[2012] HCATrans 091

IN THE HIGH COURT OF AUSTRALIA

Office of the Registry
Sydney

No S409 of 2011

B e t w e e n -

JT INTERNATIONAL SA

Plaintiff

and

COMMONWEALTH OF AUSTRALIA

Defendant

Office of the Registry
Sydney

No S389 of 2011

B e t w e e n -

BRITISH AMERICAN TOBACCO
AUSTRALASIA LIMITED
ACN 002 717 160

First Plaintiff

BRITISH AMERICAN TOBACCO
(INVESTMENTS) LIMITED
BCN 00074974

Second Plaintiff

BRITISH AMERICAN TOBACCO AUSTRALIA LIMITED
ACN 000 151 100

Third Plaintiff

and

THE COMMONWEALTH OF AUSTRALIA

Defendant

FRENCH CJ
GUMMOW J
HAYNE J
HEYDON J
CRENNAN J
KIEFEL J
BELL J

TRANSCRIPT OF PROCEEDINGS

AT CANBERRA ON TUESDAY, 17 APRIL 2012, AT 10.15 AM

MR G. GRIFFITH, QC: If the Court pleases, I appear with my learned friends, **MR G.A. HILL** and **MR C.O.H. PARKINSON** for the plaintiff, JTI. (instructed by Johnson Winter & Slattery)

MR A.J. MYERS, QC: May it please the Court, I appear with **MR M.F. WHEELAHAN, SC**, **MR N.J. OWENS** and **MR M.J. O'MEARA** for the British American Tobacco parties. (instructed by Corrs Chambers Westgarth Lawyers)

MR A.C. ARCHIBALD, QC: If it please the Court, I appear with **MR C.P. YOUNG** for Philip Morris Limited. Philip Morris Limited intervenes in the BAT proceeding. (instructed by Allens Arthur Robinson)

MR B.W. WALKER, SC: May it please the Court, I appear with **MR C. LENEHAN** intervening in support of the British American Tobacco plaintiffs for Van Nelle Tabak Nederland BV and Imperial Tobacco Australia Limited. (instructed by King & Wood Mallesons)

MR S.J. GAGELER, SC, Solicitor-General of the Commonwealth of Australia**:** If the Court pleases, in each matter I appear with **MR R. MERKEL, QC**, **MR S.B. LLOYD, SC**, **MR J.K. KIRK, SC**, **MS A.M. MITCHELMORE** and **MR J.S. COOKE** for the defendant, the Commonwealth. (instructed by Australian Government Solicitor)

MR W. SOFRONOFF, QC, Solicitor-General of the State of Queensland**:** May it please the Court, I appear with my learned friend, **MR G.J.D. DEL VILLAR** for the Attorney-General for the State of Queensland. (instructed by Crown Law (Qld))

MR M.P. GRANT, QC, Solicitor-General for the Northern Territory**:** May it please the Court, I appear with my learned friend, **MR R.H. BRUXNER** for the Attorney-General for the Northern Territory intervening. (instructed by Solicitor-General for the Northern Territory)

MR P.J.F. GARRISSON, Solicitor-General for the Australian Capital Territory**:** If it please the Court, I appear with my learned friend, **MS M.A. PERRY, QC** for the Attorney-General for the Australian Capital Territory. (instructed by ACT Government Solicitor)

MR M.K. MOSHINSKY, SC: If the Court pleases, I appear with my learned friend, **MR A.M. DINELLI** for Cancer Council Australia which seeks leave to appear each proceeding as an amicus curiae. (instructed by Gordon Legal)

FRENCH CJ: Mr Moshinsky, the Court has had regard to the submissions you have filed. It takes account of the fact that the matters you seek to canvass are adequately canvassed in the Commonwealth submissions. It would not be assisted by the intervention of your client and so leave to intervene will be refused.

MR MOSHINSKY: If the Court pleases.

FRENCH CJ: You have leave to withdraw.

MR MOSHINSKY: Thank you, your Honour.

FRENCH CJ: Thank you, Mr Moshinsky. Yes, Mr Griffith.

MR GRIFFITH: If the Court pleases, in the matter in which I appear the matter comes under a demurrer which appears in paragraph 21 at page 49 of the demurrer book. The four issues maintained there, if the Court pleases – the first three are the obvious ones of whether the rights claimed by way of:

Trade Marks and the Get Up –

as pleaded –

constitute "property" –

within the meaning of the acquisitions power, whether there has been an extinguishment of that property to the extent of a sufficient benefit conferred upon the Commonwealth. There is an issue of whether or not this characterisation of the statutory provisions as a mere regulation, rather than something constituting either extinguishment or the acquisition of a benefit and the more obvious issue of, if otherwise as an acquisition it

would be otherwise than on just terms –

on which our submissions are very brief. There is also the issue of whether or not the matters pleaded in particular paragraphs of the Commonwealth's defence are relevant to the constitutional validity of the Act. Our position is what we have referred to as a novel regulatory benefit defence as pleaded suffices at law by reference to the facts pleaded in the defence itself as distinct from the schedules A, B and C to that defence, if made out, would constitute a defence. So we seek just to deal with the issue as raised by the Commonwealth and we see ourselves as doing that by way of response to the argument raised by the Commonwealth.

Your Honours, can I mention the issue of timing. The calculation by the Commonwealth has been there is approximately six and a half hours for each interest, as it were. It has been agreed in a loose way that each party – put as a party on one side or the other interest for validity or for invalidity – will take six and a half hours spread, in the case of the claimants, over their opening submissions and their replies, probably on the basis that we would intend to finish the opening statements of all parties either at the end of today as the Court adjourns or soon in the morning and to take up the perhaps two and a half hours of balance in reply on Wednesday.

The Commonwealth has indicated that parties in the interest supporting validity would then appropriate up to six and a half hours from the time that the claimants finish their in-chief address and to be followed by replies. There is a possibility we might finish early, but we do intend to finish within the allotted three days. If the Court is happy to leave it on a

loose arrangement and rely on counsel to act appropriately, I will intend to make my contributions, your Honours, by opening briefly on the legislation and dealing with matters, confident I am that following parties will be able to exhaust some of the interstices given that we are covering much the same ground.

We do so, your Honours, on the basis that there are exhaustive exchanges of submissions which, even though, your Honours, in my case are conveniently comprised in a A5 volume, would seem to say almost, we would hope, everything that could be said on this issue and we do not intend, your Honours, to rehearse the trite or the obvious or even some of the more difficult matters of exposition.

But, your Honours, in a way, a bit like the tablet from the mount, we have the outlines of the issues and what we seek to do, your Honour, is to maintain a conventional analysis, at least in-chief before the Court and our submission is that we say, your Honour, that the elements of property claimed in our statement of claim of the trademarks conceded as property as such, we assert that the get-up of that product should be regarded as sufficient property interest. There is acquisition and we argue that there is sufficient by way of benefit, your Honour, to constitute an acquisition for which just terms, which are not provided, is called for.

One thing is clear, your Honours, there is no shipwreck clause, so that whatever incantations there are for extreme public benefit, the legislative choice is to stand or fall on the basis of whether or not there is an acquisition rather than opting, your Honour, to cover it by way of an acquisitions clause.

CRENNAN J: When you are referring to "get-up" you are always including in the get-up, are you, the word mark "Camel"?

MR GRIFFITH: We do, but we do not have to, your Honour, because what we say is it is the whole packet itself and what I intend to do after opening the legislation is to distribute to the Court our cigarette packet under the existing regulatory scheme and say that self-evidently when one looks at the trademarks applied, including the words which constitute trademarks but also constitutes, your Honour, words which are attached by way of the way the product is presented for sale, that that in its entirety constitutes sufficient get-up which is capable at common law of constituting a property interest which may be defended if appropriated by others. We say that suffices of property interest when appropriated by the Commonwealth.

Your Honours, our position is that the production of the packet itself constitutes sufficient for the Court to be apprised and take notice of the fact

that that is our commercial get-up in the context of an admitted regulatory scheme whereby, on the basis pleaded by the Commonwealth in its defence, that is the only mechanism for JTI to put its product in the market and it is not capable of being otherwise exhibited or applied in advertisement as a billboard or any other distribution mechanism, sponsorship or the like. So, the effect of the legislation is that by force of the Act both the application of the trademarks and also the application of the entirety of the get-up is entirely eliminated from the commercial landscape of Australia.

CRENNAN J: Your early trademarks are for the word alone - the one in 1979, the word in fancy lettering and then in 1980 the word in plain lettering which would be – the second one would give you the widest coverage for infringement purposes.

MR GRIFFITH: Yes, indeed, your Honours. One aspect of the get-up pleading is that of course it is put in the issue of the trademark that there is a regulatory inference and we say whatever is put in respect of that, and we deny that our trademark can be regarded as something susceptible to elimination as a trademark any more than the say trademark "Coca-Cola" could - - -

CRENNAN J: The packaging legislation permits you to use the word mark simpliciter.

MR GRIFFITH: And that is all.

CRENNAN J: That is in fact your 1980 registration, so - - -

MR GRIFFITH: Yes, of course, your Honour, but it is an existing registration. We can use that but we cannot use our other trademarks and in our pleading we have set out the existing use of trademark as a representative trademark which of course includes the well-known Camel brand in which the Second World War might have been regarded as fought and won so it is not limited to the word trademark.

CRENNAN J: But the words since 1913 seem to appear there so it would suggest very long usage.

MR GRIFFITH: Yes, of course, your Honour. What we say, your Honour, is whatever rights we have respect – within our entire suite of trademarks it is eliminated other than the use of the, if you like, the trademark, the word "Camel" in 16 points on the prescribed background and what we say is that in all other ways the trademarks are extinguished and in all other ways the application of our commercial get-up is extinguished.

CRENNAN J: Well, the word mark would be considered, would it not, the most distinctive aspect of your get-up mark, if you were going to distinguish between the words and the get-up. It is from that point of view that reported cases are full of get-up cases where defendants have won because the word itself, as a trademark, is generally the most distinctive aspect of a get-up mark.

MR GRIFFITH: Of course, that is a matter for the Court, your Honour. I will distribute this pack, but we would say that the camel on the pack, even with the word "Camel", has plainly and self-evidently that element of recognition, even without the word that we would be able to prevent, at least in the aspect of sales of cigarettes, your Honour, the application of the camel. That is the way we have pleaded it and had a representative pleading of the trademark in our claim.

Your Honour sees how we put it, but what we complain about is that we are eliminated from the suite of use of the trademark and the get-up, other than, as your Honour correctly points out, the word "Camel", which has such longstanding registration. But we are not allowed to use it in the get-up of the trademark registration. We are only allowed to use the bare word, the beast invented by a committee, and do that in 16 point prescribed print on the prescribed background. I hope I have sufficiently answered your Honour's question.

May I go briefly to the legislation? The most convenient reference with respect to the legislation is the copy legislation by the BAT plaintiffs. I do not know whether your Honours are using that, because there is a small volume which has both the regulations and also the 2011 – we call it the TPP Act, but if your Honours have the Act separately, that suffices. Could I take your Honours to the *Tobacco Plain Packaging Act 2011*, which we call the TPP Act, first. There are not many sections because most of the legislation is dealing with enforcement issues. Section 3 of the Act sets out the objects of the Act to improve public health in the various ways listed and also (b):

> to give effect to obligations that Australia has as a party to the Convention on Tobacco Control.

I should pause there to say, your Honours, that JTI concedes that the law is valid as against it under the corporations power and although, as an abstract issue, one may contest whether or not the law is valid by reference to the Convention on Tobacco Control, that is not seen by the plaintiff as a relevant issue because it concedes that the law is valid other than in the aspect it may constitute an acquisition otherwise than on just terms. Subsection (2) states:

> It is the intention of the Parliament [intending to achieve] the objects in subsection (1) by regulating the retail packaging and appearance –

In effect, it means "further regulating" because as your Honours are aware, the prior regulations had the effect of already regulating packaging. Could I then take your Honours to Division 1 of the Act, which deals with the issues of the:

> Requirements for retail packaging and appearance of tobacco products -

Section 18 provides for the physical features of retail packaging. Section 19 provides for the colour and finishing of retail packaging. Section 20 was directed to trademarks and marks generally appearing on retail packaging and the operative provision, subsection (1) says:

> No trade mark may appear anywhere on the retail packaging of tobacco products, other than as permitted by subsection (3).

No other mark may appear. The permitted trademarks are, as your Honour Justice Crennan pointed out, one may use the brand name of the tobacco product, you must require to comply with relative requirements in subsection (b) referred to as "legislative requirements" which, by reference to the definition in section 4(1), including:

> (a) a health warning;
>
> (b) a fire risk statement –

and section 20(3)(c):

> any other trade mark or mark permitted by the regulations.

which constitutes the words of the trademark itself and a variant which, for example, may be constituted by the word "filter", but not words which may give any other impression as to the - - -

GUMMOW J: Does not section 27A provide the starting point?

MR GRIFFITH: Yes, your Honour.

GUMMOW J: All these are definitional matters.

MR GRIFFITH: Yes, they are definitional. Yes, your Honour. Section 27A, your Honour, prescribes that regulations may provide additional requirements and, your Honour, those regulations were

previously provided in the Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations 2004 and are now constituted in the Tobacco Plain Packaging Regulations 2011 as augmented by the 2012 regulations which extend the application to tobacco as compared with cigarettes, and also to cigars.

I will take the Court to those requirements briefly, but if I could deal with the other provisions of the *Trade Marks Act* which seem relevant. Section 28, which I will return to, is a curious provision which prescribes that one can register a trade mark notwithstanding that the Australian law now prohibits its use other than by being affixed to wholesale packaging but not retail packaging and its use for production for export. Notwithstanding the circumstance that the legislative effect is that one cannot use a trade mark otherwise under Australian law, subsection (1) enables you to register a trade mark. In theory, one could licence the use of that trade mark by another person, but the effect of the Act is no other person can use that trade mark, so, effectively, that right of licence is extinguished. Subsection (2) is curiously expressed as saying:

> To avoid doubt –

the effect of the *Trade Marks Act* –

> does not have the effect that the use of a trade mark in relation to tobacco products would be contrary to law.

Further to avoid doubt - - -

FRENCH CJ: That picks up the objections to registration and grounds for removal under the *Trade Marks Act*, does it not?

MR GRIFFITH: Yes. There might be objection because, for example, you do not use it and what the Act is saying is that otherwise, apart from the effect of this Act, the trademark would be available to you. It remains available to you but, nonetheless, you cannot use it. What we say, your Honour, particularly subsection (4) has the effect that:

> an opponent is taken to have rebutted an allegation if the opponent establishes that the registered owner would have used the trade mark in Australia on or in relation to the retail packaging of tobacco products, or on tobacco products, but for the operation of this Act.

So, in effect, the Act is admitting that the operation of these provisions are that you are unable to use the trade mark but, nonetheless, you are entitled to maintain your rights with respect to - - -

FRENCH CJ: Does subsection (2) assume that the term "contrary to law" in the *Trade Marks Act* is ambulatory in the sense that it is not limited to what might be contrary to the law at the time of registration?

MR GRIFFITH: One must assume that, your Honour. The Act does not say one way or the other, but it would be given sensible meaning in that operation. It may well be, your Honour, that it should be read literally and it does not have that effect. As we look at it, your Honour, probably the answer is no, if I could have a reflecting answer on that.

CRENNAN J: One possible meaning of subsection (2) is that when you use the word "simpliciter" without the rest of the get-up, as permitted by the Packaging Act, you will not be subject to an action for removal.

MR GRIFFITH: That could be, but when one looks at the - - -

CRENNAN J: That is one possibility.

MR GRIFFITH: Your Honour, that is a possibility, but the effect of section 28, when read as a whole, is that, notwithstanding the restrictions which mean that you could only use the word itself on the limited extent on the package and to the exceptions that you are allowed to apply the trademark to the packaging is for wholesale distribution and for export, one might assert that there is non-use of the trademark under the law, apart from this Act. What the Act does is completely preserve your rights so far as being the legal owner of that complete trademark, including beyond the words. However, we say the operative part is that it has no content because you are not able to use it in this the last way that was – until this Act opened – for you to apply your trademark and use it in the commercial sense under which it was registered.

CRENNAN J: You use an essential particular of it which is the word.

MR GRIFFITH: Your Honour, I accept that.

CRENNAN J: You know, it does cause confusion, I think, in this case if you only refer to a trademark as being a composite mark and then talk about well, marks cannot be used because the composite mark, as we have accepted, has the word as part of it and I think subsection (2) is possibly directed to preserving the position when the fancy lettering and so on cannot be used. But the mark is being used as permitted because the whole idea of being use contrary to law always turns on use of the mark.

MR GRIFFITH: We accept that, your Honour, but our position is that having regard to the fact that the only mechanism available to us for application of the mark is the word simpliciter as being that part that

your Honour refers to has the effect, when one looks at the operation of the Act, of constituting an extinguishment of our rights with respect to all other aspects of our trademark.

GUMMOW J: Well, we need to know what the rights are that are granted by the *Trade Marks Act*, do we not, because otherwise we cannot start to talk about section 51(xxxi) because we do not know that upon which the Packaging Act is bringing to bear.

MR GRIFFITH: Yes, of course, your Honour, but I was going to take the Court to the *Trade Marks Act* next, if I could. But can I deal with the regulations before I do that?

FRENCH CJ: Is there any statutory interaction between the Packaging Act and the provisions of the Australian competition and consumer law relating to the promulgation of information standards?

MR GRIFFITH: Your Honour, there is to the extent that the standards, the 2011 standards to which I was going to take the Court prescribe in detail exactly what it is that one can apply it to the packets. Does that answer your Honour's question?

FRENCH CJ: No, that standard is made under the competition and consumer law.

MR GRIFFITH: Yes, it is, your Honour.

FRENCH CJ: Is there any statutory link between the Packaging Act itself and is there any cross-reference to the standard in the Packaging Act or in the regulations or are they two schemes which will stand side by side?

MR GRIFFITH: They are entirely parallel and complementary, your Honour. We say that the standard is relevant to the legislative requirement in section 4. That really picks it up. Your Honour, I mention that the relevant legislative requirement arises from the definition in section 4 of the Act which says:

> *relevant legislative requirement* means any of the following:
>
> (a) a health warning;
>
> (b) a fire risk statement;
>
> (c) a trade description;
>
> (d) a measurement mark.

Then, your Honour, the definition of "health warning" is picked up on the previous page.

GUMMOW J: Then how is that definition of "relevant legislative requirement" put to work?

MR GRIFFITH: How does it work?

GUMMOW J: Yes.

MR GRIFFITH: Your Honour, if you go to section 20(3), it says - - -

GUMMOW J: Subsection (3)(b).

MR GRIFFITH: I just took the Court to that.

The following may appear . . .

(a) the brand -

which is the name often, as Justice Crennan referred to –

(b) the relevant legislative requirements;

(c) any other trade mark or mark permitted by the regulations.

FRENCH CJ: So that is a carve-out of the prohibition, as it were?

MR GRIFFITH: Yes, it is, your Honour.

GUMMOW J: That supports your point that the two systems run along two tracks?

MR GRIFFITH: Yes, quite so, your Honour. The effect is one can use, as Justice Crennan points out, the name "Camel" but that is it. Everything else goes - anything by way of other aspects of the trademarks or other aspects we say of the get-up. I hope that answers your Honours' questions.

In section 21 I have briefly referred the Court to dealing with the appearances on the packets. Could I then go to the existing regulations which are the 2004 regulations? I mentioned that they are included usefully in the back of the plaintiff's copy of legislation. It is the first document there. I should go to document 3 next, I am told, your Honour. With respect to that, the operative provisions are the physical features and retail packaging which one finds in Division 2.2 on page 7 that deals with colour

and finishing. It provides for a colour Pantone 448 C for the outer surfaces, other than, of course, the aspects appropriated with respect to health warnings and other prescribed matters and then a provision for the inner surfaces.

Then on the following page Division 2.3 dealing with trademarks appearing on retail packaging and over to Division 2.4 on page 15 dealing with appearances of names on retail packaging of cigarettes which provides, as Justice Crennan was referring to, to a particular typeface and font size, 14 points, and the variant names, such as I mentioned something like filters, can be no larger than 10 point size, which is the sort of size that people my age may have difficulty in reading, even with glasses on. If one then goes over to Schedule 2, dealing with cigarettes, one has prescriptions dealing with the labelling requirements. I have gone into the Trade Practices Regulations, so I will leave that for the moment.

FRENCH CJ: What are you taking us to at the moment?

MR GRIFFITH: I have taken you too far I am told, your Honours, so I will stop where I am, having dealt with that aspect. Your Honours, dealing with the Trade Practices Regulations, which I was just getting to, they appear in the Part 2.2.1. That deals with the issue - - -

HEYDON J: I am just completely lost, I am afraid, Dr Griffith. Are we talking about the Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations 2004?

MR GRIFFITH: Yes, I am. I am now on the trade practices, yes, your Honour.

HEYDON J: Which year?

MR GRIFFITH: The 2004, the existing ones, and then we will contrast the 2011 regulations. The existing regulations, perhaps if I could take your Honours to page 40, provides for the warning message with a graphic, to comprise "at least 30% of the total area of the front face" and "90% of the total area of the back face". That appears on page 40. If one turns over to page 62 and following, one sees under Part 2.2.1 the various, meant to be revolving messages which appear. It is not a single graphic, but various other graphic graphics, it might be put, which are to be appropriated – 30 per cent on the front face, 90 per cent on the rear face and they go over for some pages.

Then at Part 2.3 on page 74 there is the prescribed layout, both front of pack and back of pack so that one can see that under the existing regulations there is a graphic and warning message and some 70 per cent of

the face is available and on the back of the pack there is almost none of the face. It says 90 per cent. I should say that under the new regulations, the Competition and Consumer (Tobacco) Information Standard 2011, the back proportion remains the same but the front proportion is increased which is found at tab 1, for the Court.

The 2011 regulations become compulsory after 30 November 2012. There is an interregnum where the front available after the implementation of the Act itself with regards to the single colour and the application of just the trademark name in 12 point may appropriate only 30 per cent of the face rather than the 70 per cent after November 2012. That difference is of no consequence because in fact it will be commercially impossible to have compliant packs in the intervening period until 1 December so that in fact there will be a move from the existing packs to the compliant packs on the implementation of the law.

May I take your Honours to a representation of content of this difference which explains in a way beyond my descriptive capacity a reading the regulations the contrast between the existing regime and the regime under the 2011 Act. Your Honours I see already do have a pack available to you in this form and that represents the two products which form the subject matter of our statement of claim: firstly, the Camel cigarettes where one can see the representation of the trademark and get-up in the forms of filters and what is called Camel Blue which are unfiltered and also in a soft pack.

The Old Holborn is a loose tobacco that is sold in a pouch and there one sees the existing proportion of on the face a 30 per cent appropriation for the warning and the graphic and on the back a 90 per cent appropriation. Similarly, the back of the cigarette packets - it leaves virtually nothing over on the existing packet for so far as using get-up is concerned.
Your Honours also have distributed to you a mock-up which has been prepared by the Commonwealth with respect of the application of the Act after 1 December 2012. Do your Honours have that? Your Honours seem to only have two packets. I have six. Do your Honours have six in total?

FRENCH CJ: There are six in mine.

MR GRIFFITH: Yes. Your Honour, could I indicate that there are two versions. The version which on the face has the 70 per cent devoted to the Pantone colour Camel variant is the version which is proscribed until 30 November this year. Can I indicate to your Honour that in fact will not be produced by any manufacturer because they will have to convert to compliance on 1 December but that represents graphically the change from the pre-existing position where the face of the packet looks like this to the position after that.

The effect then after the coming into force of the amended regulations is that the front of the packet becomes appropriated to the extent of 70 per cent for graphic health warnings. So, in effect, one is just left with this much of the face with Camel 16 point variant and on the back one is really left with almost nothing at all. But there is no change from the existing position.

Now, the position of the plaintiff, JTI, is that the effect of that law is firstly to extinguish the right for us to use, effectively, our trademark for all purposes other than the limited qualifications which are permitted under the Act which loosely can be described by reference to the capacity to use those trademarks for wholesale distribution and to use them in product for export.

We say also that the effect of that law is that our right to license others becomes a matter of no content at all because no other person lawfully could use those trademarks or get-up under licence. Thirdly, we say that effectively our rights are reduced to a bare husk if one adopts the expression that the Court had used in this aspect of analysis as to what they were. May I hand to the Court our three-page summary? I think the Court has it.

FRENCH CJ: I think we already have that.

MR GRIFFITH: Your Honours, dealing with the first of our propositions we say that it is conceded that the trademark is a property in the Commonwealth's defence and we say, in our submission, it suffices for the purpose of our claim with respect to get-up to produce the packets that we have produced which self-evidently is the only mechanism for us putting the product into the market in Australia suffice to establish that we apply our commercial get-up for the purpose of promotion of our product in the existing law and under the operations of the amended law that right is entirely abrogated.

Now, your Honours, we say that the Commonwealth's defence that nonetheless you retain, in theory, technical rights with respect to the trademark is beside the point. The get-up, in our submission, is obvious from the face of the documents and that that suffices, your Honours, to come within any definition of "property" such as the Court having said in *Commonwealth v New South Wales*, "property" is the most comprehensive term that can be used. In *Dalziel* it extends to every species of valuable right and interest and in *Bank of NSW v The Commonwealth* it extends to all innominate and anomalous interests and includes the assumption and indefinite continuance of exclusive possession and control for the purposes of the Commonwealth of any subject of property.

Your Honour, when one looks at the before and after our submission is that that self-evidently shows destruction of our rights with respect to the use of trademark other than the name itself, and with respect to the use of get-up, which is the only means for us to promote our valuable property right with respect to the promotion of our product in competition with others who sell product into the market for cigarettes.

CRENNAN J: The name itself would be important, would it not, in terms of reputation and good will?

MR GRIFFITH: Yes, of course it is.

CRENNAN J: So the name itself would be important to a potential assignee, for argument's sake.

MR GRIFFITH: It is, your Honour, but the contrast between this, the before position, and the after position, which is this one which merely has the name underneath this graphic representation, in our submission, your Honour, is so stark that one can say effectively there is extinguishment entirely of our right to use the composite use of all our trademarks and the commercial get-up by which we use our registered trademarks and our common law use of marks and get-up to promote the product.

CRENNAN J: The right to use is subject to not being contrary to law. Does that indicate that post-registration you can have some new laws, perhaps about labelling, perhaps to do with health - - -

MR GRIFFITH: You can.

CRENNAN J: - - - which obviously have an impact in relation to the way in which a registered mark can be used?

MR GRIFFITH: Of course, your Honour, but what we say is that it constitutes an extinguishment. We do not have to go that far because we say, your Honour, you do not have to have all your property rights appropriated. In this case our submission is that effectively that is taken apart from the bare name itself that your Honour refers to, but it is sufficient to say that effectively our sole means to promote our product for sale in competition with our competitors is eliminated because from that you go to this. If one, your Honour, for example, uses the concept of, say, a billboard as you drive from the airport saying your message here, firstly, with respect to this product, you are not allowed to use a billboard, but in this case, your Honour, the effect of the law is you cannot have, in effect, on our billboard, by which we put the product into the market, this mark and get-up beyond the bare trademark name itself and instead have to promote the product for sale with your competitors in this form.

CRENNAN J: But you and your competitors will all be in the same boat, that is to say, you will all be relying on your word marks to distinguish your products.

MR GRIFFITH: Of course, your Honour, but the boat has sunk. We say there is no boat left above the waterline of that level when one has merely, your Honour, a capacity to have a packet such as this. Can I move forward, your Honour, to the issue of acquisition. What we say is that prior to this Act, subject to the part of the pack appropriated for warnings in various sort, which was 30 per cent of the front and 90 per cent of the back, we were able we say as a right of property to affix our trademarks beyond just the name and the get-up for the purpose of the only way we were allowed to promote this product for sale as against our competitors.

After the Act, your Honours, what we say is that there has not only been a destruction of that right, but there has been an acquisition of that right by the Commonwealth to the extent that the Commonwealth does not merely proscribe that we cannot apply whatever commercial message we wish to apply. For example, were it our billboard, we could put any message on our billboard. What the Commonwealth has done is to prescribe the message that the Commonwealth desires to have put on that billboard and that message does not have to be a message such as this one, the Pantone colour with our trademark on it. It could be any message whatsoever. What the Commonwealth's law does, and within the ambit of the argument presented here, says that under the Commonwealth law, this packet, which remains our packet, is appropriated for whatever message the Commonwealth seeks to apply to that product.

FRENCH CJ: Now, your criterion for acquisition, as I see it from the oral outline, is extinguishment coupled with a measurable and identifiable advantage accruing to the Commonwealth and negativing characterisation of the impugned law as a mere regulation of rights or a prohibition on noxious use?

MR GRIFFITH: Exactly, to put it in a sentence, yes. Here, your Honours, we say it is a stronger case because there is appropriation of the same property right that we previously had, namely, to apply our trademark beyond the mere trademark name in the get-up to the Commonwealth appropriating for the Commonwealth law the right to appropriate and control that use. The point I was seeking to make the higher level, which we do not have to, your Honour, of equivalence, even if this be regarded as a nominate property right, we say it is higher than that, that it is strictly a property right in a narrow definition with respect to property – intellectual property as a general term to describe the concept of applying your trademark and applying get-up.

The Commonwealth law by its terms abrogates the power to substitute any message the Commonwealth chooses on what we say is our billboard. If this be regarded as our billboard, the Commonwealth law could equally to prescribing that all you can do is put the name of the trademark and the varied – and the 16 point and 10 point respectively, could have a message such as "pay your tax on time", "drive safely".

CRENNAN J: Well, what about Ratsak, it could be a trademark?

MR GRIFFITH: Yes, your Honour.

CRENNAN J: Is there anything wrong with the law providing that you have to add to any label certain instructions as to what to do if humans, including children, accidentally ingest it? You see, you keep talking about the right to use the trademark, but that right may be subject to certain conditions.

MR GRIFFITH: Of course it is, but it cannot be eliminated, your Honour. I understand your Honour's point that you say, well, you have still got the bare word of a trademark. We say that does not, with respect, answer in any way the claim that we have the composite suite of our trademarks, and we have pleaded a specific one which includes the complete trademark registered here which one sees on the representative packet. Your Honours, of course one can label poison. Of course, we are not attacking, your Honour, even the appropriation of 70 per cent of the front or 90 per cent of the back. There might be different arguments there and one can put the poisons message, one can put these graphic health warning messages. They are not what is under attack here.

What is under attack here, your Honours, is that on the bit that is left over from those appropriations we say the Commonwealth law not only destroys our right of appropriation of that for the purpose of our business and the promotion of our product – I should not say promotion, but for the purpose of offering for sale in competition with those who compete with us – but it substitutes a Commonwealth law which says, in the view of the Commonwealth the message which we apply under force of Commonwealth law is our message here which is the plain colour with the - - -

KIEFEL J: But what do you say that the Commonwealth is actually acquiring? In your argument thus far you were saying that the Commonwealth is appropriating some space upon which it delivers a public health message.

MR GRIFFITH: It is acquiring our billboard, your Honour, in effect.

KIEFEL J: It is the space. It is not your trademark. I appreciate that in your argument on acquisition you say that the matter acquired does not have to correspond exactly with your right or property, but just what is it that the Commonwealth, you say, acquires?

MR GRIFFITH: Your Honour is, if I may say so, quite right to say that there is a separation. On the one view we say our trademark is destroyed other than the name itself, as Justice Crennan points out. Apart from that, we are in a position where we are not able lawfully in Australia to apply our trademark to any purpose for sale of goods in Australia other than the limited exception with respect to the wholesale distribution which is one of the - - -

KIEFEL J: Can you put it any higher than that the Commonwealth, by taking the space which was formerly taken up with your trademark and get-up, is able to advance a public health message to a greater degree?

MR GRIFFITH: Yes. What we say, your Honours, is the Commonwealth has appropriated for any purpose that it chooses to have to put its own message there. The fact that it chooses to put – in fact, on the part that we complain of, it does not put any message at all. What it says is you leave the space as unattractive colour, you cannot use it for your commercial purposes and the Commonwealth has in its law said merely you can put, to identify what the product is, your trade name only, which may probably will be your re-listed trademark – one of the registered marks – and otherwise the Commonwealth law says that the space is not to be used at all, but the part of which we complain is not appropriated for the message, that is the rest of it, the 70 per cent of the face and the 90 per cent of the back of the package.

HAYNE J: But does not this branch of your argument slip a little between two separate elements? This part of your argument appears to proceed by four steps I think: one, attractive packaging is commercially valuable; two, the cigarette companies have, as an item of property, a particular form of attractive packaging; step three, that is taken; but it is the step four which is the step to which I draw particular attention when you say the Commonwealth's message is substituted. What is the connection between step 4 and the earlier three steps in connection with acquisition?

MR GRIFFITH: Your Honour, if the first three steps are accepted, and we say they are established having regard to what can be regarded as judicial notice of the circumstances producing the packet and members of the Court's understandings that this is the only method for the product to be offered for sale, the point I am seeking to make, your Honour, is to say that there is a corresponding benefit to the Commonwealth in that the

Commonwealth law in eliminating the right of JTI so to appropriate the part of the packet that is not appropriated for health warnings, perhaps analogous to the poisonous warnings as Justice Crennan points out, are for the purposes of the Commonwealth. We say that those purposes are identified in this Act by reference to the aspects which are appropriated by reference to promotion of health issues.

In fact, this aspect does nothing to promote the health. It is the other aspects that do that. But the point which we seek to make is that the Commonwealth is appropriating that space as its own. For some reasons the Commonwealth regard that as a benefit for the Commonwealth to have control of that space. It was ours. It has not just been extinguished. It has been taken by the Commonwealth as its space.

GUMMOW J: Now, where do we see this in your outline? Under paragraph 3? Which bullet point?

MR GRIFFITH: Our 3 page outline?

GUMMOW J: Yes, the hand up this morning. It does not seem to be there at the moment.

MR GRIFFITH: It is inherent there, your Honour. Your Honours, what I was seeking to do - - -

GUMMOW J: It is epegetical of bullet point three, is it?

HEYDON J: Exegetical.

GUMMOW J: Exegetical, yes.

MR GRIFFITH: It is an exegesis, your Honour. Your Honour, what we seek to do and we only – this is almost Andy Warhol territory – we have only got an hour because there is four plaintiffs in tandem – is seeking, your Honour, standing on the platform of what we say our entirely persuasive submissions in-chief and our submissions in reply, also compounded by three plaintiffs with possible outlines of denser and more effective argument, your Honour, to put to the Court what we say is a plain answer on what is the obvious issue in this case. We say the fact of property is obvious, the fact of acquisition is obvious, although of course we expound on that at length.

The real issue for determination, your Honour, which must always have been the case and we say is the case notwithstanding the pleading of this elegant public benefit, regulatory exceptions, remains, do you show a requisite equivalence of benefit to the Commonwealth of that which is

taken? What we are seeking to put, your Honour, is to say that when one looks at the essence of what happens before and after, one has a situation where that which we had before is appropriated by the Commonwealth and, your Honour, the fact that the Commonwealth says this is put for a public health benefit, we say, is irrelevant.

The issue is whether what was our right to adorn that part of the package which was not appropriated to health warnings becomes a matter, we say, of sufficient proprietary interest, namely, to apply your commercial marks and get-up for the purpose of offering your product for sale, becomes property of the Commonwealth to the extent that Commonwealth says, "Well, we could put any message on that. We have chosen via law to abstract it out to an uncomfortable, unattractive colour, but that does not make any difference to what has been done."

With respect, your Honour, we would say our billboard analogy remains apt. You drive out of the airport and it says your message here. Our message is limited to that which we are, under existing law, able to put on our product. That is totally eliminated by force of the Act, apart from the words of the trademark as Justice Crennan points out, and what is substituted is for the Commonwealth, in effect, to say, "We appropriate that space as our billboard and our decision, which the Commonwealth of course may make the decision, "is that we should leave it in this drab colour."

GUMMOW J: So, what is the relevant property, the space, is it?

MR GRIFFITH: The space.

GUMMOW J: Not the trademark?

MR GRIFFITH: No. Your Honour, (a) it is the space and (b) - - -

GUMMOW J: Trademark registration is something incorporeal, really.

MR GRIFFITH: Yes, it is, your Honour, but as far as a trademark is concerned, the effect of taking the only space where you are allowed to fix your trademark, apart from the exceptions I have referred to, is that you are prevented from using your trademark anywhere in Australia for the purpose of a product for sale and we say that constitutes an acquisition of our trademarks.

FRENCH CJ: Now, your pleading is, at paragraph 5, that the plaintiff's rights in the trademarks and the get-up are property for the purposes of - - -

MR GRIFFITH: Yes, your Honour.

FRENCH CJ: And that they are taken by the Act?

MR GRIFFITH: Yes.

FRENCH CJ: So what we are really looking at is the prohibition in section 20, is it not? In a sense, the regulatory scheme and the accidents of particular directions as to colour and get-up are particular applications under regulation. We are looking at the provisions of the Act itself.

MR GRIFFITH: Precisely, and what we say the effect of the Act is that we are unable to use our trademark other than the name itself, that all the other registered trademarks and all aspects of using and applying the trademarks is reduced to the bare name on this representative mock up.

FRENCH CJ: But, in a sense, we look at these packages as illustrations, if you like, of applications of the Act via the regulatory system that is set up.

MR GRIFFITH: That is true, your Honour.

FRENCH CJ: The primary argument here is about the substantive provisions of the Act itself.

MR GRIFFITH: Yes, your Honour. We say the effect of the Act is that we are no longer able to apply our trademarks. It is as simple as that.

FRENCH CJ: Yes. It takes us back to the threshold question which I think Justice Gummow put to you earlier about the nature of the property right that we are concerned with, particularly when we are talking about the trademark.

MR GRIFFITH: Your Honour, can we go to section 18(2) of the *Trade Marks Act*. Your Honour, section 18(2) says:

> Regulations made under subsection (1) do not affect any trade mark that:
>
> (a) was a registered trade mark; or
>
> (b) in the case of an unregistered trade mark -- was being used in good faith;
>
> Immediately before the regulations were registered under the *Legislative Instruments Act 1995*.

So we have existing rights with respect to trademarks and the *Trade Marks Act*, your Honour, in section 20(1)(a) gives us a right to licence other persons to use our trademark.

GUMMOW J: It does not give you a right to use it contrary to whatever might be some other statutory requirement from time to time. If you do not use it, you might lose it, but it does not give you a right to use it.

MR GRIFFITH: Your Honour, we say, in essence, registration under the *Trade Marks Act* does give you a capacity to use and to the extent, your Honour, that the aspects of your use is a relevant issue when there is an application for removal. But the definitions of the Act in sections 18(2) and section 84A, section 88(2)(a), all are defined by reference to the issue of whether or not you should be removed for non-use. So use is a factor.

GUMMOW J: But it does not give you – for example, if you look at section 230, it does not immunise you from a passing off action by a third party.

MR GRIFFITH: No, your Honour, but our point is that the effect of the Act is that we have a right both to licence others to use our trademark and also, your Honours, a practical right with respect to a trademark to use that for the purpose of our business. I know that the section issue, whether section 20(1) says that you have a right of exclusive use means what is says, but what we say is, your Honour, when you look at the aspect of what rights arise from a registered trademark, they are a right with respect to acts in commerce, your Honour, to certainly protect the use of your trademark from others and to authorise others to use it and also we say, your Honour, to then apply your trademarks in the course of your own business.

CRENNAN J: But the right to use is always subject to the law - - -

MR GRIFFITH: It is, your Honour.

CRENNAN J: - - - as 42(b) would show. For example, if you obtained a registration which, in fact, turned out to be a breach of copyright, section 21's rights to exclusive use would not protect you against that.

MR GRIFFITH: Of course, your Honours, but this is not the case here. What we are concerned with is closing the gap on a legislative scheme which, up to the point of the bringing into force of this Act, qualifies your right to use your trademarks, right down to this packet, in the case of cigarettes. The effect now is, your Honours, that we are not able to use our trademark at all, other than the name. I think in your Honour's example if the law changes after registration that does not affect your right to the trademark that it continues, so that there is a recognition of the Act.

So, your Honour, the grounds for cancelling I think, your Honour, under section 84A(1)(a) of the Act and 88(2)(a) deal with the circumstances at the time of registration - that is our understanding of the position - although the Court is able to consider at a time of rectification whether the use of a trademark is likely to deceive or cause confusion, under section 88(2)(c). It is all by reference to the issue of time of registration.

Our position is we have these rights and the effect of the Act is to close them down and it is beside the point to say, as the Commonwealth does in paragraph 51 of its primary submissions, that you have sufficient rights because your trademark is continued and preserved by operation of the Act, notwithstanding its non-use, and that you are able to produce for export and that you are able to licence third parties, even the contents of an admitted legislative scheme that those third parties cannot get a useful right, because they are not permitted to use the trademark.

GUMMOW J: Now in *New South Wales Dairy Corporation* 171 CLR 363 at 396 to 397, Justice Deane made the point at the bottom of 396 that ordinarily the mere:

> registration of a trademark does not ordinarily constitute a licence for what would otherwise be unlawful conduct - - -

MR GRIFFITH: Well, yes, your Honour, that may be accepted, but what we say, your Honours, is that we have an extant right with respect to our trademarks and our get-up which is limited to the use on this packet and the effect of the Act is to eliminate that so that we have no rights at all in a commercial sense because they reduce to a husk. Effectively there is nothing left and it is no answer to say, as the Commonwealth does in paragraph 41 of its contention, so you have the bare legal form left. We say it is a matter of substance with respect to the operation of the acquisitions power and the substance is there is nothing left of any use in a commercial sense.

GUMMOW J: You are talking at the level of taking. What I was pointing to was at the level of what the property is - which is one of the points the Commonwealth tries to make, I think.

MR GRIFFITH: Yes, your Honour, they make a lot of points but what we say, your Honours, is that there are two elements: one, the analysis of what is the right to a trademark which we have made clear our position with respect to that that it is in substance the rights that we assert that constitute a sufficient copyright for the purpose of the acquisitions power but we also make the point that quite apart from the trademark not susceptible to this analysis by reference to the *Trade Marks Act* is our application of common

law rights and get-up as constituting a property right if one strips out the trademark itself.

GUMMOW J: Wait a minute. The get-up is just a common law right, is it not?

MR GRIFFITH: Yes, your Honour.

GUMMOW J: Put more specifically, an equitable right protected by injunction?

MR GRIFFITH: It could be protected by damages, your Honour.

GUMMOW J: Why would it be protected if its use was contrary to law?

MR GRIFFITH: Your Honours, it is a question of if that right is taken by force of a Commonwealth law to the point of view, we say, that is a property right which is extinguished, your Honour, that is an extinguishment of our copyright.

GUMMOW J: The goodwill is the attractive force which legitimately brings in custom, that is the problem, I think.

MR GRIFFITH: Yes, your Honour, but we say there is nothing illegitimate here. It is not made illegitimate by the fact that the Act has its objects to promote public health. I mean, for example, one might say Coca-Cola rots children's teeth but that does not enable the Commonwealth to eliminate the Coca-Cola trademark and to say that you can only sell Coca-Cola in a plain wrapper in a plain bottle.

CRENNAN J: But in the context of get-up I think what Justice Gummow is putting to you it is the goodwill and the reputation which are really the nub of the action.

MR GRIFFITH: Of course, and that is what we put to the Court. We say the goodwill and the reputation is established by producing a packet.

CRENNAN J: You would be saying, I would expect it, that goodwill is a form of property?

MR GRIFFITH: Yes. We say that explicitly. We spell that out in our submissions, your Honour, yes, we do. We say before the Act - - -

CRENNAN J: Assignable and so on.

MR GRIFFITH: Yes, of course it is, your Honour. It can be licensed, all those things, your Honour. What we say is really that before and after, before this law came into force that this is what we were able to do.

GUMMOW J: There is a debate as to whether it can be licensed without the business, is there not?

MR GRIFFITH: I beg your pardon, your Honour?

GUMMOW J: Is there not a debate as to whether an unregistered trademark can be licensed at large because it thereby deceives people?

MR GRIFFITH: With respect, your Honour, that is not axiomatic.

GUMMOW J: That is why this *Trade Marks Act* specifically says that a registered trademark can be licensed and can be assigned without goodwill.

MR GRIFFITH: Yes. Your Honour, we would say that the right of goodwill, quite apart from registered trademark, can be made the subject of, if you like, franchising agreements, whatever. You do not have to adhere it to a registered trademark. It is an obvious and practical aspect of commercial value. I mean, if I could go back to the Coca-Cola reference, if you say Coca-Cola is flavoured coloured water it is entirely its registered trademark and the get-up that give the product its value and we say it is axiomatic that a Commonwealth law to preserve children's teeth would not be capable of abrogating whatever intellectual property rights Coca-Cola has or with respect to its get-up other than registered designs, copyrights or trademarks to abrogate its capacity so to produce and offer for sale its product.

There is no relevant difference and, with respect, to inject elements of public health does not alter that position and with the point of view of the operation of the acquisitions power, your Honours, we say that there are many motives for legislation and one can assume that all Commonwealth laws are for the public good. Now, if one of those public goods is having regard to the Commonwealth's view as to what is in the interests of public health, well, of course, they can enact a law to that effect and that is what has happened here.

I indicated we do not cavil with the validity of the law. The issue is if it constitutes an acquisition of our property with the requisite element of benefit being perceived then it is on terms that the people of Australia who are to benefit from that law bear the burden of costs because of the operation of the acquisitions power. There is nothing unconventional in that submission.

CRENNAN J: You keep speaking of "get-up" as distinct from trademark registration, but, in your case your get-up is the subject of a trademark registration, is it not? It is the first one in the list in Schedule A.

MR GRIFFITH: Well, yes, that is true, your Honour, but it is the get-up of the entire packet. It is the colour, all four sides of it, or six sides of it, your Honour, it is the entire presentation of the product. The registered trademark is just, as in our pleading, the - - -

CRENNAN J: In my copy it seems to be a pale yellow. I do not know whether that is meant to represent that the particulars in the register show it as yellow.

MR GRIFFITH: Yes, your Honour, but the get-up is the entire packet. It has six sides and that part to which is not appropriated for the health warnings is available for us to present the entire product.

GUMMOW J: Just looking at the trademark for a minute, is there any endorsement as to colour?

MR GRIFFITH: I think there is, your Honour.

GUMMOW J: It does not seem to be disclosed.

MR GRIFFITH: No.

GUMMOW J: I am referring specifically, as Justice Crennan was, to registration number 1276704 with a priority date as late as 2008.

MR GRIFFITH: Is that one of our schedules, your Honour?

GUMMOW J: Yes, Schedule A to the statement of claim.

MR GRIFFITH: Well, it does not seem to have colour, your Honour.

GUMMOW J: It does not seem to have an endorsement whereas the Winfield and Dunhill marks do, I think.

MR GRIFFITH: It does not seem to have colour, your Honour, and of course there is a variant Camel Blue and Camel Filters.

GUMMOW J: That is what I was wondering, yes. So, if there is no endorsement as to colour, it would include any colour I suppose, would it, and that would bring in the blue.

MR GRIFFITH: It would bring in the blue, your Honour.

GUMMOW J: But when you were talking about "get-up" you are really talking about bringing a passing off action, are you not?

MR GRIFFITH: Yes, your Honour, yes, and saying it is under the consumer law makes no difference. It is still basically the same premise. I am told, your Honour, that the registration does include calico as a colour but that is just my instructions. One can see the category of goods in the right-hand column on page 5 of the demurrer book. Your Honours, we do refer to, in our submissions, the trite statements of this Court, if I could say that, your Honours, that we here deal, in our submission, with matters of substance rather than form and that one must have regard to the, for example, your Honour, it was said recently in *Telstra* by the Court at paragraph 49:

> "It is well established that the guarantee effected by s 51(xxxi) of the *Constitution* extends to protect against the acquisition, other than on just terms, of '*every species of valuable right and interest* including . . . choses in action'." (Emphasis added.)
>
> Further, references to statutory rights as being "inherently susceptible of change" must not be permitted to mask the fact that "[i]t is too broad a proposition . . . that the contingency of subsequent legislative modification or extinguishment removes all statutory rights and interests from the scope of [the power]." Instead, analysis of the constitutional issues must begin from an understanding of the practical and legal operation of the legislative provisions that are in issue.

Your Honour, that really reflects the language I referred to earlier of Justice Rich in *Dalziel* of saying, "Well, the Minister seized and has taken away from Dalziel everything that made his weekly tenancy worth having and has left him with the empty husk of a tenancy". Our position, your Honour, is so here, how more empty an husk could you have than having a registered trademark that you cannot license to anyone and cannot apply on any goods whatsoever for sale in a country other than the wholesale packaging, which is quite irrelevant from the point of view of the retail customer.

Your Honour, if one accepts, as one must, that property extends to every species a valuable right and interest, as has been often enough said by the Court and as Justice Dixon has put it:

> it extends to innominate and anomalous interests and includes the assumption and indefinite continuance of exclusive possession and

> control for the purposes of the Commonwealth of any subject of property -

our position, your Honour, is that this must comfortably come within any such articulation. We do put it to your Honour, as your Honour Justice Gummow pointed out, somewhat higher than is in our summary, at the level that it is very close here to direct equivalents of what we have lost – namely, the right to appropriate something which is actually on our product and remains on our product. The cigarette packet is appropriated for the Commonwealth to say, "You can't use that any more and, what's more, the Commonwealth law does prescribe what the space is used for".

We do contend, your Honour, that this is an equivalence. It is a matter of substance rather than form and it is certainly, your Honour, if one speaks of property as a bundle of rights, on every addition one must see, your Honour, that we are talking about here the appropriation of all that which we previously have for the purposes of the implementation of what the Commonwealth might see from time to time, your Honour, as a matter passed under a law which Parliament quite correctly is able to say it has regard to what is the public interest. That is what the Commonwealth always does. Every law is passed, presumably, your Honour, for the purpose of the public interest and the benefit of the public.

When one looks at the practical and legal operation, your Honour, one sees exactly that all that we are capable of doing is now something, one might say, your Honour, in the terms of what was said by one of your Honours in *Newcrest* at page 634, that there is something close to precise correspondence of that which is acquired. It was said there:

> There is no reason why the identifiable benefit or advantage relating to the ownership or use of property, which is acquired, should correspond precisely to that which was taken.

It is not precise, your Honour, because the Commonwealth law grants the indulgence of having the trademark name, the product name, on the product, which of course I suppose is an action of necessity, otherwise there would be no way of distinguishing any of the plaintiff's products from others of the plaintiff's products. At the very least, your Honour, we say that this meets the requirements of being an identifiable and measurable countervailing benefit or advantage. That suffices. We are talking about the acquisitions power here. It is self-evidently, your Honour, an acquisition of something which is of the essence of the property rights of the plaintiffs in that that is all that is left to distinguish its product for the purposes of commerce.

FRENCH CJ: Just coming back to the pedestrian level for a moment at the pleadings - - -

MR GRIFFITH: I thought I was at the pedestrian level, your Honour.

FRENCH CJ: I am descending even lower, Mr Griffith. Bearing in mind this is a demurrer, what is the common ground between yourself and the Commonwealth as to get-up? I am looking at paragraph 4 of the statement of claim. I am looking at the fairly confined admission in paragraph 4 of the defence and I notice that there is some invocation of judicial notice in your reply submissions.

MR GRIFFITH: Yes, your Honour.

FRENCH CJ: What is the factual base that you are putting to us?

MR GRIFFITH: The factual basis, your Honour, is that we say that this is our get-up because we referred to it in our pleading, and this is not a demonstrative exhibit. It is really the pleading itself.

FRENCH CJ: That is in Schedule B and that is what the Commonwealth admits in relation to features of your packaging?

MR GRIFFITH: Yes, your Honour. That is it, your Honour, we do not take it any further. It is part of our pleading and we say that speaks for itself. So from the point of view of the Court being able to see in the statutory regime which is common ground, your Honour, this is the only way in which this product can be in any way put into the marketplace as compared with other products. I keep referring to Coca Cola, but you see it here, you see it everywhere, your Honour. You do not see this anywhere in Australia on a product that is not for export other than on a wholesaler's carton, and we say that is a matter of irrelevance.

Your Honour, notwithstanding the Commonwealth plea that you point out to us, your Honour, we say that suffices for our purposes, and that is why our statement of claim fitted handily on one page. We say that self-evidently, your Honour, that that constitutes what we say are our – they are not just identifiable property rights, your Honour, they are our only property right in respect of our business, otherwise it is just another cigarette.

Your Honour, our position is that ascribing good motives to the legislature from the point of view of the Commonwealth pleading what might be regarded as reasonable or cogent is only saying what is self-evident, that one makes the assumption. There is an ambiguity in their

pleading as to whether it refers to Parliament regarding these aspects of cogent. One assumes that they do; we would not challenge that.

Your Honour, whether Parliament regards it as cogent or others regard it as cogent reasons, the fact remains that if you acquire other person's properties for good purpose the constitutional regime is that if there is sufficient aspect of benefit inuring to the Commonwealth or a person taking the interest of the Commonwealth that constitutes an acquisition. Your Honour, perhaps there is a reverse test here. If it is put that there is such overwhelming reasons of public benefit the way most amply to protect that with certainty would be to have a shipwreck clause.

So it is a qualified expression of public benefit. It is one that says, well, it is a public benefit to inure for the public if the plaintiffs pay for it, if they bear the burden, but if they do not then the Commonwealth does not want to provide this public benefit for the people of Australia. Perhaps it is a rhetorical point, your Honours, but it does show the scale of qualification on this aspect of reference to motive and your Honours, fortunately on this aspect of the case, were shorn of the material which we understand is sought to be brought back into our demurrer to establish what one might say an extreme public benefit.

We say that is an irrelevant issue, one might assume a view of public benefit. We say the Commonwealth Parliament is entitled to take a view of public benefit, it can pass valid legislation reflecting that; it is has done so. The legislation is valid, save and except if it constitutes an acquisition with the acquisitions power. In that case the legislature has made a conscious choice that its choice is it would prefer not to provide that benefit and have the law fall and, your Honour, to say that is to identify what quite plainly from the inception of the law and the inception of these actions has been the issue for the Court. We know that these are difficult issues. Your Honour, for 30 years I have sometimes won an acquisition case I thought I would lose, and others I have lost when I thought I might win. One does not know.

That is to identify the issue for the Court and what we say is, your Honour, that our written submissions expound to support that by reference to conventional principle and we do say so, your Honour, that unusually, in common harness, there are three other plaintiffs similarly who have put conventional arguments to establish that position. The matter of open text, your Honour, is to consider how, particularly the Commonwealth, but the other parties may regroup. Now they have lost the first 19 pages of their contentions, it would seek to reinforce the position by reference to what was put as matters of undeniable constitutional fact.

Our position, your Honours, until we hear how that is put, we are not in a position to take it any further other than to say that is how we put our conventional case that we have identified, your Honours, within the requirements for property, acquisition, benefit, complete absence of just terms, sufficient to establish that the Act is invalid. I should indicate to your Honours that we are not concerned as to the operation of section 15, whether the Act is to be read down by section 15 or whether the Act is declared not to be valid. It makes no difference for us.

FRENCH CJ: Well, one of the orders you seek, I think, assumes the application of section 15, does it not? That is the first declaration you seek.

MR GRIFFITH: We do not attack it, your Honour. The Commonwealth has thought about these issues, your Honour, and it seeks, in 15(2), to have a regulation made.....we are not going to attack that, your Honour, until we see some regulations, but it suffices to say now in the absence of regulations, section 15(1) on its face would read down and that is sufficient for our purposes. Parliament has contemplated where it is. It has left out a shipwreck clause, it has put in a reading down provision. That is the scheme of the Act and, in our submission, your Honour, it is within the mainstream of conventional principles of operation of the acquisitions power. As to whether we are right or not, your Honour, it is the usual case we adjourn CAV and look forward to the judgments, but before that, your Honour, we will hear from the Commonwealth and we will be back in reply, if the Court pleases.

FRENCH CJ: Yes, thank you. Yes, Mr Myers.

MR MYERS: Thank you, your Honour. Your Honours, I think, have our speaking notes and I propose to adhere to them in part. We refer at first to the existing limitations on the use of marks which give some context to the situation. On our list of legislation is the *Tobacco Advertising Prohibition Act* which, in section 15, prohibits tobacco advertising. That does not include what appears on packets of cigarettes and other tobacco products. So that in the legislative context in which we are, our only means as a vendor by retail of tobacco products is to distinguish our products by what appears on the packets.

Your Honours have been taken to the Act and the regulations and the information standards by my learned friend, so I shall not repeat what we have put there. I should like to point out, however, in relation to paragraph 3(c)(iii) that the reference, at least in my copy, to regulation 9.17, should be a reference to regulation 9.19.

FRENCH CJ: Well, that correction seems to have been made.

MR MYERS: Thank you. It must have been made very late in the piece. Your Honours, may I go then to the *Trade Marks Act*, first of all to look at the property with which one is primarily concerned. I would invite your Honours to look at that Act. First of all, would your Honours be good enough to go to section 7, which has the heading "Use of trade to mark", and over to subsection (4), if your Honours glance at it, means:

> ***use of a trade mark in relation to goods*** means use of the trade mark upon, or in physical or other relation to, the goods (including second-hand goods).

Then section 17, "What is a trade mark?":

> A ***trade mark*** is a sign used, or intended to be used, to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person.

And section 20 sets out the "Rights given by registration of trade mark":

> If a trade mark is registered, the registered owner of the trade mark has, subject to this Part, the exclusive rights:
>
> (a) to use the trade mark; and
>
> (b) 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.

Section 22 provides that the registered owner f a trade mark may deal with that mark and subsection (1) provides:

> The registered owner of a trade mark may . . . deal with the trade mark as its absolute owner and give in good faith discharges for any consideration for that dealing.

Subsection (3):

> Equities in relation to a registered trade mark may be enforced against the registered owner, except to the prejudice of a purchaser in good faith for value.

So there are equitable exceptions to registration rights. I should refer to section 26, again just to note it, "Powers of authorised user of registered

trade mark". An authorised user has powers of registration. Section 27 sets out how an application for registration is made:

> A person may apply for the registration of a trade mark in respect of goods and/or services if:
>
> (a) the person claims to be the owner of the trade mark; and
>
> (b) one of the following applies:
>
> (i) the person is using or intends to use the trade mark in relation to the goods and/or services;
>
> (ii) the person has authorised or intends to authorise another person to use the trade mark in relation to the goods and/or services;
>
> (iii) the person intends to assign the trade mark –

et cetera. Section 92 of the Act provides, in particular in subsection (4), for application to remove from registration a trademark which is not being used. If I go back right to section 21:

> A registered trade mark is personal property.

I will come later to the Commonwealth argument about property, but these provisions of the Act are significant in relation to that matter. If I could ask your Honours to look at the *Copyright Act*, and I will go immediately to section 196 which provides:

> Copyright is personal property and, subject to this section, is transmissible by assignment, by will and by devolution by operation of law.

Section 13 tells us what is comprised in copyright and says that the owner of a copyright has an exclusive right. Section 14 provides that, in substance, acts done in relation to substantial part of work that is subject to copyright are regarded as having been done in relation to the whole and sections 31, dealing with the nature of copyright in original works, and 32, dealing with original works in which copyright subsists, explain the nature of the property which we describe as copyright.

The *Designs Act*, if could again ask your Honours to take up that statute, in section 10, confers exclusive rights upon registered owners of registered designs and enables, in section 11, the assignment of an interest in a design. The *Patent Act* is also referred to in our statement of claim and

in the reserve questions and if your Honours to go to that, to section 13 and section 13 tells us what is included in the exclusive rights given to the patentee:

> (1) . . . exclusive rights, during the term of the patent, to exploit the invention and to authorise another person to exploit the invention.
>
> (2) The exclusive rights are personal property and are capable of assignment and devolution by law.

Section 14 deals with how an assignment is to be made.

FRENCH CJ: Now, your design relates to ribbing on the pack, is that right?

MR MYERS: It does. If I could answer your Honour's question by asking your Honours if you would be good enough to take the four exhibits referred to in paragraph 35 of the questions reserved. If I can deal, before going directly to your Honour the Chief Justice's question, and I would ask your Honours to be good enough to take the Winfield Blue, which is exhibit 1, out of the packet, and exhibit 3. The Winfield Blue is the packet in which Winfield cigarettes are sold and what appears on the front of the packet is the registered trademark. Justice Crennan, the reserved questions show that the Winfield trademark is the entirety of that and does not include the word.

If your Honours would be good enough to continue to look at that packet, there is the trademark and your Honours will see that on the back there is a very large health warning. It occupies 90 per cent of the back. On the front there is a smaller health warning and it occupies 30 per cent, I think, of the front. The Winfield name and some references to its attributes, "The true since 1972" are on the top of the packet and there is reference to the Winfield Tobacco Company and other matters on the side, and on the other side there is a health warning. If one undoes the packet – and I invite your Honours, if you are kind enough, to do so – you will see that when one undoes the foil there is a silver covering which has "Australia's own since 1972". If one removes a cigarette, one sees that the word "Winfield" is on the cigarettes.

FRENCH CJ: What is the "Force no friend, fear no foe"?

MR MYERS: That is something that is used in connection with Winfield goods and it is part of the trademark. What exactly it means - - -

FRENCH CJ: I was not asking that.

MR MYERS: Each to his own, I think. It is like a good poem.

HAYNE J: You need to read more, Mr Myers.

MR MYERS: Different things, at least, your Honour. The position afterwards one can see in the second pack which the Commonwealth has supplied and it has a great deal of its surface covered in this colour, which is described as a dark brown. In certain lights it looks olive green, but apparently it is brown. One can see that the trademark has no appearance on the pack. The name Winfield Blue appears and that would enable one to identify these products as Winfield Blue, but it is not the trademark or part of the trademark.

CRENNAN J: So blue and red and so on indicates some different level or different type of tobacco, do they?

MR MYERS: I am not sure exactly what they indicate, your Honour, I regret to say, but they are sold separately.

CRENNAN J: As they are on that packet which, as you say, is a brown colour, the blue to be there would seem to indicate some variation in relation to other colours, so far as the consumer of the cigarettes is concerned?

MR MYERS: Yes, indeed. Maybe it is associated with the taste of the cigarette or something of that kind, but certainly they are not sold randomly as blue, red or - - -

KIEFEL J: I think they were to do with strength and what would probably now be an impermissible use of the word "light"?

MR MYERS: Yes. Well, by agreement, the cigarette companies agreed not to use those designations, light or strong or whatever.

KIEFEL J: Yes, that is right, but I think that is what it was originally.

MR MYERS: Yes. In any event, just going back to this, one sees that a great deal of the pack is taken up with the prescribed colour. The health warning on the front occupies 70 per cent and there are no trademarks anywhere at all. I should point out that the back of the pack refers to Quitline which is a mark owned by, I think, the Victorian Anti-Cancer Council and is used by it to advertise its services and at the bottom one sees want advice on quitting, "Call Quitline", et cetera.

CRENNAN J: Are you going to explain, in relation to this packet, the significance of the registered design and the - - -

MR MYERS: No, the registered design has significance. If I could ask your Honour to go to the fourth exhibit, it is the fourth exhibit where the registered design is significant. This is an existing packet, as your Honours will see by the amount of the health warning on it. The design relates to the ribbed surface, and you need really to take the cellophane off to feel the ribbed surface down at the bottom, and the bevelled edges. That is the design.

Then, if your Honours open the packet and you will see there is a little lip there and if you pull that it peels back and reveals the cigarettes and you can pull it back and it reseals and that has become impermissible under the regulations, the resealing. That is patented. That is an invention that is patent. So, they are the matters which primarily affect - - -

GUMMOW J: How is the design impermissible? How is exportation of a registered design rendered impermissible?

MR MYERS: It is section 18 and regulation 2.1.1(2) according to my notes, your Honour. We will test that. Section 18 physical features of retail packaging, subsection (1):

> The retail packaging of tobacco products must comply with the following requirements:
>
> (a) the outer surfaces and inner surfaces of the packaging must not have any decorative ridges, embossing, bulges or other irregularities of shape or texture, or any other embellishments, other than as permitted by the regulations - - -

FRENCH CJ: You say that takes away your design, even if there are no regulations?

MR MYERS: It does, it does.

FRENCH CJ: Particularly if there are no regulations.

MR MYERS: Subsection (2), the outer surface of the pack must be rectangular and so on and we do not satisfy that. I have referred in my notes to regulations, so if your Honours would – that is regulation 2.1.1(2):

> A cigarette pack must not contain an opening that can be re-closed or re-sealed after the opening is first opened, other than the flip-top lid.

GUMMOW J: That is the patent?

MR MYERS: That is the patent.

GUMMOW J: That is 2.1?

MR MYERS: Regulation 2.1.1(2).

HEYDON J: That is a correct reference.

MR MYERS: Yes, thank you. There is something I should mention in passing though I do not believe that anything turns on this, that, out of an abundance of caution, the Commonwealth denied my client's assertions of copyright but in a letter dated 4 April the Commonwealth admitted it and that should be before the Court. I must say, I do not believe anything will turn on it.

HEYDON J: 10 April.

MR MYERS: 10 April, I beg your Honour's pardon. Could I invite your Honours to look now at *Attorney-General (NT) v Chaffey* and I should like to refer to paragraphs 23 and 24 in the reasons for the decision of the Chief Justice and Justices Gummow, Hayne and Crennan. This was a case dealing with what one might describe as workers' compensation legislation in the Northern Territory and one does not need, I believe, to go to the details of that. We do rely upon it for a general statement:

> The term "property" is used in various settings to describe a range of legal and equitable estates and interests, corporeal and incorporeal. In its use in s 51(xxxi) the term readily accommodates concepts of the general law. Where the asserted "property" has no existence apart from statute further analysis is imperative.
>
> It is too broad a proposition, and one which neither party contended for in these appeals, that the contingency of subsequent legislative modification or extinguishment removes all statutory rights and interests from the scope of s 51(xxxi). *Newcrest Mining (WA) Ltd v The Commonwealth* is an example to the contrary. That case concerned the use of statute to carve out mining interests from the radical title enjoyed by the Commonwealth upon the acceptance of the territory pursuant to s 111 of the *Constitution*. Again, a law reducing the content of subsisting statutory exclusive rights, such as those of copyright and patent owners, would attract the operation of s 51(xxxi).

We say that is precisely what has happened here. We are unable - if I could go to a different statutory right, that is, the trademarks - we are unable to use our trademark in connection with our goods. It is not to the point, I say respectfully, that we have to use our trademarks according to law. Every property right has to be exercised according to law. The owner for an estate in fee simple is not able to use the estate in fee simple for a use not permitted by law; for example, simple as something under the town planning legislation, but that - - -

FRENCH CJ: Rejection of the broad proposition it leaves the requirement to consider the nature of the property right that is said to have been acquired in the interaction of the impugned law with that property right.

MR MYERS: Indeed, it does. But the first proposition that we advance is that we have property rights and all one is saying is that because the property rights can be modified by law does not mean they are not property rights, because the use of the subject matter of the property can be qualified by the law does not mean that it is not a property right.

BELL J: Just before you leave *Chaffey*, the reference in paragraph 24 - - -

MR MYERS: Paragraph 24 it must be.

BELL J: Yes. There is a reference following that to *Commonwealth v WMC Resources* and to Justice Gummow's judgment. That is at 194 CLR 1, but relevantly at page 72 where there is reference – this is in the context of acquisition – to "something proprietary in nature". I just draw that to your attention since it seems to me you need to read the passage that you have taken us to in *Chaffey* by reference to the consideration insofar as acquisition is concerned that one finds there.

MR MYERS: Your Honour, I am not dodging the question. I will certainly come to acquisition. All I am attempting to address at the moment is the issue of whether we are dealing with - - -

BELL J: Whether you have got property.

MR MYERS: - - - whether we have got property.

BELL J: But I think at least in some respects that is conceded.

MR MYERS: Well, possibly. When I take your Honours in a few minutes to paragraph 53, I think it is, of the Commonwealth's submissions, your Honours will see that the concession is illusory, but I do not want to just go to it yet. I would just like to refer to *Wurridjal* which is on the list.

It is 237 CLR 309 and it is in the reasons of the Chief Justice. Again, I do not believe that one needs to go to the facts of the case. We refer to paragraphs 87, really, right through to 93 for an exposition of what constitutes property for the purposes of section 51(xxxi). This is a constitutional protection and it has been said very often that property there has a broad meaning consistent with giving due effect to the constitutional protection.

Now, the word "property" is a chameleon. It means different things in different contexts, but let me come to the way the Commonwealth wants to confine it and if I could ask your Honours to go to paragraph 53 of the submissions. This is where the Commonwealth really sums up their case relevantly for present purposes:

> None of the statutory rights tobacco companies claim will be taken –

Well, they are taken all right –

> from them by the TPP Act therefore involve any positive right to use –

We can forget the next words I think –

> 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.

I would not want to descend into hyperbole, but every one of those sentences is utterly wrong. It seems that the Commonwealth is putting this argument. Take a trademark, the first step is the Act does not give a positive right to use. The positive right to use is taken by the statute. The positive right to use is therefore not property taken.

CRENNAN J: Well, the exclusive rights to use, which you have pointed to in all the intellectual property statutes, are framed that way in order to protect what is intangible subject matter. That is to say - - -

MR MYERS: I am not quite sure that I understand what your - - -

CRENNAN J: Well, physical property is a limited resource, intellectual property – you have pointed to the exclusive right to use as the proposition which underpins the argument that the registered trademarks, to take an example, are property and what I was putting to you, which supports the argument, is that the exclusivity that is given under each of the pieces of legislation to which you have referred is a legislative mechanism for

protecting intangible subject matter, that is, it is statutory property, as is explicitly recognised in 21(1)

MR MYERS: Yes. Your Honour, I think I am responding to your Honour's observations. Property is often analysed jurisprudentially and more often that way recently as essentially rights of exclusion. If it is analysed as a right of exclusion, the whole point of the right of exclusion is to enable use of the subject matter of the right of exclusion without interference from others, and to say that property consists of a right of exclusion and if you do not have a positive right of use you are not interfering with property. But it is of the essence of property, even if it is analysed as essentially a group of legal interests that enable or entitle the property holder to exclude others from the subject matter of the property, the right to use is of the essence.

HEYDON J: In our law one can do anything as long as there is no positive law forbidding it.

MR MYERS: Indeed, and it has been said by judges often.

HEYDON J: There is no positive law forbidding the exercise of a trademark except positive laws against the non-owner. That is your point?

MR MYERS: It is. The ability to use the subject matter of property without interference is aptly described as property and, in due course – well, perhaps I can do it now, to take your Honours to what Justice Deane said in the *Tasmanian Dams Case*, if I can put my hand on it. It is paragraph 44. Your Honours will find it faster than I do at tab 12.

HAYNE J: What page?

MR MYERS: I beg your Honour's pardon. It is page 282, the last two lines and following:

> In *Bank of NSW v The Commonwealth*, Dixon J pointed out that s 51(xxxi) is "not to be confined pedantically to the taking of title . . . to some specific estate or interest in land recognized at law or in equity . . ., but . . . extends to innominate and anomalous interests and includes the assumption and indefinite continuance of exclusive possession and control for the purposes of the Commonwealth of any subject of property". In the same judgment, his Honour was at pains to emphasize that the Constitution did not permit the Parliament to achieve by indirect or devious means what s 51 did not allow to be done directly.

Then about halfway down the page:

> Difficult questions can arise when one passes from the area of mere prohibition or regulation into the area where one can identify some benefit flowing to the Commonwealth or elsewhere as a result of the prohibition or regulation. Where the benefit involved represents no more than the adjustment of competing claims between citizens in a field which needs to be regulated in the common interest, such as zoning under a local government statute, it will be apparent that no question of acquisition of property for a purpose of the Commonwealth is involved. Where, however, the effect of prohibition or regulation is to confer upon the Commonwealth or another an identifiable and measurable advantage or is akin to applying the property, either totally or partially, for a purpose of the Commonwealth, it is possible that an acquisition for the purposes of s 51(xxxi) is involved. The benefit of land can, in certain circumstances, be enjoyed without any active right in relation to the land being acquired or exercised . . . Thus, if the Parliament were to make a law prohibiting any presence upon land within a radius of 1 kilometre of any point on the boundary of a particular defence establishment and thereby obtain the benefit of a buffer zone, there would, in my view, be an effective confiscation or acquisition of the benefit of use of the land in its unoccupied state notwithstanding that neither the owner nor the Commonwealth possessed any right to go upon or actively to use the land affected.

GUMMOW J: There is a difficulty with that passage, is there not, and it is in the second and third line, "effective confiscation or acquisition". That is the problem.

MR MYERS: Everything involves facts and - - -

GUMMOW J: No. Was this passage consistent with what was said by the other judges who dealt with 51(xxxi) in the *Dam Case*?

MR MYERS: No, it is not consistent with what they said but it has - - -

GUMMOW J: It is your high-water mark, is it not?

MR MYERS: I thought your Honours pushed the tide in a bit further in a few other cases to which I will go in due course. In any event, perhaps I should just get back for a moment to paragraph 53 and what is said there. Another matter that we draw attention to is this, that in this case because we cannot use our trademark and no one to whom we assigned it could use it, lawfully, at least, the entire substance of our property is gone.

CRENNAN J: Well, you can use the word component of your trademark.

MR MYERS: That is not our trademark, though, is the short answer, your Honour.

CRENNAN J: That is true, but it is an essential particular of your trademark.

MR MYERS: It is an important particular. It may be essential, but it is not our trademark and, in any event, the – something less than the total extinguishment of a property interest may be an acquisition of property. If the Commonwealth as in *Dalziel* the taking, even from a weekly tenant of possession for an indefinite period of time which is not to take the weekly tenancy, let alone as against the freehold, or the freehold, is an acquisition of property. It is taking part of that which is the property, that bundle of rights - - -

GUMMOW J: It is enhancing the reversion, is it not?

MR MYERS: It depends who holds the reversion.

GUMMOW J: It does not matter.

MR MYERS: If someone other than the tenant and other than the reversioner takes possession that may be adverse possession against the reversioner and far from enhancing it, if I could put it this way, it could lead to the extinguishment of the reversion.

If I could go back to the speaking notes to identify perhaps where I am. I shall not refer to the cases that might be referred to under section 5A, except to merely give two citations. In *Conagra Inc and McCain Foods* (1992) 33 FCR which is a Federal Court decision of your Honour Justice Gummow, where I wish to refer to it, at - - -

FRENCH CJ: I think it was a Full Court decision, was it not?

GUMMOW J: I think so.

FRENCH CJ: I think it was a Full Court decision.

MR MYERS: Yes, your Honour the Chief Justice. I did not say otherwise, just that the portion that I was referring to was in the reasons for decision of Justice Gummow at page 366. Your Honour Justice Gummow discusses there the nature of the rights in goodwill and reputation. The decision of this Court in *Federal Commissioner of Taxation v Murry* (1998) 193 CLR 605, and we refer in particular to page 615 at paragraph 23, and 617 at footnote (44). Your Honours were kind enough to

relegate the views expressed in an article by unsuccessful counsel to footnote (44). There again there is an analysis of the nature of goodwill as property. That was the Canberra taxicab case. I do not want to read those.

Also, in *Yanner v Eaton*, if I can give your Honours the reference – it is on the list – at 366 to 367, paragraphs 17 to 20, that is in the reasons of the Chief Justice and Justices Gaudron, Kirby and Hayne. In the reasons of Justice Gummow at pages 388 to 389 at paragraphs 85 and 86 there is an analysis of the nature of property rights which is useful.

We have also distributed to the Court, I believe, the famous article in 23 Yale Law Journal by Professor Hohfeld, some fundamental conceptions as applied to judicial reasoning. That was 23 Yale Law Journal at page 16 and pages 22 to 23. It is an analysis of property rights which has been much adopted. At page 22, if your Honours were good enough to go to it, "property" is described. Adopting the words of a Mr Justice Smith – in the middle of the page:

> 'Property is the right of any person to possess, use, enjoy, and dispose of a thing'.

"Thing" is used there in its broader sense. It just does not refer to something that is tangible. In Austin's *Jurisprudence*:

> The right of indefinite user (or of using indefinitely) is an essential quality of absolute property . . . This right of user necessarily includes the right and power of excluding others from using the land.

That is the point of a right of exclusion. It is to enable the benefit of property to be enjoyed, the use of the subject matter of the property. Now, we deal with the matters that I have just put also, as your Honours may have seen, in our reply submissions, particularly at paragraphs 7 to 11.

If I could now turn to some propositions? First we submit that the *Tobacco Plain Packaging Act* deprives the plaintiffs of property. It adversely affects or terminates pre-existing rights that the plaintiffs have in their property - we say, with respect, that must be incontestable – and in a real sense, deprives the plaintiffs of the proprietorship and everything that made the property worth having. That is closely related to the propositions which I have already put to the Court about use.

Could I refer to a few cases in this Court? First of all, the *Banking Case*, *Bank of New South Wales v The Commonwealth* 76 CLR 1, in particular at page 349 in the reasons for the decision of Justice Dixon. It may be I have, in substance, already read them, quoting Justice Deane in the

Dams Case. If I could invite your Honours' attention to the fourth line of page 349:

> In other words the undertaking is taken into the hands of agents of the Commonwealth –

That is how the taking was effected there. The board of directors was got rid of and a Commonwealth agent took control –

> so that it may be carried on, as it is conceived, in the public interest. The company and its shareholders are in a real sense, although not formally, stripped of the possession and control of the entire undertaking. The profits which may arise from it in the hands of the Commonwealth's agents are still to be accounted for and in some form they will be represented in what the shareholders receive. But the effective deprivation of the company and its shareholders of the reality of proprietorship is the same. It must be remembered that complete dispositive power accompanies the control of the assets which passes to the nominees.

This is what we say, and Dr Griffith said it to the court eloquently, this Act strips my client of the substance of its trademark, there is no question of that, and by the regulations made under the *Tobacco Plain Packaging Act* and the *Trade Practices Act*, gives the benefits that would have accrued to my client to the Commonwealth. Certainly, the Act takes something from my client and, we say, equally certainly, it provides it, or the substance of it, to the Commonwealth for its use.

KIEFEL J: What is the "it"? What does it take?

MR MYERS: It takes the right to apply its trademark to its goods.

KIEFEL J: Well, that is another way of saying it restricts the use of the trademark.

MR MYERS: Yes, it does.

KIEFEL J: What is wrong with the Commonwealth's submission to that effect? That is really what we are talking about. We are talking about what might be described as quite a severe restriction on the use of a trademark.

MR MYERS: A severe restriction, with respect, your Honour. It is to strip the trademark of all its worth.

KIEFEL J: Well, stripping it tends to suggest that it is going somewhere and that is the area that we are in in terms of a discussion about whether the

Commonwealth acquires anything. The cases are also clear that the loss of something may not equate to the Commonwealth's acquisition. That is clear.

MR MYERS: Yes, indeed.

KIEFEL J: It is very much a facts and circumstances consideration in each of these cases, but if one returns to a description of – the trademark remains in existence. What is involved here is a considerable restriction on its use. In that context from that point how do you describe the Commonwealth's acquisition - - -

MR MYERS: Can I come to acquisition in a moment?

KIEFEL J: - - - or benefit or advantage is the area I think that you want to go to?

MR MYERS: Yes. Can I come to that in a moment? I am just trying to identify the taking and it is my fault entirely - - -

KIEFEL J: Taking or acquisition?

MR MYERS: Well, I am trying to identify the deprivation. What is my client - - -

KIEFEL J: What is lost?

MR MYERS: What has my client lost? What my client has lost is the whole substance of its trademark. It cannot use the trademark on its goods and it cannot assign the trademark to anyone who can lawfully use it on its goods.

KIEFEL J: I think elsewhere in your submissions the word "control" I think that is used consistently by a number of the plaintiffs. It is a loss of control of the exercise of the trademark.

MR MYERS: Well, it is a loss of use, I put it that way, with respect, your Honour. That is how I put it. We lose our entitlement. I will not use right, just entitlement, am entitled to use our trademark. We cannot assign it to anyone else because they cannot use it either. We have been deprived of our property. If there is some scintilla of the property left, and the Commonwealth will give lots of farfetched examples of what is left of the property, then that does not deny the argument.

The contention that we make, with respect, is that the effect of what is done is to take from my client its right to use its property, and that is to

take its property. It is an even more stark case, we would say, than the case that the Court considered in the *State Banking Case* and Justice Dixon is talking of in the passage that I have referred to. I was reading, your Honours, from page 349 and his Honour says this halfway down the page:

> Upon consideration I have reached the conclusion that this is but a circuitous device to acquire indirectly the substance of a proprietary interest without at once providing the just terms guaranteed by s. 51(xxxi.) of the Constitution when that is done.
>
> I take *Minister of State for the Army v Dalziel* to mean that s. 51(xxxi.) is not to be confined pedantically to the taking of title by the Commonwealth to some specific estate or interest in land recognized at law or in equity and to some specific form of property in a chattel or chose in action similarly recognized –

trademark –

> but that it extends to innominate and anomalous interests and includes the assumption and indefinite continuance of exclusive possession and control for the purposes of the Commonwealth of any subject of property.

That is to go some way towards the matter of acquisition. The reference to *Dalziel* 68 CLR 261 - I shall not read it - which we take Justice Dixon to be referring to, is in the reasons for decision of Justice Rich at page 286. One could even start at page 285 - I am sorry to do that to your Honours - at about point 10. The language used is perfectly general and it goes on, then in the middle of the page:

> Property, in relation to land, is a bundle of rights exercisable with respect to the land.

Then there is a discussion of possession and *Pollock* and so on. Then over at page 286 in the first full paragraph:

> It would, in my opinion, be wholly inconsistent with the language of the placitum to hold that, whilst preventing the legislature from authorizing the acquisition of a citizen's full title except upon just terms, it leaves it open to the legislature to seize possession and enjoy the full fruits of possession, indefinitely, on any terms it chooses, or upon no terms at all.

Could I then ask your Honours to be good enough to go to the *Newcrest Case*? I wish to refer to some passages in the reasons for decision of

Justice Gummow at page 633. On page 633 there is the heading "Acquisition of property" and then at the bottom of the page, about the 10 last lines:

> None of the provisions relied upon by the appellants is expressed in direct language as effecting an acquisition of any property. However, the question is whether, even if not formally, the appellants effectively have been deprived of "the reality of proprietorship" by the indirect acquisition, through the collective operation of the provisions of the Conservation Act, of "the substance of a proprietary interest".

We say we are dealing with the substance –

> I have referred earlier in these reasons to the passage in the judgment of Dixon J in *Bank of NSW v The Commonwealth* which supports these propositions.

Then if one drops down to the paragraph in the middle of the page:

> There is no reason why the identifiable benefit or advantage relating to the ownership or use of property, which is acquired, should correspond precisely to that which was taken.

Then over on page 635, the first full paragraph:

> Nor is this a case where there was merely an impairment of the bundle of rights constituting the property of Newcrest. An example of such impairment is found in *Waterhouse v Minister for the Arts and Territories*. There, the prohibition on export of the painting in question left the owner free to retain, enjoy, display or otherwise make use of the painting and left him free to sell, mortgage or otherwise turn it to advantage subject to the requirement of an export permit if the owner or any other person desired to take it out of Australia. Here, there was an effective sterilisation of the rights constituting the property in question.

So that is our case. Could I ask your Honours to be good enough to go to the *Mutual Pools* decision? I should like to take your Honours to pages 184 to 185.

BELL J: What page number was that?

MR MYERS: Page 184 and 185. I am sorry, your Honour, I am dropping my voice. At the bottom of the page:

> Similarly, the word "acquisition" is not to be pedantically or legalistically restricted to a physical taking of title or possession. Once it is appreciated that "property" in s. 51(xxxi) extends to all types of "innominate and anomalous interests", it is apparent that the meaning of the phrase "acquisition of property" is not be confined by reference to traditional conveyancing principles and procedures. Nonetheless, the fact remains that s. 51(xxxi) is directed to "acquisition" as distinct from deprivation. The extinguishment, modification or deprivation of rights in relation to property does not of itself constitute an acquisition of property. For there to be an "acquisition of property", there must be an obtaining of at least some identifiable benefit or advantage relating to the ownership or use of property.

We say that is the case here -

> On the other hand, it is possible to envisage circumstances in which an extinguishment, modification or deprivation of the proprietary rights of one person would involve an acquisition of property by another by reason of some identifiable and measurable countervailing benefit or advantage accruing to that other person as a result. Indeed, the extinguishment of a chose in action could, depending upon the circumstances, assume the substance of an acquisition of the chose in action by the obligee.

That is obviously not this case.

FRENCH CJ: You are putting this as a stark case of extinguishment rather than a case of impairment?

MR MYERS: Your Honour, in substance it is extinguishment, but if it is impairment - - -

FRENCH CJ: When you say in substance does that mean so much impairment it amounts to extinguishment?

MR MYERS: It does. We would take issue with the description of this being a significant impairment of rights or even a considerable impairment of rights or something. This is really taking the substance of the rights away.

GUMMOW J: Can we just look at *Dalziel* again in 68 CLR?

MR MYERS: Yes, 286, your Honour.

GUMMOW J: In 68 CLR.

MR MYERS: Yes, at page 286 was your Honour referring?

GUMMOW J: No. The first paragraph of the headnote which refers to regulation 54 of the National Security Regulations and then the argument of Mr Fullagar at 265 about point 3:

> means the acquisition of some legal or equitable estate or interest in property and does not include mere temporary possession or occupation.

The response to that which was a successful response by Mr McKillop at 267, point 3:

> Acquisition of land or of an estate in land is only a matter of terms, and the Court looks to the actual powers the Commonwealth has under reg. 54. The Commonwealth has acquired all the rights which the respondent had in the land, namely, the right of possession, the right of user, the right of subleasing, and the right of granting a licence.

That is what the case was all about.

MR MYERS: Yes.

GUMMOW J: So you can say regulation 54 conferred some innominate and anomalous interest but it acquired some substance.

MR MYERS: It did, your Honour, and at page - - -

GUMMOW J: For the Commonwealth. That is what it was all about. It was the national security regulations.

MR MYERS: It was the national security regulations. At page 286, again in the judgment of Justice Rich, I think it is the last sentence that I read:

> In the case now before us, the Minister has seized and taken away from Dalziel everything that made his weekly tenancy worth having, and has left him with the empty husk of tenancy.

That is where - - -

GUMMOW J: I know, but the Commonwealth was grabbing it.

FRENCH CJ: The Commonwealth does not have a right to use your trademark as a result of this legislation.

MR MYERS: No, it does not have a right to use our trademark, but it deprives our trademark of any value and it places its own material in the place where we would have used our trademark. It is an indirect means that Justice Dixon referred to in the *State Banking Case*.

FRENCH CJ: When you talk about "it places its material" are you talking about the Act, are you talking about the regulatory regime under the Act, because I would have thought that your primary attack is on, so far as the trademark is concerned, the prohibition in section 20, is it not?

MR MYERS: That is the first step. The mere prohibition is not enough to constitute the acquisition. One is constantly drawn into the second step. The second step is that the Commonwealth fills the vacuum which is left by our inability, legally, to employ our trademark. The Commonwealth does two things: it places its own warnings there – and they are health warnings and so on, but it could place by Government bonds too – and it provides the space to Quitline, which is someone else's trademark.

CRENNAN J: Does it make any difference that what was in the vacuum before the vacuum, as you put it, was created – that is to say different colours or shields or chevrons or whatever – are matters which are common to the trade of selling tobacco products?

MR MYERS: No, with respect, it does not. Maybe this is unimaginative but we just rely on the fact that we have a trademark which I have shown to your Honours and we are not allowed to use it and the Commonwealth uses the space instead. It is the only place - - -

CRENNAN J: Well, in terms of goodwill and reputation when you are looking at matters which might be common to the trade like using different colours or using shields, a word mark would be particularly significant in that context.

MR MYERS: Well, we say, with respect, not so. Our first answer is the answer I have already made to your Honour. That is not our trademark. The word is part of our mark, and the way in which the Commonwealth prescribes that the word can be used is quite different. It is against a different background in a typeface that we would not use, of a size that we would not deploy. It is not our mark; it is the Commonwealth's mark.

HAYNE J: But the essence of your case is the cigarette company cannot use the mark. The Commonwealth does not use the mark. It uses the space.

MR MYERS: It uses the space.

KIEFEL J: But the benefit is in the advertising space, effectively. Is that what you say the Commonwealth's benefit is?

MR MYERS: The Commonwealth's benefit - - -

KIEFEL J: In the advertising space, I use it loosely, that it now uses.

MR MYERS: The Commonwealth's benefit is the assumption of control of the only place on which we could use our mark.

KIEFEL J: Yes, but what does it get as a result of the control? That is the "it" we are discussing from before.

MR MYERS: No, with respect, your Honour, it is the control which is significant. It can do – the Commonwealth that is – what it will in that space. The "it" is not significant. The fact that it is an improving message or a good message may be socially desirable and if it is then the Commonwealth should pay for it.

KIEFEL J: The property right of control you are talking about is in the space created; that is what we are really talking about.

MR MYERS: Yes, it is. It is an indirect means of acquiring the benefit of our trademark.

HAYNE J: Is there not this slip again to which I pointed out earlier, the slip between control of the market and control of the space?

MR MYERS: They are different things, your Honour, but with respect, they are not a slip. I am trying to put it as a deliberate step, not tripping over the stair or putting my foot on the banana skin. What we are saying is that it is the space, the only space, where we can put our trademark. The Commonwealth denies us the right to put our trademark. It therefore has control of the space and it uses the place for its benefit.

GUMMOW J: Now, do you get any help out of the *Bank Nationalisation Case* 76 CLR? Can we just look at that for a minute? There is a summary of the Commonwealth legislation on page 2. If you go over to page 4, the first column in the footnote on page 4, about point 8:

> Under s. 18 the Governor of the Commonwealth Bank may, with the approval of the Treasurer, appoint directors of an Australian private bank . . . These directors have full power . . . to declare dividends; (b) to dispose of the business in Australia of that Australian private bank to the Commonwealth Bank - - -

MR MYERS: Yes, we certainly do.

GUMMOW J: Now, that is the indirect mechanism that was said to fall foul of 51(xxxi).

MR MYERS: It is. It is.

GUMMOW J: How do you assimilate, if you can, your case to that case?

MR MYERS: What we say is that we have property, the trademark, let us take the trademark. We are deprived of the use of the trademark. We are not formally deprived of the trademark but we are deprived of the use of the trademark. That means that the place, the only place where we could deploy our trademark is vacant and the Commonwealth, by regulation, tells us what we are to put in that place. There are two things, at the moment, health warnings and someone else's trademark, namely Quitline. Health warnings are good things but the fact that they are good things does not alter what is done. It is the mechanism used indirectly to control – I am sorry, to acquire the benefit of the use of our mark.

FRENCH CJ: It might be a convenient moment, Mr Myers. The Court will adjourn until 2.15.

AT 12.47 PM LUNCHEON ADJOURNMENT

UPON RESUMING AT 2.15 PM:

FRENCH CJ: Yes, Mr Myers.

MR MYERS: Your Honours, if I can go to paragraph 8 of our written outline? I think the point that everyone is anxious to get to. We say that:

> The plaintiffs do not need to show that the Commonwealth or some other person acquires an interest in property: it is only necessary to show that the Commonwealth or some other - - -

HAYNE J: You will have to speak up, Mr Myers.

MR MYERS: I am sorry; I beg your Honour's pardon:

it is only necessary to show that the Commonwealth or some other person has obtained some identifiable benefit or advantage relating to the ownership or use of property.

May I begin by inviting your Honours to look at *Smith v ANL*, in particular the reasons for decision of Justices Gaudron and Gummow? That is at paragraphs 21 and 22 of the decision on page 504. It is noted there:

> Counsel for ANL referred to the statement by Rich J in *Loxton v Moir* that the "primary sense" of the phrase "chose in action" is that of "a right enforceable by an action". That statement is to be applied with some caution in a context involving the application of s 51(xxxi) of the Constitution. Thus, a law might leach the economic value of a plaintiff's chose in action whilst conferring a financial benefit upon the defendant by mitigating the duration, nature or quantum of the defendant's exposure to the plaintiff. Yet that law may still leave the plaintiff "legally free" to exercise that right by instituting and pursuing, "as [the plaintiff] pleases", an action against the defendant, so that the criterion stated by Rich J in *Loxton v Moir* would be satisfied. However, it would not necessarily follow that, because there remained a right enforceable by action, the law was not proscribed by s 51(xxxi).
>
> Questions of substance and of degree, rather than merely of form, are involved. The legislation which was invalid in its application to the plaintiff in *Georgiadis* denied his right to recover damages for non-economic loss and deprived him of his entitlement to full recovery of economic loss, but did not extinguish the whole of the rights comprising his common law cause of action. The law which was successfully challenged in *Newcrest Mining (WA) Ltd v The Commonwealth* did not in terms extinguish Newcrest's mining tenements and the Kakadu National Park extended only 1,000 m beneath the surface. Nevertheless there was an effective sterilisation of the rights constituting the property in question, the mining tenements.

Now, immediately your Honours will say that deals with the deprivation of the plaintiff's property side of it, but the mere fact that there is only a sterilisation and not an acquisition of those rights by someone else is not enough to deny the application of section 51(xxxi). I read to your Honours before the luncheon adjournment - - -

GUMMOW J: Well, if you are reading paragraph 22 you have to read the last sentence, do you not?

MR MYERS:

As Brennan CJ later put it, the property of the Commonwealth was enhanced because it was not longer liable to suffer the extraction of the minerals –

Certainly, the property of the Commonwealth was enhanced, but that is not a necessary condition of the application of section 51(xxxi); it is sufficient if there be an identifiable benefit or advantage which relates to the ownership or use of property. The property, one might even say, that has been sterilised or affected drastically. I read before the luncheon adjournment to your Honours the passages from the reasons for decision of Justice Deane in the *Commonwealth of Australia* at pages 282 to 284 of that case and I shall not read them again. Could I ask your Honours then to look at the reasons for decision of Justices Deane and Gaudron in *Mutual Pools*, and I am going to turn to page 184?

No, I beg your Honours' pardons, I read that also before the luncheon adjournment. I am so sorry. I have already read pages 184 to 185. May I then go to *ICM Agriculture Pty Ltd v Commonwealth* as we conceive what was said by Justices Deane and Gaudron in *Mutual Pools* was, in effect, adopted.

FRENCH CJ: This is 240 CLR 140?

MR MYERS: That is correct. I am going to go, first of all, to paragraphs 81 and 82:

Acquisition of property?

This is because, whatever the proprietary character of the bore licences [that were in question] s 51(xxxi) speaks, not of the "taking", deprivation or destruction of "property", but of its acquisition. The definition of the power and its attendant guarantee by reference to the acquisition of property is reflected in a point made by Dixon J in *British Medical Association v The Commonwealth.* This is that the wide protection given by s 51(xxxi) to the owner of property nevertheless is not given to "the general commercial and economic position occupied by traders".

Of course, we accept that:

The scope of the term "acquisition" was explained as follows by Deane and Gaudron JJ in *Mutual Pools & Staff Pty Ltd v The Commonwealth:*

> "Nonetheless, the fact remains that s 51(xxxi) is directed to 'acquisition' as distinct from deprivation. The extinguishment, modification or deprivation of rights in relation to property does not of itself constitute an acquisition of property. For there to be an 'acquisition of property', there must be an obtaining of at least some identifiable benefit or advantage relating to the ownership or use of property. On the other hand, it is possible to envisage circumstances in which an extinguishment, modification or deprivation of the proprietary rights of one person would involve an acquisition of property by another by reason of some identifiable and measurable countervailing benefit or advantage accruing to that other person as a result."

That is what we say happens here in relation to the Commonwealth.

HAYNE J: What is the advantage the Commonwealth gains?

MR MYERS: The advantage of controlling the use of, and of using, the space on the packaging which would be used by the mark.

HAYNE J: That is to say, the publication on the pack of health warnings is something that you equate with a benefit to the Commonwealth?

MR MYERS: Yes it is, your Honour.

HAYNE J: What sense is it a benefit to the Commonwealth?

MR MYERS: Because the Commonwealth controls what may be put there. It does not have to put health warnings there, it can put anything there. The fact that it puts health warnings is a matter of the Commonwealth choice.

HAYNE J: Well, a Commonwealth choice expressed by statute. If other statutes were passed, other questions may well arise, but we are concerned with the validity of this legislation and this legislation prescribes what shall be put there and is it an essential part of your argument that the publication on the packs of the health warnings is a benefit to the Commonwealth?

MR MYERS: The ability to publish on the pack is a benefit and the publication on the pack of the health warnings is a benefit to the Commonwealth because the Commonwealth thereby is relieved of the cost of acquiring that space to publish that which it wishes to publish.

FRENCH CJ: The Commonwealth is not putting out messages at large. It is imposing a condition upon the sale of the product; if you are going to

sell the product, you have got to put this warning on it. That is a little bit different from the notion of getting space on which it can, as it were, paint or write anything it wants.

MR MYERS: No, the Commonwealth goes further than that. It says you are not allowed to use this space. You are not allowed to use your trademark.

FRENCH CJ: No, you are not allowed to sell this product unless you put this on your packaging.

MR MYERS: These things can be described by a number of verbal formulations, your Honour.

FRENCH CJ: It is a question of what is the appropriate characterisation of what is happening.

MR MYERS: It is, in part, with respect, a question of characterisation, but it is a question of analysis and when one is looking to benefit, one does not go to the end objective that is involved. It might be something laudable and one might say it is a general public benefit and so on and so forth, but if one – and just accept this is the fact for the moment – acquires space on which to put health warnings, one is achieving the benefit of not having to pay for that.

HAYNE J: What is the difference between that and requiring the vendor of Ratsak to inscribe on the pack in type of a particular size, "Keep out of the reach of children"?

MR MYERS: You do not take his trademark to - - -

HAYNE J: I understand there is no taking, but is the "Keep out of the reach of children" a benefit to the polity whose legislature requires it?

MR MYERS: What is a question of regulation and what is a question of acquisition of property will involve questions of degree and fact, and from one point of view, your Honour, yes, it is a benefit, it is a benefit. The Commonwealth, if it takes the view, as one would expect it ought, that it wants a Ratsak warning on the label, does not therefore have to publish it itself. Now, one has to in the end decide what is regulation and what is an acquisition of property where there is a deprivation of property by one person and a concomitant use of that which the other person would have used by reason of that person's holding the property that has been destroyed.

KIEFEL J: That is to say that the benefit must be in the nature of property for it to be said that the Commonwealth has an advantage. You cannot really speak, can you, of the Commonwealth's pursuit of legislative objectives as an acquisition of property in the sense referred to in section 51(xxxi)?

MR MYERS: The benefit in this case is not just the publication of a warning. It is taking over the entire get-up of the packages and the primary proposition that the benefit must be in the nature of property is, we say, not required. I am just taking the words that I just read, "it must be an advantage or benefit relating to the ownership or use of property", and this is an advantage or benefit relating to the ownership or use of our property, or it must be an "identifiable and measurable countervailing benefit or advantage accruing to the other person". Now, we say that on analysis that is what has happened here. It can be described in other words, there is no question about that, but the issue is really whether it is aptly described by these words.

Furthermore, your Honours, it is not just the Commonwealth's health warning, it is Quitline. Mr Moshinsky was sent away today, but they are the owners of a mark, Quitline, as appears from the regulations, and they get their mark put on the packet free. In paragraph 75, if I could just make the point by reference to the Commonwealth's submissions, this is what the Commonwealth said, and it is instructive to read it. It is page 33 of the Commonwealth's submissions. I am going to go to the middle of paragraph 75:

> 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.

Well, all that is being said there is that the Anti-Cancer Council of Victoria is a not-for-profit organisation, but they do get a benefit; they do not have to pay for that. If they had to pay us for that, it would cost them money. If they had to pay anyone else for that, it would cost them money.

KIEFEL J: What would be the difference in terms of just terms compensation for paying for the space on which to put the public health message and paying for the loss of the trademark? Does one equate to the other?

MR MYERS: Substantially, one would think. That would be a matter if - - -

KIEFEL J: But they are not using the trademark, so there should not be compensation for the use of the trademark, it is for use of the space.

MR MYERS: I am not suggesting that it would be compensation for use of the trademark necessarily at all, your Honour, but if you have to value the benefit acquired, it may be that one looks at the cost of advertising as the Commonwealth does and, we say, as Quitline does, but that is a matter for another day of course.

KIEFEL J: Yes.

MR MYERS: We do say, with some force but not vehemence, that the effect of this legislation is to sterilise the trademark, to turn it into a mere husk and the result is that the Commonwealth has this space available which it can use itself or give to others.

GUMMOW J: Just on that last point, can you just look at section 20(3) of the Packaging Act for a minute?

MR MYERS: Yes, I hope I can.

GUMMOW J: You took us to it before but we should perhaps look at it again. Section 20(3) says, "The following may appear". Is that to be read as only the following may appear?

MR MYERS: Yes, it is, your Honour

HEYDON J: Because of subsection (1)?

MR MYERS: Yes, subsection (1) is the governing provision.

FRENCH CJ: So that is really a carve-out of the prohibition, though, is it not?

MR MYERS: It is, and the only part of it that has any meaning is (a) because the relevant legislative requirements that - - -

GUMMOW J: It is back-to-front. The subsections are back-to-front, really. Subsection (1) should go at the end of subsection (3), but anyhow - - -

MR MYERS: Then I suppose subsection (2) might, as well.

HAYNE J: Because subsection (2) is the general prohibition, is it not, given the breadth of the definition of mark?

MR MYERS: Yes, it is any line or dot or anything. It is on page 8 - - -

HAYNE J: "[L]ine, letters, numbers, symbol, graphic or image".

MR MYERS: Yes, and (3), "the brand, business or company name". What is prescribed there, of course, is – the business name or company name can appear and the variant name is like the Winfield Blue in the Lucinda, whatever it is, type that I referred your Honours to before.

FRENCH CJ: Into the, as it were, the permission created by (3)(b) you find the obligation to comply with the health warnings as defined in the Act which are given by section 10 a paramountcy over the Act itself.

MR MYERS: Yes, they are. Just going back to *ICM*, could I remind your Honours, since Justices Hayne, Kiefel and Bell said it, of what you said at paragraph 147 on page 201:

> It may readily be accepted that the bore licences that were cancelled were a species of property. That the entitlements attaching to the licences could be traded or used as security amply demonstrates that to be so. It must also be accepted, as the fundamental premise for consideration of whether there has been an acquisition of property, that, until the cancellation of their bore licences, the plaintiffs had "entitlements" to a certain volume of water and that after cancellation their "entitlements" were less. Those "entitlements" were themselves fragile. They could be reduced at any time, and in the past had been. But there can be no *acquisition* of property unless some identifiable and measurable advantage is derived by another from, or in consequence of, the replacement of the plaintiffs' licences or reduction of entitlements. That is, another must acquire "an interest in property, however slight or insubstantial it may be".

We rely upon the penultimate sentence.

BELL J: The ultimate sentence is a quotation from Justice Mason in the *Tasmanian Dams Case* at page 145 where his Honour distinguishes taking from acquisition noting that:

> there must be an acquisition whereby the Commonwealth or another acquires an interest in property, however slight or insubstantial it may be.

MR MYERS: Yes. We say, with respect, that your Honours have gone beyond that and there is no reason why that which is acquired should be property. If property is sterilised and there is some connected benefit

obtained, that is sufficient, and the example of the obligor whose debt is acquired by the obligee would be an apt example, in my respectful submission. It is not the facts of this case, but it is an instance where property would be said to be acquired and has been from time to time by members of this Court, yet there is nothing in the nature of property in the hands of the obligee after the acquisition.

Your Honours, we say in paragraph 9 the benefit or advantage obtained by the Commonwealth or others does not need to correspond precisely with the property taken from the plaintiffs, and *Dalziel* - I think I have canvassed that sufficiently in referring to page 290 in the judgment of Justice Starke – and to similar effect in *Georgiadis*. Again, I shall not read the passage but it justifies paragraph 9.

HAYNE J: What reference in *Georgiadis*? What page?

MR MYERS: I beg your Honours' pardon, 304 to 305 in the joint judgment of the Chief Justice Sir Anthony Mason and Justices Deane and Gaudron. I have read your Honours the passage in *Newcrest* at page 634 in the reasons for decision of Justice Gummow which we say is to similar effect.

Can I, in this connection, turn to what the Commonwealth says in paragraphs 83 to 87 of its submissions. The Commonwealth, we say to avoid the consequences that follow from the authorities, have propounded what they call the "applicable constitutional principle", the ACP, a three letter acronym that is so popular in discourse and it is called "applicable constitutional principle" at the commencement of paragraph 84 and 85. In 86 it is "The application of the constitutional principle". Paragraph 87, things are "Measured against the applicable constitutional principle". So it is a pretty clearly established principle, one would say. Where we find it, is in paragraph 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 –

three conditions are satisfied. These are pretty interesting –

> (1) the law has a legitimate (non-infringing) legislative purpose other than the acquisition of property –

That, with respect, says nothing because you would not be in section 31(1) unless you had a head of power which justified the law in question –

> (2) the legislative means adopted by the law are appropriate and adapted (proportionate) to the achievement of that purpose –

Now, that is quite a tricky sentence because the legislative means adopted by the law, that is the law in the first paragraph, are appropriate and adapted to the achievement of that purpose. The second principle invites the Court to decide what is appropriate and adapted to the achievement of a purpose and that requires the Court to undertake the sort of inquiry which, with respect, is left to Parliament. It invites the Court to make qualitative judgments about the appropriateness and adaptation to purpose of laws and it therefore invites an inquiry which the Court would not undertake. The third element of this principle is –

> (3) the acquisition of property is a necessary consequence or incident of those legislative means.

For our part, we cannot quite understand what that adds. If there has not been an acquisition of property, the question does not arise and what is a necessary consequence or incident of the legislative means is not at all plain. This principle which is relied upon we say does not have any textual basis in the Constitution. It does not have at least any secure basis in authority. The only authority directly cited is Justice Brennan's reasons in *Cunliffe*, as we understand it, which was not a case dealing with section 51(xxxi). The way in which it is formulated we say, with respect, shows that it is not a principle that this Court should apply to assist the Commonwealth. Apart from anything else, it involves a confusion of what might be discerned as the public purpose of a law with the means that are selected to achieve that purpose.

KIEFEL J: It seems to suggest that an interference in property rights may be justified by reference to particular purposes.

MR MYERS: It does. If it is a good law, you can interfere with property rights.

KIEFEL J: That reflects an approach, I think, found in the European community treaty. It used to be articles 30 to 36.

MR MYERS: I am not sufficiently familiar with those articles to - - -

KIEFEL J: It says that you may justify some restrictions on the free movement of goods if it is made for some public purposes, including

purposes of public health. It is then tested by whether or not the legislative measure is any more restrictive than is necessary to achieve the purpose. That is why I say this has hallmarks of that approach but, as you say, without the treaty or constitutional background.

MR MYERS: Yes. In paragraph 84, the Commonwealth really gives the game away in the last two sentences:

> The acquisition [in this case] is no more than consequential or incidental to the legislative vindication of a compelling public interest by narrowly tailored legislative means.

They could have paid, if they had wanted to, to sterilise our rights.

HAYNE J: Paragraph 84 is introduced by saying that what follows is a narrower form. What I do not yet understand – and no doubt we will hear presently – is whether the proposition advanced in paragraph 84 could be rendered as being, it is sufficient to observe that the acquisition will benefit public health, or could be rendered as being, it is sufficient to observe that the acquisition is necessary to achieve the benefit to public health, to take it beyond 51(xxxi). It seems that one or other of those propositions is - - -

MR MYERS: Implicit in it.

HAYNE J: No, explicit.

MR MYERS: Explicit, yes, I accept that, your Honour. The last two sentences, as I said, seem to give the game away.

GUMMOW J: If one looks at footnote 224, which is appended to paragraph 85, one sees there Justice Holmes is with us again with *Pennsylvania Coal Co* which is the source of this idea in the United States.

MR MYERS: Yes, it is. It seems to be the *Pennsylvania Coal Co Case* and it embodies conceptions – I do not have it to hand, but I glanced at it – that are remote from our Constitution and there is no basis for it in our Constitution. If one wants to play games with the formulation in paragraph 83(1), (2) and (3), one can do all sorts of things. You can imagine the lighthouse power and because it is a good purpose and it is no more than is necessary, you can acquire the promontory on which you are going to build the lighthouse and you do not have to pay compensation. Certainly, *Newcrest* would be differently decided if that principle was the governing principle.

Your Honours, might I then very briefly observe and I will go to our written outline paragraphs 15 and 16? There is no compensation provided

and we would say at the moment no more about that. Finally, we deal with section 15 of the Act. We dealt with that section at some length in our written submissions and I am content to rely upon those written submissions.

Again, though just to make one observation, it seems to be a step, if I may say so, with respect, in a very dangerous direction for the Court because the Court is asked to exercise its imagination to conceive whether there might be some possibility of an application of the law which would be valid, and if there is the law is not to be declared invalid, it is just to be declared valid in connection with that application if it happens to be a matter that arises on the facts before the Court, and it appears to be an invitation to ask the Court to engage in the end in a legislative rather than a judicial function.

We have elaborated upon that in our written submissions, and subject to the questions of the Court, I think my friends are ringing their bells and I had better move from the podium. Last thing, your Honours; the answers that we say to the questions are in paragraph 73 of our submissions and again I do not need to do anything but refer to those. May it please the Court.

FRENCH CJ: Thank you, Mr Myers. Yes, Mr Archibald.

MR ARCHIBALD: If the Court please, the property which is pleaded by BAT really falls into two classes, in our submission. The first is the class consisting of trademarks, registered and unregistered, design, patent, copyright and the like. The second category is pleaded at paragraph 8 of the statement of claim and that consists of two ingredients. The overall category is defined as packaging rights, but there are two components of it. The first component is the right over the packet itself, the cardboard article, which presents surfaces which lend themselves to exploitation by having material placed upon them.

The second component of the defined concept of packeting rights are rights in respect of the tobacco products themselves, and it is that aspect that I wanted to mention for the moment for, although it is there, I think little has been said about it.

This is drawing attention to the surface presented by the product itself commonly called, I think, a cigarette stick and that surface, that cylindrical surface itself presents opportunity for exploitation by carrying messages, marks and the like, and I think the examples of cigarette sticks that were provided to the Court this morning show that in fact those sticks are used for such purposes, in particular, either carrying a word component

of a mark or carrying some logo or other device no doubt redolent of the manufacturer's products.

So one has these two categories of property and our contention, in support of the BAT case, is that the both categories of property are the subject of acquisition without just terms. In the case of each class of property the most prominent and material aspect of property is control of exploitation or, as it has been put, control of exclusion and where exclusion capabilities are absolute, where the power to exclude is absolute, it really coalesces, in our submission, with the capability of use, control over use.

CRENNAN J: Do those packaging rights which you have distinguished from the intellectual property rights, do they depend on reputation and good will or would you describe them as having some other - - -

MR ARCHIBALD: No. It is the very prosaic notion that if I buy a piece of cardboard, I can do with that piece of cardboard what I wish.

CRENNAN J: Whatever you like.

MR ARCHIBALD: It is a common law right, as is the same with the prosaic cigarette stick. I can do with it what I wish. I can do on the surface that which I wish. I can leave it blank if I want to or I can exploit it in the way that commends itself to me and, no doubt, in the ordinary way I will impart to that surface the highest and best use as I evaluate it. Hence, we would say that the inference is the highest and best use is seen by cigarette manufacturers as putting their marks where they can on the surface of the cardboard and on the cigarette sticks, at least to some extent, again imparting a message no doubt conceived to be to the advantage of the manufacturer.

GUMMOW J: Where do we see restraints by the Packaging Act on the cigarette stick?

MR ARCHIBALD: That is what I wanted to draw the Court's attention. It is section 26, your Honour, primarily section 26(1):

> No trade mark may appear anywhere on a tobacco product –

and "tobacco product" is defined in section 4 to mean things that capture cigarettes – means:

> processed tobacco, or any product that contains tobacco, that:
>
> (a) is manufactured to be used for smoking –

Section 26(1) stipulates that:

> No trade mark may appear anywhere on a tobacco product, other than as permitted by the regulations.

There is nothing in the regulations that permits a trademark to appear. Indeed, the regulation goes further and contains a form of positive prohibition. The relevant part of the regulations is Part 3. Part 3.1.1(1) commands that the paper casing for cigarettes, this is a cigarette specific regulation amongst the tobacco product regulations:

> (1) The paper casing, and lowered permeability band (if any), of cigarettes must be:
>
> (a) white; or
>
> (b) white with an imitation cork tip.

Which expression is defined in section 4(1) but does not matter here. Then regulation 3.1.2 allows alphanumeric codes but subregulation (3) provides that:

> (3) The alphanumeric code must not:
>
> (a) constitute tobacco advertising and promotion -

and that in itself would preclude material of any kind involving advertising and, therefore, for example, a brand name would be precluded on that account. But a little more clearly by way of prohibition regulation 3(f) stipulates that the alphanumeric code must not:

> represent, or be related in any way to, the brand or variant name of the cigarette.

So that at least in relation to the stick there is no opportunity for a word component of a mark to appear. Of course, although I think it is not the case with the pleaded BAT marks, there can and no doubt will be marks which do not have a word component. Our case is not before this Court, but our pleading in annexure A, Part 1 shows quite a number of marks in respect of which our client is registered which do not contain a word component. They largely fastened on the chevron device which is involved in many of our products.

So that while one might be dealing in the instant case with the case where the pleaded marks have a word component, there will be other cases

where there is no word component and even where one has a word component, it is, of course, an integral and inseparable part of the registered subject matter. If any part of that subject matter is taken, certainly any substantial part, then we say the mark itself is taken. So when one comes to the question of acquisition, there are two aspects, no doubt, discernible in respect of that notion as developed in our jurisprudence. The one is, I will call it, the "taking component" as a convenient though slightly inaccurate shorthand, and the other is the "benefit component".

So far as the taking component is concerned, if we view property as a concentration of power, a legally endorsed concentration of power, then it is a derogation from that power. If one speaks of property in terms of rights it is an erosion of rights. In relation to the identifiable benefit we adopt the submissions that our learned friend, Mr Myers, has made on that topic.

GUMMOW J: Just looking at your short outline, Mr Archibald, paragraph 2(a) and (b) talk about conferring and giving "the Commonwealth complete control". What is identified as the Commonwealth?

MR ARCHIBALD: That polity - - -

GUMMOW J: Is it some power given to the Executive or some statutory system?

MR ARCHIBALD: Well, it flows from and perhaps extends - - -

GUMMOW J: To put it precisely, what section is it in the Packaging Act that confers this control and makes it complete to the Commonwealth?

MR ARCHIBALD: I accept what your Honour says. It may involve some degree of gloss. We point to section 20 - - -

GUMMOW J: I mean that is spent, as it were; it is complete on its face, other than regulations.

MR ARCHIBALD: Well, yes, your Honour, subject to regulations which lie in the power of the Executive so that from time to time there lies within the power of the Executive the capability to recalibrate the control which is centrally ordained by the section. It is not without significance that section 20(3)(c) permits the appearance on retail packaging of such other trademarks or marks as are "permitted by the regulations", so it does lie within the control of the Commonwealth to adjust the primary prohibitions.

I accept, your Honour, that the fundamental elements that lie behind that part of our outline are subsections (1) and (2) of section 20. What one

is observing in those subsections is a fastening upon both of the streams of property to which we have drawn attention. Subsection (1) really combines the first category that I identified with the second category, for what is being done is to say that no trademark, which is fastening on category 1, may appear on retail packaging, which is category 2.

So one can hypothesise separate owners of these two categories. There is a derogation of the power to control, exploitation and use of the mark on the one hand, and an undermining and derogation of the power to control the use that is made of the surface on the other hand. Subsection (2) is perhaps directed more centrally and perhaps only to the owner of the packaging for it is a provision about other marks not being permitted to appear. Section 26 has the features to which I have already drawn attention.

GUMMOW J: This scheme would not seem to permit the Commonwealth by regulation to require the placing on the packaging of some message that was referred to this morning about driving safely or paying your taxes.

MR ARCHIBALD: No, I am not concerned at all about that for the moment. Our proposition is that so far as acquisition is concerned, it is the change of control over exploitation and exclusion which constitutes the acquisition.

HAYNE J: That is to say that what you describe as the conferral upon the Commonwealth of control is sufficiently and fully described as subjection to Commonwealth statutory and regulatory requirement.

MR ARCHIBALD: With the rider of the regulatory alteration capability.

HAYNE J: Of course, but conferral of control equals subjection to Commonwealth legislative and regulatory control.

MR ARCHIBALD: Well, one is asking the question, is there an acquisition.

HAYNE J: Yes, of course. But on the benefit side, as you said – and the division may be artificial and needs to be treated with care – but on the benefit side the benefit is described, as you would have it in your short outline, conferral of control.

MR ARCHIBALD: No, (a) and (b) are speaking about taking, (d) speaks about benefit, and I will come to address the Court on benefit in a moment. So far I have endeavoured to say nothing about benefit. I may have, but I have been seeking to avoid it.

FRENCH CJ: That which you pour into the vessel of control is, in part, determined by statute, "The following may appear" so "the brand" – this is looking at subsection (3):

> (c) any other trade mark or mark permitted by the regulations.

So that is a certain category of permission. So the room for flexibility, if you like, is the "relevant legislative requirements". Now, that is a permission and, as I think I put to Mr Myers earlier, they are brought in through the health requirements, I think, and then section 10, of course. So you come in through the *Competition and Consumer Act* . . .

MR ARCHIBALD: And there are others. There are fire requirements and things of that - - -

FRENCH CJ: Yes, but just talking relevant to health at the moment, you are coming in through the *Competition and Consumer Act* and standards promulgated under it.

MR ARCHIBALD: Yes. Now, I will come to that, but that may be an example of the way in which the control available to the Commonwealth might ultimately be utilised, but it is unnecessary, for the purposes of our argument, to identify that as part of any relevant benefit.

FRENCH CJ: Yes, but you use the word "complete" control. The control is confined by reference to this statutory framework and that which it draws in and the purposes for which the other statute and its standards are made.

MR ARCHIBALD: Well, yes, that is to say, this legislation, at least in the extrinsic materials, is contemplating companion measures that are calculated in the Commonwealth's conception to work together advantageously, but there resides within this part of this legislation such a degree of control, such a degree of elimination of control capabilities, power to control in the owner as to constitute the taking component, without more.

KIEFEL J: Can I just come back to that question of degree. What we are really speaking about here, in the way in which the Act and the 2011 regulations work, is an increase in control, is that correct?

MR ARCHIBALD: No, not at all, with respect, because in relation to trademarks there has not hitherto been any control over the way in which those marks may be deployed upon the packages and from these provisions there is, if you like, speaking generally, a prohibition.

KIEFEL J: I suppose I was talking about control over the packets themselves. In what has been provided before there has always been a requirement that a certain proportion of the space that we have been discussing before be given over to health messages.

MR ARCHIBALD: Yes, that is so.

KIEFEL J: What is effected by this legislation and the regulations by a combination of the removal of the trademarks, or their severe restriction, to be more accurate, and the regulations requiring the health messages to effectively take over a larger part of it is an increase in the control, is it not, and therefore we are talking about degrees of regulation?

MR ARCHIBALD: In that respect, yes, but two things: first, in relation to trademarks we do say the measures introduced by this legislation are properly to be described, using general language, as prohibition. One sees that explicitly in section 17 of this Act. Section 17 in the modern fashion contains a simplified outline. Sometimes simplification does reveal essential truths and realities. Sometimes they mask them. But here section 17, the third dot point at paragraph (c):

> Division 1 of Part 2 sets out requirements for:
>
> . . .
>
> (c) marks on retail packaging (including a prohibition on trade marks generally appearing on retail packaging) . . .

As to section 26, the last dot point:

> Division 2 of Part 2 also prohibits trade marks from generally appearing on the tobacco products themselves.

That is the first part of your Honour Justice Kiefel's question. The second part: we accept that, so far as packaging is concerned, what is occurring under this legislation is an extension of that which has hitherto occurred, but it occurs in a way which shows distinct benefit – and I will come to that in a moment – but because there has been prior regulatory control that which remains available for exploitation to the owner of the cardboard packet and the stick is all the more significant and all the more vital because it is, and I think this has been put in earlier submissions, really the last and only remaining way in which there can be exploitation.

So while it is a matter of degree in terms of what happens to the space, it is the vital space because it is the last space available. I will seek

to say a little more about that in a moment, if I may. That is really the essence of the taking part, the derogation from the power of control. So far as the benefit component is concerned - - -

CRENNAN J: Just before you move to that, Mr Archibald, if a parallel importer altered the packaging in which certain products were sold under a trademark, but altered it extensively, in the absence of any deception or confusion in relation to the origin of the goods occurring, would that alteration to the packaging by the parallel importer be actionable by the registered owner?

MR ARCHIBALD: Of the mark?

CRENNAN J: Yes.

MR ARCHIBALD: Yes, your Honour.

CRENNAN J: Why?

MR ARCHIBALD: Well, your Honour says alteration, but if the essence of the mark remains - - -

CRENNAN J: Well, the mark remains, but it might be changed in size or the packaging might be altered, but there is no deception or confusion, so far as the public is concerned, about the origin of those products. I am just putting to you that it would not be actionable unless there is some deception and confusion flowing from the alteration to the package, which just throws up the notion of what are these so-called rights to packaging.

MR ARCHIBALD: Yes, but it is hard to envisage, your Honour, how the parallel importer could be taking the mark, making alterations and not mislead and deceive unless it is really moving a to a totally different mark.

CRENNAN J: Well, I do not think that is right because if you take pharmaceuticals, they might be sold in different numbers in a particular market in one country from another country. I think there is quite a bit of - - -

MR ARCHIBALD: There are two things; I suppose, one, if it is in the territory of section 20(1) it is going to be a packet which will be contravening the Act in any event - - -

CRENNAN J: I was not asking you in that context. I was asking in the context generally of trying to elicit what is the actionable right that an owner of a trademark has in relation to packaging if the packing is altered in a way that does not cause any deception and confusion?

MR ARCHIBALD: It does not infringe the mark?

CRENNAN J: It does not infringe the mark.

MR ARCHIBALD: No, no right at all. Whether you look at the trademark owner or the owner of the piece of cardboard, the parallel importer is doing nothing wrong against - - -

CRENNAN J: No action arising.

MR ARCHIBALD: No, that is true, yes. I am sorry, I do not think I understood your Honour's question in the first instance. But we are not concerned with that type of case here and what has really happened in terms of control is that the Commonwealth becomes the gatekeeper, has control over what exploitation occurs, what exclusions occur and through the mechanism of the regulatory capability can dictate the outcome. That is on that side of it so far as marks are concerned, and then there is a component of the taking in relation to the packaging itself which essentially conscripts the cardboard package so as to serve the Commonwealth's purposes. Now, again, I am not at the moment speaking of graphic health warnings. What I am drawing attention to is that section 19(2) stipulates that the retail packing "must have a matt finish" and (i):

> if regulations are in force prescribing a colour—must be that colour –

Regulations are in force prescribing a colour. We see that in regulation 2.2.1. Subparagraph (1) of that regulation says:

> (1) This regulation is made for subparagraph 19(2)(b)(i) of the Act.
>
> (2) All outer surfaces of primary packaging and secondary packaging must be the colour known as Pantone 448C.

That is what has otherwise been described as the dull, drab brown or olive green. So here the Act insists that the package owner apply to its packaging that colour and on the benefit side we will submit that that colour is seen to serve the Commonwealth's purposes.

Your Honour Justice Crennan may wish to note in relation to the question that your Honour put to me, section 145 of the *Trade Marks Act* bearing on falsifying notes. Now, so far as benefit is concerned, the first thing we say is that there is a benefit, per se, to the Commonwealth in – the verb sterilise has been used – in sterilising the use of the mark and similarly a per se benefit to the Commonwealth in sterilising the use of the space

otherwise occupied by the mark. In other words, it is a benefit or advantage to have that which hitherto occupied that space ceasing to occupy the space.

One discerns elements of benefit in this regard from passages in the explanatory memorandum to the Bill. The explanatory memorandum is found under tab 2 in a bundle of materials I think described as "Extrinsic Materials" prepared by both the plaintiffs and the Commonwealth in this proceeding. It is document 2, the pagination in the right-hand corner is 5. At page 1 of the memorandum, page 7 of the booklet, there is a heading at point 5, "The rationale for plain packaging" and the memorandum reads:

> This Bill will prevent tobacco advertising and promotion on tobacco products and tobacco product packing in order to:
>
> - reduce the attractiveness and appeal of tobacco products to consumers, particularly young people –

and then the third dot point:

> - reduce the ability of the tobacco product and its packaging to mislead consumers about the harms of smoking –

This is the perception of the Commonwealth. Then, at page 3 of the memorandum, page 9 of the booklet, point 8 on the page:

> The effect of the requirements will be that tobacco company branding, logos, symbols and other images that may have the effect of advertising or promoting the use of the tobacco product will not be able to appear on tobacco products or their packaging.

The next page at point 3 on page 4 of the memorandum, page 10 of the booklet, the second paragraph:

> The Bill prevents a trade mark from being placed on tobacco products or their retail packaging, so as to prevent trade marks from being used as design features to detract attention from health warnings, or otherwise to promote the use of tobacco products.

Now, we need not go into any of the controversies about efficacy or proportionality, but one can see from material of that kind the foundations and justifications for which the Commonwealth was advancing and introducing legislation of this kind and so that feeds into both streams of property taking that we have identified and affords an analytical underpinning which reflects, in essence, the clear benefit, in our submission, from simply having control. I might have control of Blackacre. I might decide to grow vegetables on it. I might decide to build a block of

apartments or something, but I have the choice. The person who has the power to control exploitation and exclusion has advantage per se without more and this is the type of advantage which we say is achieved by the Commonwealth by virtue of these provisions.

That leaves aside altogether the way in which it then utilises that control. The utilisation, no doubt, illustrates the amplitude of the advantage it has, and one sees that it mandates the drab, brown colour on the package and it separately mandates extended graphic health warnings. All of those are the effectuation of the advantage that it has, but for purposes of identifying benefit, all we need to demonstrate is the fact of control, control giving choice and choice allowing the pursuit of various objectives of one kind or another, no doubt at different times.

HAYNE J: In what sense does the Commonwealth gain control by the TPP Act as distinct from asserting its statutory power? Statutory power is a form of control obviously, but how does it gain control?

MR ARCHIBALD: It achieves that certainly through the legislative measures. It achieves flexibility through the regulatory capabilities and - - -

HAYNE J: It chooses a particular exercise of its statutory and regulation making power, but non constat that it somehow gains what it did not have, namely, control.

MR ARCHIBALD: It, by the legislation, achieves the taking component. The benefit need not reflect the particular elements of the taking, but where what is taken from the erstwhile owner of the property subject matter in question is the essence of that property, then we say it follows inexorably that the Commonwealth has the advantage, the advantage being in its perception the advantage of the negation of the control that otherwise resided with the owner. That is why we submit that there is benefit and advantage in the sterilisation of the marks. It takes it off the packets which is the advantage the Commonwealth seeks and it achieves it by the legislation in question.

MR ARCHIBALD: I think I submitted earlier that the Commonwealth, in effect, conscripts the packet to serve its purposes. It certainly does so within this legislation by the insistence under the regulations that the Pantone 448C colour be introduced onto the packet. That is serving and furthering the Commonwealth's objectives and again constitutes an advantage and a benefit from that circumstance alone. Leaving aside altogether efficacy, that is what the Commonwealth wants, that is what the Commonwealth gets. It is properly, in our submission, to be characterised as a benefit, conformably with the authorities to which the Court has been referred.

BELL J: Whenever the Commonwealth legislates so as to confine some right that an owner has, there is a relevant acquisition of property for the purpose of 51(xxxi) in that argument.

MR ARCHIBALD: No, with respect. Whenever the Commonwealth legislates, no doubt it legislates to what it sees as the advantage of the public. There would be a public purpose and the public advantage will be served by the legislation. There can be two categories of that legislation: one which is regulatory in its nature and the other which is acquisitive in its nature.

BELL J: On the argument that you are presenting I am having difficulty drawing that distinction that you have categorised as a benefit the control that the legislation confers on the Commonwealth.

MR ARCHIBALD: We say where control of that type is removed from the erstwhile owner and is relocated, what has occurred is a plain acquisition well beyond regulation, for the essence of the property subject matter has been taken. Simply to legislate to say that in respect of some kind of Ratsak one has to add on the package "poison", that would be legislation of a kind which does not involve any acquisition. There is no taking of the mark, for example, the Ratsak mark that will appear on the package. There is simply the addition on a portion of the package of an appropriate warning. That will be regulatory in character. It will not involve an acquisition.

BELL J: Before that the owner of Ratsak has the opportunity to decorate the packet in whatever way the owner seeks to. There is now a degree of control. It is control for public benefit in that broad sense that you have described. Wherein lies the distinction?

MR ARCHIBALD: The distinction resides in the crossing of the line. Where does one cross the line? That which is on the right side of the line is impairment without acquisition. That which is on the other side of the line is acquisition. What Justice Holmes said in the *Pennsylvania Coal Case* is, in our submission, apposite. You can regulate up to the point of, for the purposes of the United States jurisdiction, taking, but when you get to that point you have taken and it does not matter if beyond that point your legislation might still be spoken of or described as effectuating a form of regulation, but it is regulation that has involved acquisition. So, in a sense, there is no bright line distinction. You can regulate by not acquiring and regulate by acquiring. Here, we say, if it be regulation it is regulation with clear acquisition, fundamental acquisition, about which there can really be no doubt.

What has occurred, really, in relation to the packet that is owned by the manufacturer is that it has become the servant of the Commonwealth's purpose. It is a little like the formulation of Sir Owen Dixon in the *Bank Nationalisation Case* in, I think, the passage at 348 before the passage that Mr Myers took the Court to, that what had occurred there was that the undertaking which previously served the private interest became an undertaking that was to serve the public interest and, really, that is what is occurring here with the combination of the insistence upon the plain packaging component on the package, plus the expanded graphic health warning. The package is serving, certainly in relation to the elimination of the marks, a public purpose, whereas it previously served a private purpose and the elements of the explanatory memorandum to which we took the Court reveal those features.

KIEFEL J: Part of your argument then is that the regulation goes too far.

MR ARCHIBALD: The plain packaging regulation?

KIEFEL J: That the manner of regulation goes too far.

MR ARCHIBALD: Yes. The regulation is attendant upon the substantive sections and whether you find the problem in the section or it first emerges in the regulation, one way or the other there is an acquisition perpetrated and that is enough. For our purposes it does not matter whether one finds it in the Act or the regulations.

KIEFEL J: But there was a degree of control – I have raised this point with you earlier – exercised previously by the requirements of the messages on the packets. I understand that the essential point is that that still allowed the use of trademark, but no suggestion then that the regulation was a difficulty, even though it was some interference. So what we are really talking about here is the extent to which the Commonwealth can regulate and diminish both trademark and the ability to take advantage of trademarks.

MR ARCHIBALD: We would say this. Certainly no step was taken to challenge the earlier legislation on the ground of contravention of the constitutional guarantee, 51(xxxi). I am not seeking to argue a case that there was, but there may have been. Your Honour says nothing was done or no question was raised. Well, no pursuit of the point was made, but whether there was or there was not an earlier acquisition, we say on this occasion there is, and part of the analysis but by no means a substantial part of the analysis draws upon the notion that one is now faced with the space on the package which is the last opportunity to exploit and that imparts a qualitative aspect to the further measures which demonstrates a clear acquisition. So that whatever might have been the case with the earlier

legislation, it is certainly the case, in our submission, with the present legislation.

FRENCH CJ: Does it matter that the space is, to fall into your categorisation, being used for the purpose of messages, as it were, which are directed to the product that you are selling as distinct from, say, messages for some other public purpose like, "Exercise is good for you," or "Do not eat fatty foods," or something of that sort?

MR ARCHIBALD: Well, not from the point of view of the analysis of acquisition and its component benefit. If we were speaking about a compensation claim attendant upon legislation which contravened, then the way in which it is in fact used might bear upon the quantum of compensation for one can envisage that there might be more detriment to the position of the manufacturer if the use that is availed of is one that is directly against the manufacturer's interest rather than some entirely discrete subject matter.

FRENCH CJ: But that kind of distinction does not go to characterisation, you would say?

MR ARCHIBALD: No, we do not urge that it does. So in those circumstances we say that there is ample benefit demonstrated in respect of the legislative step of taking. There is ample benefit both in the mark stream of property and in the packaging stream of property as to constitute an acquisition for purposes of section 15 of the *Tobacco Plain Packaging Act*. Could we say something very briefly about just terms? Just terms, in our submission, denote that which is just to the individual owner. There is not involved in the evaluation of or understanding of just terms any balance between what is just between society generally and the individual. We rely in that respect upon the reasons of Sir Gerard Brennan in *Georgiadis* at pages 310 and 311.

We submit that what are just terms cannot be affected by the nature or merit of the trade which is conducted by the person or persons whose property is acquired. That would mean that one would arrive at a situation where different amounts of compensation or different terms would constitute just terms, according to the character of the trade conducted, and we submit that that cannot be right. But more fundamentally here, just terms are required in respect of the property that is acquired and here for the property that is acquired there is no compensation and there are not terms. What the Commonwealth refers to and relies upon is what was not taken. Those vestigial elements of the property which remain able to be used by the owner but abstaining from taking everything that is available to be taken, cannot, in our submission, constitute just terms for that which is taken.

So on no view, in our submission, can there be a conclusion here that just terms have been afforded in respect of the acquisition that has occurred. Given that an acquisition has occurred, given that no just terms are provided, we say that section 15 is enlivened. We say that there is nothing in the matters sought to be advanced by the Commonwealth by way of defence invoking the supposed constitutional principle.

If their proposition amounts to some invocation of what Sir Gerard Brennan said in *Mutual Pools* and it does seem to be the wellspring of the argument, then it ignores what Sir Gerard made plain at page 185 of his reasons in that case, mainly that even if it be the case that the provision in question was appropriate and adapted to achieving an objective within power, that is within the other head of power:

> where the sole or dominant character of a provision is that of a law for the acquisition of property, it must be supported by section 51(xxxi) -

I am reading from the top of page 181 in the report of the decision which is to be found at 179 CLR 155. So his Honour enunciates his Honour's proposition in the first three or four lines on that page, makes the point at the end of that proposition in any event that what is appropriate and adapted must not be solely or chiefly the acquisition of property and then restates in more positive terms that critical qualification on the proposition:

> where the sole or dominant character of a provision is that of a law for the acquisition of property, it must be supported by s. 51(xxxi) –

Even if, therefore, there is any role for the notion of that which is appropriate and adapted in the present circumstances, in this case, the sole or dominant character of the provisions of the plain packaging legislation are for the acquisition of property and, therefore, section 51(xxxi) is engaged.

Similarly, if another way of looking at this proposition is that there is some capability to regulate up to and beyond the point of acquisition with immunity, where the subject matter is the lord of all public objective of reducing harm to public health we say there is no foundation at all in the authorities for some such notion and invoking a high principle or purpose cannot alter the character of the law. The character of the law at the beginning and the end is one for the acquisition of property and that engages section 51(xxxi). If the Court pleases, those are our submissions.

FRENCH CJ: Thank you, Mr Archibald. Yes, Mr Walker.

MR WALKER: Your Honours, could I start at the lowest point of my argument. You will have with our oral outline what is called portentously a note clarifying footnote 43, et cetera. This is the manifestation of an exchange between the lawyers about a putative inaccuracy in our submission. We have chosen to deal with it completely in writing rather than, as invited to, withdraw the footnote. It is about an historical antecedent for so-called plain packaging in 19th century legislation which presumably was enacted in the interests of the dairy industry for the clear, plain announcement that what you were being sold was margarine.

HAYNE J: Or margarine.

MR WALKER: Or margarine, I should say, margarine. Everything that we need to say about that footnote controversy is contained in that note. Your Honours, before I move to the sequence of propositions that we have prefigured in our document, could I take up some matters that were raised by some of your Honours with my learned friend Mr Archibald in the last 20 minutes or so. Of course, and it might even go without saying, it is a premise for the application of the guarantee essence of 51(xxxi) that legislative power is being exercised by the Commonwealth to effect something that is an acquisition, the question then being, is it an acquisition within the meaning of 51(xxxi) that requires just terms?

That premise, which is important and critical but almost goes without saying, of course involves an exercise of legislative competence which can produce, will nearly always produce with anything that is regulatory, that relation to activities or things which we mean by the word "control". So that is one sense in which, of course, there is control by all regulatory legislation. It is the essence or definition of regulatory legislation. That is not the control that we have spoken of in our written submissions as one of the principal, if not the cardinal, indicium of ownership in the relation between a person and a thing or a person and an incorporeal advantage.

Rather, by control, as your Honours will have seen in our written submissions, particularly that part supported by Professor Merrill's article, we say of control that with its peak element or manifestation of a power or right to exclude it provides the means by which one can then, in very general terms, do with one's property what one likes. Now, that is very general terms which cannot stand in that fashion for a 51(xxxi) argument, we accept, for the reasons that were raised by several of your Honours with my learned friend. You have to go on further and add what is in danger of being a question begging or circular proposition, namely, so long as you act lawfully.

Given that the inquiry in hand is about the effect of legislation, then there obviously is a danger of circularity, but it can be dispelled and

dispelled completely, we submit, along the lines as I am about to put. Section 51(xxxi), which presupposes, has as its foundational premise the exercise of legislative power, for example, to control activities, to restrain or to require certain conduct with respect, for example, to items of property held in private ownership, necessarily therefore starts with the proposition that it cannot be all diminutions of the complete liberty of choice, which is the ultimate of control by a private owner, that cannot possibly amount to an acquisition requiring just terms.

That is trite, we accept, but perhaps, bearing in mind the ambiguity and difficulty of the word "control" which is found in the treatises about ownership, that needs to be emphasised. Rather, there is, as, with respect, to Justice Kiefel has several times raised with my learned friends today, necessarily the inquiry is, is this simply a matter of degree? Alas, it is not simply a matter of degree, but it is chiefly and, at the end of the day, a matter of degree. One of the reasons why we have referred in particular to the American jurisprudence, true, with the risk that one loses sight of acquisition as opposed to taking, is because - - -

GUMMOW J: Well, what the Americans have to deal with is just the word "taking", so they head it off at the pass by Justice Holmes' ideas about regulation. We do not have to do that. We get into it at the other end by asking whether there has been an acquisition.

MR WALKER: That is one way to, as your Honour puts it, head it off at the pass, but they also have due process - - -

GUMMOW J: Of course.

MR WALKER: - - -considerations that permeate all of this jurisprudence. So, yes, there is caution to observed, but there is also, with respect, useful instruction to be gained in relation to this common feature of matters of degree producing differences of kind.

GUMMOW J: They also, in more recent times anyway since the 1940s do not regard property as a piece of cheese. In other words, it is a bundle of something, and when you get into incorporeals and intangibles that becomes quite important. You are not talking about Blackacre.

MR WALKER: Yes, quite. Blackacre is still important.

GUMMOW J: The first stage is to sort out just what you are dealing with. Then you have to ask whether it has been taken or deprived and then whether there has been a benefit or an acquisition of a proprietary nature.

MR WALKER: Yes, and then, of course, just terms or not. With respect, those steps of reasoning that Justice Gummow has raised are steps that we have tried to present in our written submissions.

GUMMOW J: Those who preceded you shied away, perhaps, from analysing the relevant provisions of the relevant intellectual property legislation, simply by fixing upon sections which say this is personal property, as it is for various questions of private international law, for example. But what constitutes it? You have to go elsewhere in the Act.

MR WALKER: Now, with respect there are submissions, both written and in address, of my learned friends, Mr Myers and Mr Archibald, that I do not wish to repeat and I adopt, and, in particular, those that concern the essential exclusivity, by which I mean the right to prohibit others or to have others prohibited, which is at the heart of, in particular, the registered marks.

GUMMOW J: And the notion of contrary to law and in patent law the notion of what is generally inconvenient and so on.

MR WALKER: But, with respect, again we adopt what Mr Myers has put on that. There is no question about the *Trade Marks Act* or any legislation in similar kind being construed so as to give to those who have a registered trademark the right to, for example, breach what would otherwise be industrial safety regulations. So the fact that your knife is patented does not provide a licence to wield it in a way that other knives, unprotected by intellectual property rights, may not be.

That again, with respect, is trite and we have to accept that just as in America there is a spectrum or continuum from what might be called unexceptionable regulation through to the point at which, as Mr Justice Holmes puts it, acquisition is achieved, because it is just too much or has gone, to use the expression Justice Kiefel raised, too far, so in this country, with respect, there are aspects of those things which comprise the property right or the property in question, which by that which appears to be, and may in substance to a large degree actually be, regulation, nonetheless effects an acquisition.

Now, one needs to put to one side immediately, given some of the matters that your Honours have raised with my friends, the notion that an acquisition can be said to have been achieved by the Commonwealth simply because it is the Commonwealth as a polity, by its legislature, who enacts the statute that leads to some property right, so called or tendentiously so called, losing all its value. Otherwise, of course, a legislated highway bypass of a village would have acquired the service station that gets no

more customers. No one suggests that is correct, however proper and decent it may be for the highway statute to provide for compensation.

In our submission, the key in this case, the difference, to use an expression we have put in writing, why the frog now realises it is in danger of being cooked, is that, precisely as the explanatory memorandum points out, this is the last opportunity, according to the legislators, the last place for the opportunity for tobacco advertising, but rather than stopping at the prohibition, the bypassing of the village by the highway, the scheme – and we have used that word deliberately because it plainly is a scheme, I will come to a few more details about the explicit links in a moment – the scheme says that what is to be placed on the cigarette packet, which is not the property of the Commonwealth but which, as my learned friend Mr Archibald has very clearly, with respect, put is the property of the companies, messages which the Commonwealth requires from time to time, whether by legislation or by delegated legislation does not matter, and, furthermore, messages which are positively aversive to the idea of buying the product contained in the packet upon which the messages are to be displayed.

So to use a word that Justice Kiefel raised I think before the luncheon adjournment and has been used since in argument, yes, certainly as to that part of the argument that I wish to concentrate on in my address, at the heart of the matter is the use sought to be compelled by these laws, this scheme, of the space created by the making of a container upon which words and pictures may appear. Then to go to a matter that has been - - -

GUMMOW J: Where do we see the space point, control of space in your written submissions?

FRENCH CJ: Paragraph 25, is it not?

MR WALKER: Yes.

FRENCH CJ: You call it a bonsai billboard.

MR WALKER: Yes.

FRENCH CJ: It rather obscures the proposition that the messages that the Commonwealth requires to be carried as a condition of your right, in effect, to sell or package the tobacco products is a message about the hazards of the product.

MR WALKER: Your Honour, that is a point that I have to come to and I was about to come to it right now, if I - - -

FRENCH CJ: Yes.

HAYNE J: Which is to say the message running through this control argument is that the packaging is, in effect, being used for Commonwealth advertising?

MR WALKER: Yes, your Honour.

HAYNE J: Why? Why is it advertising?

MR WALKER: Because it crosses the line that I am going to attempt to draw now between the skull and crossbones on the Ratsak pack or the "Keep away from children" on the Ratsak pack which is not intended to be aversive to sale but to be a guidance as to use and care, and to the message which certainly does not say "Don't inhale", it certainly does not say, "Don't have more than two a day", nothing like that, nor for that matter is it to say, oddly, "Don't give it to your children". What it says is, "Here are the reasons why you should not buy this at all". That fits, of course, with the objects that are pronounced or proclaimed in the statute to which attention has already been drawn in section 3.

Now, leaving aside the somewhat problematic object of preventing the companies from misleading about the health risks – I will come to section 21 in a moment – because it is difficult to see, with respect, how abolishing the right to use a trademark has anything to do with preventing misleading about health risks, none of the trademarks in question it being suggested proposing any message one way or the other about health.

In our submission, if there is to be any distinction that we can use in this case to our advantage it has to be in that zone of the difference between a message which fairly accompanies goods in order to enable them to be used with appropriate care and a message which is designed to destroy the commerce which in fact remains lawful.

KIEFEL J: It sounds awfully like a proportionality argument.

MR WALKER: I obviously need to be careful about it appearing too clearly to be so. No, your Honour, it is a degree argument.

KIEFEL J: That is really why I raised the question or put it before as whether or not the point was that the Commonwealth has gone too far because it seemed to me that some of the arguments put by the plaintiffs and interveners came close to suggesting that the degree of regulation was too far for the purposes. But that is not an argument open to them of course because they have accepted that there is a proper head of power and no proportionality argument is raised by them. Rather we have this curious

position where the Commonwealth has assumed some sort of need to raise a proportionality argument which no one else thinks we should be having. It is quite a curious set up.

MR WALKER: Your Honour, what I want to try and persuade you, and your Honours, is that an argument of degree is not only what we have been arguing, both in writing and in address, but it is certainly open to us and does not partake of the fallacy of the proportionality argument, just to give it a label, which those of us on this side of the Bar table have described as the novel doctrine sought to be advanced by the Commonwealth. Can I explain?

As my friend, Mr Archibald, pointed out it is not to the point in answering a constitutional argument that the law picked as the subject of complaint is in the same vein as antecedent legislation which escaped objection. Escaping objection is not the same as establishing constitutionality and whether one thinks of the history of the franchise fees and excise in relation to section 90 or perhaps some other cases, it is not to the point that objection was not taken by the companies concerning the effective commandeering of their packets for purposes not fairly to be attributed to allowing their cigarettes to be sold and dealt with with due care, et cetera, before this one.

It will be the nature of a doctrine which does depend on questions of degree and the authorities we have all assembled in our written submissions about 51(xxxi) show that it does turn on questions of degree because it involves evaluations of matters of substance, it is no objection that there has not been an objection taken to laws which perhaps to a lesser degree, but nonetheless to an important degree, had already achieved the same kind of outcome.

HAYNE J: In assessing that question of degree we are to take the objects of the Act as they are identified in the Act, are we not?

MR WALKER: Of course.

HAYNE J: Those objects include to discourage from taking up smoking or using tobacco products?

MR WALKER: I have used the word "aversive", yes.

HAYNE J: Yes, and thus what is the point of the distinction you seek to make between the safety of use warning on the rat poison and the warnings in question here?

MR WALKER: The difference is, in fact, highlighted by apprehending that those objects are sought to be served in this fashion. It is the difference between a message which can regulate commerce or sale or trade and can require trade packages to carry those regulatory statements, call them warnings or information, on the one hand, and on the other hand packages in lawful trade – I stress in lawful trade – packages in lawful trade which are required by the Commonwealth to carry the political admonition, you should not smoke. I am not saying party political, as I understand it is a bipartisan vice, your Honour, but I am saying that it is a policy question and, in our submission, policy questions that are manifested by legislative choice in admonitions as to personal conduct, which is lawful – and I keep needing to add that – which is lawful, are matters which preternaturally lend themselves to advertising.

We do not shrink from that word. There is nothing wrong with advertising as a method of government getting their messages over, whether it be to eat more fresh food, to be involved in physical exercise or any other health message. Of course, your Honours appreciate where that kind of argument eventually leads, namely, that it is absurd, we propose, to say that laws for the publication of such messages do not permit of their nature the payment of or the requirement of just terms when private property is acquired for the purpose of that advertising.

The payment for advertising, for the use of somebody's space, be it on the back of a taxi, on a billboard, wherever, is, of course, de rigueur by government and by all sorts of traders. In other words, there is nothing antithetical in the nature of a health admonition published by government authority involving the payment for access to or use of the physical space, whatever it be, in a printed publication or on a wall or on a vehicle or on a packet, where that is sought to be displayed. So in my attempt to answer the question Justice Hayne has asked me, there is a distinction between that which is involved as part of the appropriately regulated use of the product sought to be sold by the private trader, that is what I will call the warnings, and it will cover prescription drugs, it covers dangerous tools, such as chainsaws and the like.

The difference between all of that, where the space on the trader's product or package is being regulated as to its use in a way that is not calculated to produce aversion to the product, but simply an aversion to the risks, and on the other hand a trader who is told in order to comply with the law you must provide at your expense the messages chosen by the government from time to time overtly intended to prevent people – the word used is "discourage" – is to discourage people, put them off buying at all and it is our submission that there is a line crossed here of a kind which fits the jurisprudence of degree or quantity or extent which does underlie in our law in a way similar to it underlies a similar aspect of the takings clause in

the United States, the movement from permissible regulation to acquisition that involves just terms.

Now, the Chief Justice, apropos these topics, also asked my learned friend, Mr Archibald, about – my paraphrase, whether there is constitutional significance in the difference between a message, I will call it "about", to use a neutral expression, this product contained within the packet and a message such as the one suggested in argument earlier to pay your taxes or to be a careful pedestrian or whatever. There could well be, is the short answer, because if they are not what we are calling "aversive", that is designed to counter the intended private use of the goods, which is to have them sold, if they are not that then they are very likely, if they are apropos the product, to be the form of regulation which is not as to its wisdom and justice to be judged by the judiciary but left to Parliament and we would accept will not amount on its own to an acquisition of property and would never give rise to any question about just terms.

But, if one goes to the other side and asks about the government message, "Pay your taxes on time" or any other message, they do not need to be ridiculous messages in imagined examples and they could certainly all be in the heartland of health and safety, if it had nothing to do with the product but it was understood that, to use the jargon, the demographic that buys cigarettes and have cigarette packets provide, according to the marketing and PR people, an ideal opportunity to get a particular message out, and one only has to see products in the market that are consumer kind, whether they be soft drink bottles, t-shirts or, we would say, cigarette packs, to know that those are obvious opportunities for bonsai billboards, as it were, then in our submission the questions really do answer themselves.

The first is, is there property in the cigarette packet? Yes, of course, there is. Does that include or does that inhere in or does that manifest itself in the right to exclude others from putting their marks or messages on it? Yes. I own this packet and I will determine what message goes on it. I can exclude all others. Does that involve, in turn, as one would expect, usual in relation to ownership and the cardinal aspect of exclusion, does that involve the opportunity to charge a price to people who want to put their messages on your bonsai billboard? Yes, of course.

Then one says, is there something about a law that every cigarette packet or Coca-Cola bottle must carry a message, "Pay your taxes on time" or "Do not forget your BAS every quarter", could anyone possibly say that that is the kind of law that does not, of its nature, permit just terms to be required for the use of Coke's property for the use of the cigarette company's cigarette packet? Of course not, because the payment of people to use their space for the publication of your message is a very large industry. There is nothing incongruous about paying for space to be used to

publish or brandish a message. It is to be expected precisely because it is an indication of a demonstration at the most fundamental level of the ownership by the person of that space.

It is for those reasons, in our submission, that were the topic completely removed from the product, then there could be no doubt that the government cannot go around by legislation commandeering people's motorcars or the sides of their houses, their t-shirts or their cigarette packets for publishing messages for which, of course, the Commonwealth could take out at the usual rates, the newspaper, television, radio or billboard opportunities.

It is for those reasons, in our submission, that we accept that this is a case which does require attention to the medicine bottle with the warning, or, to use the less comfortable example, the Ratsak. So the poisons warning we accept is something which provides a ready demonstration of that which can be required by appropriate regulation which will never amount in itself to an acquisition. However, we say a line can be crossed and it is not surprising there are not any exact precedents for this because it might be thought that this is unprecedented in the ambition of complete abolition of anything but an aversive message on a trader's private property, being the package of the trader's commodity which it is still lawful to sell.

GUMMOW J: Exclusion of anything but?

MR WALKER: An aversive message. Nothing is left except that which is either neutral, if the carefully chosen, apparently unpleasant colour is put to one side, nothing is left except material which is, we are told by section 3, designed to put people off buying, not designed, as I say, to make them use the product carefully, whatever that might mean, presumably less or with less inhalation or whatever.

BELL J: But is that not the point? With the Ratsak and the chainsaw, there are uses of the product which do not involve the risk, hence the nature of the warning respecting the use of those. It is asserted here that there is no use that does not carry the risk and, as I understand the demurrer, that is not in issue. That is just on your argument of degree, Mr Walker. It just seems that one is not necessarily comparing apples with apples in drawing a distinction between the warning on the Ratsak pack and having regard to the objects of this legislation and the nature of the product.

MR WALKER: No. I wish your Honour would not bring up an image of Ratsak, apples and a cigarette, but, no, of course they are not similar, but I respond to the Ratsak example precisely because it has been raised and poison warnings, statutory or otherwise, regulatory poison warnings, whether they be on medicines or on other household products like

methylated spirits, are so obviously established as common sense regulation that no one could dream of as amounting to acquisition of an interest in the bottle or the packet as to be, I accept, a useful sounding board for our arguments, but it does not mean that it does not involve questions of degree.

Yes, it still does involve questions of degree, or to put it another way, it does not mean that there is discovered, as it were, a category of activity in itself lawful which by some means in the argument I am intervening which is demonstrated only by section 3 of the Act, which by some means becomes impossible to attract the protection of 51(xxxi) because that would for anything else be an acquisition of property requiring just terms is not because – and it is completing that sentence – that it is, of course, the novel proposition by the Commonwealth. It has to be because although lawful smoking should be discouraged.

Now, the same thing, of course, is true of all manner of activities by people, not all Australian, with which the Commonwealth Parliament is concerned. Principally, national security obviously involves all sorts of things being done which may include military infrastructure. No one has ever thought that that means that there will not be acquisition when there has been a commandeering. Whether is a commandeering for indefinite duration or of a kind that one sees in *Dalziel*.

BELL J: The matter that I am taking up with you is the distinction that you draw between a warning on a product that may be used in a way that produces an adverse risk and the warning in this case. It comes back to the question of the distinction between regulation and the acquisition.

MR WALKER: Yes, it does, and that is not a bright line distinction, I am suggesting, and that is why I keep saying it is a matter of degree and I am seeking to resist the proposition that there are some things for which there can never be, as it were, excessive regulation. In our submission, where commerce is lawful, then regulation that, in effect, while protesting that it remains lawful, prevents it from being carried on, would be a classic example of excessive regulation amounting to acquisition.

The notion that the Commonwealth could choose, as it were, to place in every tobacconist's shop a public servant who is there to demonstrate the possibilities to people who might come in to buy, obviously there is compulsory use of and occupation of premises involved there, in our submission, one could not sensibly argue it is not something in the nature of acquisition. The fact that there are those who, perhaps by means of what is in an objects provision in such a statute, say that this is designed to deal with something which cannot be used safely, is not to the point, in our submission. I stress, the trade in question here is a lawful trade. That is one of the reasons why there the occasion for this argument at all.

FRENCH CJ: Mr Walker, that might be a convenient moment, I think.

MR WALKER: Yes.

FRENCH CJ: The Court will adjourn until 10.15 am tomorrow.

AT 4.16 PM THE MATTER WAS ADJOURNED UNTIL WEDNESDAY, 18 APRIL 2012