

Australia

“Plain Packaging”

**Constitution of the Commonwealth of Australia, Sec. 51(xxxi);
Tobacco Plain Packaging Act 2011 – *JT International SA v.
Commonwealth of Australia and British American Tobacco
Australasia Limited v. The Commonwealth***

Decision of the High Court

Date of Order: 15 August 2012; Date of Publication of

Reasons: 5 October 2012 – Case No. [2012] HCA 43

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The provisions of the Tobacco Plain Packaging Act 2011 (Cth) do not result in an acquisition of property of the plaintiffs under Sec. 51(xxxi) of the Constitution of the Commonwealth of Australia.

Chief Justice French:

I. Facts and Proceedings

1. The Tobacco Plain Packaging Act 2011 (Cth) (“the TPP Act”) imposes significant restrictions upon the colour, shape and finish of retail packaging for tobacco products. It prohibits the use of trade marks on such packaging, other than as permitted by the TPP Act, which allows the use of a brand, business or company name for the relevant tobacco product. Pre-existing regulatory requirements for health messages and graphic warnings remain in place and include, under a recent Information Standard, a requirement for the inclusion of the Quitline logo of the Victorian Anti-Cancer Council and a telephone number for the Quitline service. It is an object of the TPP Act to give effect to obligations that Australia has as a party to the Convention on Tobacco Control. (1, 9)

2. In two proceedings which were heard by this Court in April this year, the plaintiffs, tobacco companies JT International SA (“JTI”) and members of the British America Tobacco Group (“BAT”) argued that, subject to a reading down provision, the TPP Act effected an acquisition of their intellectual property rights and goodwill on other than just terms, contrary to Sec. 51(xxxi) of the Constitution. On 15 August 2012 the Court made orders reflecting the rejection of the plaintiffs’ contentions, by majority, on the basis that there had been no acquisition of the plaintiffs’ property within the meaning of Sec. 51(xxxi) of the Constitution. I publish my reasons for joining in those orders. (2–3)

3. The TPP Act regulates the retail packaging and appearance of tobacco products. The Act is superimposed upon pre-existing regulatory requirements for health warnings and safety and information standards applied to tobacco products and their

packaging. Its stated objectives include the improvement of public health by discouraging people from taking up smoking, encouraging people to give up smoking, discouraging people from relapsing if they have given it up, and reducing people's exposure to smoke from tobacco products. (4)

Substantive requirements for the physical features, colours and finish of retail packaging are imposed by Secs. 18 and 19 of the TPP Act and by the Tobacco Plain Packaging Regulations 2011 (Cth) ("the TPP Regulations") made under that Act. Embellishments on cigarette packs and cartons are proscribed. Packs and cartons are to be rectangular, have only a matt finish, and bear on their surfaces the colour prescribed by the TPP Regulations. Absent regulation, the colour of the package must be a drab dark brown. The use of trade marks on retail packaging of tobacco products is prohibited other than as permitted by Sec. 20(3), which provides: "The following may appear on the retail packaging of tobacco products:

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

Section 26 imposes a similar conditional prohibition on the use of trade marks on tobacco products. The term "relevant legislative requirement" in Sec. 20(3)(b) includes a health warning required by the Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations 2004 (Cth) ("the TPCPI Regulations") or a safety or information standard made or declared under the Competition and Consumer Act 2010 (Cth) ("the CCA"). Brand, business, company and variant names for tobacco products which appear on retail packaging must comply with the TPP Regulations. They must not obscure any "relevant legislative requirement" or appear other than once on any of the front, top and bottom outer surfaces of the pack. (5–6)



[editorial note: these are examples for cigarette packaging under the TPP Act, see <http://www.yourhealth.gov.au/internet/yourhealth/publishing.nsf/Content/tobacco-label-images>]

4. The registrability of trade marks and designs whose use is subject to constraints imposed by the TPP Act and the TPP Regulations is not to be prejudiced by those constraints. Neither the TPP Act nor the TPP Regulations deprive a trade mark of registrability for non-use, or because the use of the trade mark in relation to tobacco products would be contrary to law. Neither the TPP Act nor the circumstance that a person cannot use a trade mark in relation to the retail packaging of tobacco products or on tobacco products is a circumstance making it reasonable or appropriate to refuse or revoke registration of the trade mark, to revoke acceptance of an application for registration, or to register the trade mark subject to conditions or limitations. There is a somewhat less elaborate protection for registered designs under the Designs Act 2003 (Cth). (8)

5. Japan Tobacco International (JTI) and British American Tobacco (BAT) contended that the TPP Act would effect an acquisition of their property on other than just terms contrary to the guarantee provided by Sec. 51(xxxi) of the Australian Constitution. The categories of property rights said to be affected appear from the pleadings. In the case of JTI, they are its registered trade marks and get-up. In the case of BAT, they are its registered and unregistered trade marks, copyright, get-up, licensing goodwill, design, patents, packaging rights, packaging goodwill and intellectual property licensing rights. (19–20, 24–26, 28)

The Commonwealth denied that the TPP Act effected or would effect an acquisition of property otherwise than on just terms to which Sec. 51(xxxi) applied. It pleaded that the consumption of JTI's tobacco products and the tobacco products of other manufacturers, importers and distributors is harmful to the public and to the public interest. The Commonwealth also asserted the existence of "a rational and/or cogent basis" for concluding that the plain packaging of tobacco products would reduce their appeal to members of the public and increase the effectiveness of health warnings on the retail packaging of the products. It was also asserted that such packaging would also reduce the ability of the retail packaging of tobacco products to mislead members of the public about the harmful effects of smoking. (21–22)

II. The Affected Rights

6. Section 51(xxxi) confers upon the Commonwealth Parliament the power to make laws with respect to: "[t]he acquisition of property on just terms from any State or person for any purpose in respect of which the Parliament has power to make laws". It uses the term "property" which appears in a number of places in the Constitution. As used in Sec. 51(xxxi) it has long been construed broadly by this Court. It extends to property rights created by statute although the terms of such statutes and the nature of the property rights which they create require examination to determine whether and to what extent that property attracts the protection of Sec. 51(xxxi). As the plurality cautioned in *Attorney-General (NT) v. Chaffey*, further analysis is imperative where the asserted "property" has no existence apart from statute. (29)

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

On the other hand, that statement is not to be taken as support for the proposition that the extinguishment or restriction of a statutory exclusive right, without more, would constitute an acquisition for the purpose of Sec. 51(xxxi). That statement was made in a context of a rejection of the broad proposition that the statutory extinguishment of statutory rights is excluded from the scope of Sec. 51(xxxi). The question whether there has been an acquisition of all or any of the plaintiffs’ asserted property rights directs attention to their source and nature and the consequences of the restrictions imposed by the TPP Act upon their use or enjoyment. The property said to have been the subject of acquisition under the TPP Act comprises a mixture of statutory and associated or derivative non-statutory rights. It is useful to make brief generic reference to them. (30)

8. At common law, the property interest associated with a trade mark was derived from the goodwill of the business which used it. However, the rights conferred by successive Commonwealth statutes on the holders of registered trade marks have always been “a species of property of the person whom the statute describes as its registered proprietor”. Those rights are the exclusive rights to use the trade mark and to authorise other persons to use the trade mark in relation to the goods and/or services in respect of which the trade mark is registered. They are capable of assignment and transmission and attract equities which “may be enforced in the like manner as in respect of any other personal property.” Their existence is conditioned upon satisfaction of requirements for registration. They can cease to exist by operation of statutory mechanisms such as rectification, removal from the register, or failure to renew. As pointed out in the 5th edition of *Shanahan’s Australian Law of Trade Marks and Passing Off*: “the property in a statutory trade mark is not permanent.” (31)

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

The principal object of the registered designs system is to give protection, through the grant of a monopoly right, to the visual form of articles which are commercially mass-produced. Concern with questions of design and appearances has had a long history, as it has been seen for many hundreds of years that good design is an integral part of the manufacture and marketing of all kinds of useful articles. (32)

10. The Patents Act 1990 (Cth) provides that a patent gives the patentee the exclusive rights, during the term of the patent, to exploit the invention and to authorise another person to exploit the invention. Those exclusive rights are “personal property and are capable of assignment and of devolution by law.” The origin of patents for inventions can be traced back to the Statute of Monopolies of 1623, declaring all monopolies void, subject to the exception in Sec. 6 of that Statute that: “any letters patents and grants of privilege for the ... making of any manner of new manufactures within this realm, to the true and first inventor and inventors of such manufactures, which others at the time of making such letters patents and grants shall not use”. That provision still forms part of the definition of “patentable invention” in the Patents Act 1990 (Cth). Its purpose was succinctly stated by Cornish, Llewellyn and Aplin: “the terms of the section make it plain that an act of economic policy was intended: the objectives were the encouragement of industry, employment and growth, rather than justice to the ‘inventor’ for his intellectual percipience.” (33)

11. Copyright is defined by reference to exclusive rights of, inter alia, reproduction and publication of works and subject matter other than works. It is classified in the Copyright Act as “personal property” which is transmissible by “assignment, by will and by devolution by operation of law.” (34)

12. Registered trade marks, designs, patents and copyright in works and other subject matter give rise to, or constitute, exclusive rights which are property to which Sec. 51(xxxi) of the Constitution can apply. They are all rights which are created by statute in order to serve public purposes. They differ in their histories, their character and the statutory schemes which make provision for them. It is important in that context to bear in mind the adoption by this Court in *Campomar* of the statement by Dixon J in *Victoria Park Racing and Recreation Grounds Co Ltd v. Taylor* that: “the exclusive right to invention, trade marks, designs, trade name and reputation are dealt with in English law as special heads of protected interests and not under a wide generalisation.” (35)

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

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

In *Pacific Film Laboratories Pty Ltd v. Federal Commissioner of Taxation*, Windeyer J spoke of the essential nature of a copyright: “It is not a right in an existing physical thing. It is a negative right, as it has been called, a power to prevent the making of a physical thing by copying.” To similar effect, in relation to patents, was the observation of Lord Herschell LC in *Steers v. Rogers*, quoted with approval by the plurality in *The Grain Pool of Western Australia v. The Commonwealth*:

The truth is that letters patent do not give the patentee any right to use the invention—they do not confer upon him a right to manufacture according to his invention. That is a right which he would have equally effectually if there were no letters patent at all; only in that case all the world would equally have the right. What the letters patent confer is the right to exclude others from manufacturing in a particular way, and using a particular invention. (36)

14. The Commonwealth submitted that the property rights associated with the registered trade marks, design, patents and copyright asserted by JTI and BAT involve “a statutory assurance of exclusive use, not a positive right or authority to use.” On that basis the imposition of restrictions on their use would take nothing away from the rights granted. Therefore, it was submitted, no property had been taken by the TPP Act. BAT stigmatised that argument as formalistic, observing that rights of exclusion are of the essence of all proprietary rights. Plainly, not all property rights are defined only by rights of exclusion. In law the term “property” generally refers to “a legal relationship with a thing” and in many cases is helpfully described as “a bundle of rights”. However, BAT correctly submitted that rights to exclude others from using property have no substance if all use of the property is prohibited. (37)

The Commonwealth’s submission points to a characteristic of the plaintiffs’ asserted rights which may be relevant in determining, inter alia, whether or not they can be said to have been the subject of acquisition in terms of any benefit that could be said to have accrued to the Commonwealth. That consideration does not involve an acceptance of the proposition that rights were not taken in the sense that JTI and BAT were deprived of their ability to enjoy the fruits of their statutory monopolies. (38)

15. BAT complained of acquisition of its goodwill. The concept of goodwill as property, and its characterisation as property or a proprietary right, arise in different contexts, discussed at length in the joint judgment in *Federal Commissioner of Taxation v. Murry*. As their Honours pointed out: “Goodwill is correctly identified as property, therefore, because it is the legal right or privilege to conduct a business in substantially the same manner and by substantially the same means that have attracted custom to it.” [citation omitted] Goodwill is derived from the use of the

assets and other elements or attributes of a business. It may have different aspects or components corresponding to its sources.

Goodwill derived from the use of a trade mark, registered or unregistered, or from a particular get-up, may be protected by an action for passing off. Lockhart J observed in *Conagra Inc v. McCain Foods (Aust) Pty Ltd*: “It is now beyond argument that the plaintiff’s right which the law of passing off protects is a proprietary right in the goodwill or reputation of his business likely to be injured by the defendant’s conduct.” That cause of action serves the purpose, which is its “underlying rationale”, of preventing commercial dishonesty. (39)

16. It has rightly been said that “[t]here is no ‘property’ in the accepted sense of the word in a get-up”. The rights associated with a particular get-up, which may also be viewed as a species of common law trade mark, are the rights to protect goodwill by passing off actions or the statutory cause of action for misleading or deceptive conduct where another has made unauthorised use of the get-up in a way which satisfies the relevant criteria for liability. The get-up rights asserted by JTI and BAT and the other non-statutory rights are, like their statutory equivalents, exclusive rights which are negative in character and support protective actions against the invasion of goodwill. (40)

III. Whether There is an Acquisition of Property

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

Taking involves deprivation of property seen from the perspective of its owner. Acquisition involves receipt of something seen from the perspective of the acquirer. Acquisition is therefore not made out by mere extinguishment of rights. In an observation quoted and approved by the majority in *Australian Tape Manufacturers Association Ltd v. The Commonwealth*, Mason J said in the *Tasmanian Dam* case: “To bring the constitutional provision into play it is not enough that legislation adversely affects or terminates a pre-existing right that an owner enjoys in relation to his property; there must be an acquisition whereby the Commonwealth or another acquires an interest in property, however slight or insubstantial it may be.”

Importantly, the interest or benefit accruing to the Commonwealth or another person must be proprietary in character. On no view can it be said that the Commonwealth as a polity or by any authority or instrumentality, has acquired any benefit of a proprietary character by reason of the operation of the TPP Act on the plaintiffs’ property rights. In this respect I agree with the reasons of Gummow J and the reasons of Hayne and Bell JJ. (41–42)

18. It may also be observed that the negative character of the plaintiffs’ property rights leaves something of a logical gap between the restrictions on their enjoyment

and the accrual of any benefit to the Commonwealth or any other person. Unlike the *Newcrest* case, there is no expansion in rights, interests, or benefits accruing to the Commonwealth that corresponds to or bears any relationship to the restrictions imposed on the use of the plaintiffs' intellectual property rights. The fact that the restrictions and prohibitions imposed by the TPP Act create the "space" for the application of Commonwealth regulatory requirements as to the textual and graphical content of tobacco product packages does not constitute such an accrual. Rather, it reflects a serious judgment that the public purposes to be advanced and the public benefits to be derived from the regulatory scheme outweigh those public purposes and public benefits which underpin the statutory intellectual property rights and the common law rights enjoyed by the plaintiffs. The scheme does that without effecting an acquisition. (43)

19. In summary, the TPP Act is part of a legislative scheme which places controls on the way in which tobacco products can be marketed. While the imposition of those controls may be said to constitute a taking in the sense that the plaintiffs' enjoyment of their intellectual property rights and related rights is restricted, the corresponding imposition of controls on the packaging and presentation of tobacco products does not involve the accrual of a benefit of a proprietary character to the Commonwealth which would constitute an acquisition. That conclusion is fatal to the case of both JTI and BAT. (44)

20. For these reasons, I joined in the orders made by the Court on 15 August 2012. (45)

[Editorial Note: Justices Gummow (at 46–160), Hayne and Bell (161–191), Crennan (244–307) and Kiefel (308–374) concur with the opinion of Chief Justice French, albeit giving their own detailed reasoning; Justice Heydon however dissented by finding that there is an acquisition of property (192–243); see <http://www.austlii.edu.au/au/cases/cth/HCA/2012/43> for the full text]