for the Tobacco Plain Packaging Bill 2011 (House of Representatives Debates, 24 August 2011 at p 9278)

Ms ROXON [Gellibrand – Minister for Health and Ageing]

... the revenue that is raised by the excise on tobacco is five or six times less than the amount that we spend in dealing with the social, health and economic costs of smoking. This financial year it is projected that the revenue raised from tobacco excise will be $5.8 billion. The latest report indicates that the estimated health and social costs of tobacco in Australia a number of years ago was $31.5 billion annually. Therefore, the costs to our system are far greater than any benefit that the coalition says the government or taxpayers
20 receive from this product.