[2012] HCATrans 092

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 WEDNESDAY, 18 APRIL 2012, AT 10.15 AM

(Continued from 17/4/12)

FRENCH CJ: Yes, Mr Walker.

MR WALKER: Your Honours, may I resume to complete the remarks under the heading of proposition 2 in our speaking notes and to continue and attempt to answer, in particular, questions including one from Justice Hayne in relation to a distinction between the kind of unexceptionable, non-acquisitive requirement to carry health warnings – we have no problem with health warnings – or safety instructions, such as the poisonous medicine or the Ratsak.

Having no problem with health warnings, any more than the Ratsak manufacturer would have problems with the warnings about careful handling, as your Honours heard yesterday we do say this is a question of extent and it is physical in this case, not just conceptual, because it is very much the physical occupation, first by the removal of virtually everything which is distinctive of the manufacturer from the pack and then the occupation on the pack, not only of health warnings in themselves unexceptionable, but also of other material of a kind that could have been the subject of board advertising on buses or taxis or magazines or television - Quitline, obviously enough.

It is the domination of that space. It is the inclusion of what might be called the "anti-advertising" which both demonstrates extent – in this case conceptual as well as physical – as well as demonstrating that reversal of control which, if we are correct in the basic principle, can contribute towards the movement along a continuum, eventually passing from one zone into the next from merely regulation, which may be regarded as drastic, depending upon one's point of view, from regulation unexceptionable and attracting no application of 51(xxxi) to an acquisition which gives rise to the question whether just terms have been provided.

We say in particular that the difference between unexceptionable warnings – keep away from children, et cetera, and do not buy - is a difference which shows a distinct shift from something which, being a warning, corresponds to the nature of the article offered for sale, and again I stress this all in the context where sale itself is not being prohibited. So a warning or safe use for a medicine or a household product, that has a correspondence to the article offered for sale. On the other hand, an attempt to dissuade would-be purchasers, readers or viewers of the packet from buying at all does not correspond to the article. It is antithetical to its sale and use.

When the government has decided to take to the field of using persuasion rather than compulsion in relation to buying or not, it needs the means of conveying the messages which it has chosen to persuade or perhaps more accurately to dissuade. The means of persuasion are obviously – every day they surround us – the object of purchase or payment or exchange value being given for the access to somebody's property or their use of their right to exclude by way of a price to give their permission.

GUMMOW J: Now, do you understand anything about *Australian Capital Television*, the "free time" case?

MR WALKER: Yes. Your Honour, those are cases where the licensing regime may - - -

GUMMOW J: That is in 177 CLR 106 in the judgments of Justices Brennan, Dawson and McHugh.

MR WALKER: Yes. One is reminded, your Honours, of the approach to licences and conditionality which underlies, for example, the explanation given by Justice Gummow in *Newcrest* 190 CLR 635 of the earlier *Davey* and *Bienke* decisions in the Federal Court that where there is a prohibition and a licence and conditions may be imposed then there may be great difficulty in imposing an analysis that says there is a property interest being acquired by a condition being imposed which itself is integral to or to which the licence is inherently or explicitly susceptible. So, there will not be an acquisition in that sense.

Certainly, there is nothing physical involved as there is in the access taken to and the use made of BAT's physical cigarette packs. The passage, in particular, in Justice Brennan's reasons at 166 of 177 CLR refers to the acquisition of a statutory right to have broadcasts transmitted. It is a right to services. It is not a proprietary right and the passage immediately above that at about point 5 of the page declared the immateriality of the fact that the property of the broadcasters must be used "to provide election broadcasts":

> for neither of these effects creates, extinguishes or transfers property.

We would add the conditionality of licence in any event.

GUMMOW J: And *Australian Tape Manufacturers* 176 CLR 480?

MR WALKER: There is the public interest and the *Copyright Act* principles involved. There is a passage that we were about to draw to attention in *Phonographic* [2012] HCA 8 at paragraph 111 in the reasons of Justices Crennan and Kiefel. In relation to *Australian Tape Manufacturers*, there are those two points there concerning what flowed from what is there described as the theoretical underpinnings of copyright law. First, there was the public interest analogous to fair dealing.

GUMMOW J: What paragraph are you reading from?

MR WALKER: Paragraph 111, your Honour. Second, there was what might be described as the policing problem, that is, the unrealistic prospect of a copyright owner controlling or, in practical terms, licensing that household use. In that paragraph, the very next sentence, one sees the use, with respect, not for the first time in the jurisprudence, on 51(xxxi) of the critical expression "degree of impairment" and it is, in our submission, a very important indication that one looks at all the circumstances, to the nature and degree, from a point of view of the matter of substance, of the

interference or regulation of the use of property when there has not been an outright, overt proprietary transfer and asks the question whether along a continuum one has moved from the unexceptionable only regulatory zone to the zone where there may still be regulation. Indeed, it is because it is regulation of a particular extent and degree that the question of acquisition arises.

In our submission, there is nothing in *Tape Manufacturers* either which is contrary to the proposition we put concerning the capacity to say even of a law described as regulatory, in a sense more precise than the sense in which all laws are regulatory, regulatory in the sense that it dictates modes of conduct – in this case in commerce – that even those laws can become acquisitive without frank acquisition of title in a conveyancing sense depending upon an examination in context which will include the statutory setting, the commercial setting and other relevant circumstances, here the physical setting of the pack, and finally asking the questions of extent.

Now, can we make that more concrete in this case? We submit that in relation to physical extent, this is a case that presents at one extreme of the spectrum. We say at one extreme because that which has been preserved or reserved, namely, the word element, cannot practically be understood or imagined as itself also being eliminated, that is, packets which do not permit the viewer, be they the merchant, the shop assistant or the customer, to know what cigarettes are inside. So unless one was de facto to abolish differences between products from different manufacturers, or at least abolish the capacity of consumers to know it, you have got to have what can fairly be said from the provisions you were taken to in detail yesterday to be the most exiguous or the barest possible survival of the distinguishing mark, the name. I say barest possible or exiguous because of what you have already observed concerning font size and type face and placement for that matter.

So in terms of physical extent and in terms of questions of degree, relatively speaking, you could not have more. It is called plain packaging colloquially. It is not plain at all obviously because having cleared away that which was, I will call it, decorative or distinctive from the manufacturers and imposed a standardised colour, layout, font, et cetera, then in what must to the ordinary eye not at all be plain, there are of course the collocation of features to which attention has been drawn yesterday which include both pictures and words.

I stress, as to health warnings, that no difficulty with that from the company's point of view, content to have them on, but when one combines the whole and looks at the whole of the extent, virtually completely cleared of anything emanating from the manufacturer and then wholly occupied by

material which very prominently includes advertising for the Quitline service, in our submission, one can say you have moved from purely regulatory through to the regulatory amounting tantamount to acquisition zone.

It is because it is being done by means which familiarly and commonly involve the payment of money to induce the owner of a packet to advertise on the back of the cornflakes that there is a movie coming up that will appeal to the same kind of children who eat that kind of confection, that, in our submission, means that it could never be said in accordance with our principles that such a law is a law that does not permit of just terms, because what it requires is the familiar access to and use of for the purpose of conveying a message in a way which lends itself, most naturally, to payment. Commandeering someone's package surfaces rather than paying, for example, for press or broadcasting space is what, therefore, in our submission, amounts to the acquisition by an obviously regulatory scheme, the acquisition of the definitional aspect of that person's ownership of their packaging.

KIEFEL J: Mr Walker, the degree of regulation may be extremely restrictive and yet there be no acquisition.

MR WALKER: Yes, quite.

KIEFEL J: If it is unduly restrictive, it may be said that it has gone too far in pursuit of a legislative purpose, and here there are underpinnings of this in the arguments that it has gone too far by not acknowledging the property and the use necessary of the trademark and at the same time pursuing the public health messages or warnings, but no one, apart from the Commonwealth, as I have mentioned earlier, has raised a proportionality argument, but, in any event, a proportionality argument is a long way from degrees of regulation tipping over into acquisition. I still have difficulty knowing how, even if regulation is extreme, that it necessarily converts into an acquisition because it has gone too far. I do not know how one gets to that point

MR WALKER: The first thing is, yes, it is correct that we embrace what I will call the "gone too far" or "extent" or "degree" argument, that is clear. Second, we do distinguish it conceptually and utterly from what we have attributed to the Commonwealth as a novel proportionality argument. Third, we of course are not advancing any freestanding – what will I call it – merits review of an extreme quasi *Wednesbury* kind by this Court of regulatory statutes, if the Court could imagine - - -

KIEFEL J: I do not think anyone has suggested that there is a freestanding principle of proportionality as yet.

MR WALKER: So we are certainly not engaged in any activity of that kind. We are arguing that in this Court it is well established that questions of degree and, in particular, degree of impairment of the enjoyment of the rights of ownership is at the heart of the 51(xxxi) jurisprudence. If I may just give your Honours references. These are passages –I think some of them actually have already been read to you, I am not going to take you back to them, but it may be convenient to have those which make good my last answer to Justice Kiefel. In *Tooth* 142 CLR 397 at 414 to 415 there is the expression in the well-known passage of Justice Stephen of question of degree and his Honour is pointing out the difficulty of drawing precise lines in advance. My offering of the moving from one zone to another is intended to recognise that a bright line might not be described in abstract terms in advance but one can still know that you have moved from one zone to the other.

KIEFEL J: His Honour was talking, of course, about a taking in the United States law.

MR WALKER: Quite so, and that is the next point I wanted to make about that passage. Then his Honour talked about the usefulness that might be obtained from the US experience in that regard. That notion was also taken up in a way I do not need to quote in *Tasmanian Dams* 158 CLR 1 at 284 per Justice Deane. I have already given the reference in *Newcrest* earlier today. In *Smith* 204 CLR 493 at 504 to 505, paragraphs 22 to 23, per Justices Gaudron and Gummow. The expression there you will find is questions of substance and degree and again the expression "degree of impairment". In *Wurridjal* 237 CLR 309 at 440, paragraph 365, per Justice Crennan, the same expression is used and I have just drawn to attention paragraph 111 in *Phonographic*. There is no question that this is a matter that turns contextually examining the position of the complainant and the operation of the law upon the rights of property in question.

GUMMOW J: Now, you keep using this expression "rights of property" and "rights of ownership" in relation to this chattel which is what, a blank box?

MR WALKER: Never blank but, yes, your Honour. It is a box. It is a packet.

GUMMOW J: What is the particular right of ownership or property?

MR WALKER: As we have put in our written submission and as proposition one of our speaking notes tries to point out, the definitional character of the right to exclude - - -

GUMMOW J: I am talking about common law, property and chattel.

MR WALKER: At common law you have the right, enforceable by action, to prevent somebody from taking your box and using it for their purposes.

GUMMOW J: That would be an action in conversion.

MR WALKER: Or it could be trespass to goods.

GUMMOW J: No question of that here.

MR WALKER: I am sorry, your Honour?

GUMMOW J: No question of that here.

MR WALKER: Well, no, there is no - - -

CRENNAN J: Do you not have to deal with this box point on the basis that the box is used for the purposes of offering products for sale and selling them in the course of trade?

MR WALKER: Yes, your Honour, that is the central question. That is the central question, yes.

GUMMOW J: And with compliance of the relevant law.

MR WALKER: Quite so.

GUMMOW J: It could never be the case that you could put into trade a package with obscenities on it, for example - - -

MR WALKER: Quite so.

GUMMOW J: - - - and ignore the criminal law.

MR WALKER: Quite so. It has got to be lawful use. No one suggests that you can deploy any of your chattels, in trade or otherwise, unlawfully. This use is compelled and we must do it if the law be valid. The only question is, that is – as I said yesterday, the premise of 51(xxxi) applying is that the Commonwealth can enact this form of regulation. The only question is, has it been of such - - -

GUMMOW J: The first question is what is the nature of this bundle of rights said to constitute ownership of this chattel?

MR WALKER: In the one that I am concentrating on for the purposes of my address, the nature of the right is, as Mr Archibald put it, the common law control within the bounds of the law of the use to which my cardboard box can be put. That includes, of course - - -

GUMMOW J: I cannot see any right that inheres at common law which sounds in any remedy which would be relevant in this present field of discourse you were trying to draw us into.

MR WALKER: Of course there is a right, your Honour, with respect, to prevent other people from using - - -

GUMMOW J: Depends means by prevent.

MR WALKER: The owner of the box can say to the person who comes along and says, "I wish to put this sticker on it to advertise my concert", and say, "No, that is my box. I will sell you that right, if it is a right – I will sell you that if I am pleased to do so and the price can be agreed", the law will support the owner in resistance to - - -

GUMMOW J: There is no Commonwealth bureaucrat who knocks at the door of your client and says, "I have got these stickers, I am going to put them on."

MR WALKER: It is a right of ownership - - -

GUMMOW J: What is being said is you cannot do certain things unless you comply with this.

MR WALKER: I understand that, your Honour. So the form of the legislation partakes and derives its impetus obviously towards validity from the fact that it resembles the well-established, unexceptionable regulatory provisions concerning, for example, warnings on bottles of medicine. That is the starting point, everyone acknowledges that. We submit that there comes a point – I should not use the word "point" because it suggests exactness – but as one moves along the continuum of impairing what began as a liberty to use the box as you will, and it has been fenced in and controlled properly and unremarkably by all sorts of provisions, in our submission - - -

GUMMOW J: You have to turn the liberty into an immunity, I think, in Hohfeldian terms, do you not?

MR WALKER: The word "liberty" is appropriate because it captures the fact that the owner of a chattel has the choice, that is, is free to choose what to do with it, subject to lawful regulation. If the regulation in this case be

lawful, that is the end of the question, but the question is, is this, though it is regulatory and obviously within heads of power as has been conceded over and over, whether it has gone too far – to use Justice Holmes' expression, described I think by Justice O'Connor as storied but cryptic – as to whether or not by removing all the liberty, to use the company's own livery and get-up, by occupying all the space by messages dictated by statute and, in particular, by advertising a service which – but manifests the degree of abolition of owner's right to exclude by requiring included what surely money could not have bought, that is what I call the aversive message, the anti-advertising.

FRENCH CJ: But we are not talking in this context about the ownership of the box or the cardboard. We are talking about the rights asserted as property of the plaintiff said to have been acquired invalidly.

MR WALKER: It is the use of the box.

FRENCH CJ: The closest thing to what you are talking about is the packaging rights, I suppose.

MR WALKER: Yes.

HAYNE J: You say it is use of the space by the Commonwealth, do you not?

MR WALKER: Yes, your Honour, I have to, your Honour, and I do.

HAYNE J: Well, yes, you have to, but who is using the box? Not the Commonwealth, the vendor of the box is using it. The vendor of the box is using it and using it in that fashion because that is what the law requires of the vendor of a box containing this particular product. How is the Commonwealth using it?

MR WALKER: That would be a complete end to the constitutional inquiry but for the issue of degree, which is the heart of the matter. In other words, one does not start with the proposition that no governmental control of the use of property by a person can ever amount to an acquisition because everyone's use of property has to comply with the law. That is a circularity that leaves out of account 51(xxxi) so that, as a general proposition, yes, we must all comply with the law; as a general proposition, yes, all of our property is one way or the other liable to be controlled by statutory regulation. Those two propositions do not remove the possible application of 51(xxxi).

HAYNE J: But you enter the debate at a level of abstraction where you have a notional manufacturer sitting there with a piece of cardboard saying,

"How will I use this?" What is the utility of entering the debate at that point?

MR WALKER: Your Honour, we know from the historical sequence that decisions have been made, some private and commercial and some in obedience to the public law, as to the get-up of these packets. We know, for example, that the last iteration of regulation imposes, or requires, the physical structure of the packet to be in accordance with requirements of a kind that formerly were a matter for commercial choice; design and design choices.

Now, in itself, that is unexceptionable. It is not for the Court to decide about the wisdom or justice of whether there can or cannot be bevelled edges or fancy pleats on a cardboard box. That is of no constitutional import. We accept that. But I stress it cannot simply be said that because this is a law whose validity we are raising, and because all conduct must comply with the law, therefore we cannot complain there has been acquisition by removal to the ultimate degree of any display of the trader's choice of livery, et cetera, and rather this space being used in a way that one could not imagine, but for the compulsion, would ever be the subject of an owner's choice, that is, an owner's exercise of what flows from the right to exclude.

One does not imagine that without statutory compulsion the Ford Motor Company could be induced to display on the back window of every new car, "You would rather be driving a Holden". In our submission, of course it is a benefit in relation to property, that is, the property in the motorcar, if a legislation gave Holden the capacity to insist upon that on every Ford.

It is for those reasons, in our submission, that the case cannot simply be answered by saying, "But all trade is preternaturally susceptible to legal regulation and is regulated and, whether it is heavy or light, is not to the point, is of no constitutional moment". We accept all of those propositions and say, but nonetheless the question still is, under 51(xxxi), have you suffered a degree of impairment which answers the question positively concerning the need for just terms?

The authorities in this Court emphatically require attention to degree of impairment. It is in that area that one comes to the possible advantage or illumination to be gained from the comparative law in the United States. Enough has already been said about the well-known differences, but there are also, with respect, well-known similarities, in particular, the similarity of an inquiry about degree or extent of impairment. Justice Brennan in *Tasmanian Dams*, in a passage I think drawn to attention yesterday,

158 CLR 247 to 248, having drawn to attention some of the well-known differences, in our submission one can conclude from that passage that - - -

GUMMOW J: A bit more than that.

MR WALKER: Certainly, your Honour, and I named, I think, all of the - - -

GUMMOW J: *Smith Kline & French* 22 FCR lists nine.

MR WALKER: Your Honours, there are well-known reasons why this jurisprudence does not admit of straightforward transfer, but to the extent that it contains consideration of how one might go about this evaluation of degree of impairment then, in our submission, it would be unfortunate not to seek that assistance. In our submission, one thing that one gets - - -

GUMMOW J: This is going to taking, is it?

MR WALKER: It goes to the point at which regulation becomes a taking. Now, that is different from our question, which is - - -

GUMMOW J: Assume there is a taking, the question for us is: is there an acquisition? You will not find the answer to that in the United States.

MR WALKER: Your Honour, I think I have said that already. I accept that entirely. That is my argument about this is not just warnings; this is also the anti-advertising. I do not want to repeat that. But I do have to make good the fact that it is taking and that is where the US jurisprudence to which we have made reference does help. Justice Brennan makes the point at the passage I have noted, in effect, that to say that a law or a scheme of legislation is regulatory does not conclude the inquiry, as we would put it, as to whether an acquisition has been effected. They are not mutually exclusive categories, regulation and acquisition.

Your Honours, bearing in mind the time, may I rather briefly then draw to attention what it is we say may be useful for the Court from the United States experience. Enough has been written about this, particularly in the exchange between us and the Commonwealth, for me to be able to do it, I hope, in short form. *Pumpelly*, of course, was not a physical invasion by the government taker as such, but rather a physical invasion by the water and effluvia which the government's actions, in carrying on the waterworks downstream, had on the complainant's land, the complainant's land, of course, remaining in his ownership, but it was so substantially impaired in its enjoyment – he was, after all, a farmer rather than an aquaculturist – that he was held to have suffered a taking.

GUMMOW J: Are any of these cases about intangibles? A lot of the American cases are about land, are they not?

MR WALKER: In a sense *Mugler* is because that is the enterprise of a brewery. I am bound to point out, though, that the argument in *Mugler* certainly included the notion of its sounding in a diminution in the value of the real estate which is a way, of course, of moving from an intangible to a tangible but it really only says that the valuation of the loss of an enterprise may include the - - -

GUMMOW J: The reason why I mention that is the United States doctrine comes out of notions of eminent domain - - -

MR WALKER: It does, yes.

GUMMOW J: - - -which was particularly concerned with land and the absence in the United States of a congressional direct power. There is some implication of assumption of eminent domain and there - - -

MR WALKER: It has to be recalled though, of course - - -

GUMMOW J: I know there were notions of the war prerogative and so on and so forth, but basically it was about land.

MR WALKER: Your Honour, the fact that there is not a direct power of course evokes the observations that have been made from time to time in this court over many years that without 51(xxxi), if you can imagine the Constitution without it, it is not as if the Constitution would lack legislative competence for the Commonwealth to exercise what the Americans call eminent domain, that is, to take in the interests of government private property. That was exactly the debate that was settled in the manner that we have drawn to attention from the convention debates for our Constitution. The judges have noted thereafter, even without 51(xxxi), there would have been implied powers for obvious reasons. The defence power is an obvious one.

GUMMOW J: I am unconvinced of that. It is some executive power, is it, or a implied constitutional grant to the Parliament?

MR WALKER: But, your Honour, in a sense the hypothesis is an impossible one because it was drawn to attention and actually dealt with by a quite explicit requirement that there be a requirement for just terms or anything which was an acquisition. Your Honours, *Northern Transportation Company v Chicago* is significant for showing that there may be, of course, a deal of, in that case, relatively temporary effect and that it obviously was not enough simply to it point out, to complain about

the diminution in usefulness. It represents a pole opposite to *Pumpelly* between which a deal of the subsequent jurisprudence can be seen to oscillate. *Mugler v Kansas* I have already referred to. That is the effects on the property of the brewer.

GUMMOW J: You can take us to these Supreme Court cases in the 1870s in the United States, but we need to know what their current standing is.

MR WALKER: I am going to take your Honours to that in just one moment.

GUMMOW J: Things tend to move in that country.

MR WALKER: Yes, but there has not been an abandonment of all of this. There have been self-professed difficulties in expressing the doctrine in a completely coherent or satisfying way. The justices themselves have drawn that to attention more than once, but there has not been a wholesale abrogation of this jurisprudence. The passage in *Mugler* to which I particularly wanted to draw to attention – the citation is 123 US 623 at 668. The end of that passage which commences with the discussion of *Pumpelly* is a sentence which, in our submission, is evocative of the kind of inquiry which may guide, usefully, the investigation of quantum or degree, namely:

> His property was, in effect, required to be devoted to the use of the public –

and that, we say, is what has happened by the two-step exercise of clearing the package and then filling the package.

GUMMOW J: When you look at the third line on 669 you have this expression "lawful purposes" so we start going around in circles, you would say?

MR WALKER: Yes, but I think I have said what I need to say about the need to avoid going round in circles, but yes that is something that has been noticed before. Now, *Mahon* that your Honours have already had drawn to attention, that is 250 US 393, could I add a reference there, apropos Mr Justice Holmes' famous passage, which was read to you yesterday? We have given you the decision of *Lingle v Chevron* 544 US 528 (2005). Could I take you first – at 530 - - -

GUMMOW J: I am not sure we have this decision?

MR WALKER: You should, your Honour, *Lingle*. It is on our list, I understand, your Honours.

GUMMOW J: What is the name of it again?

MR WALKER: I am so sorry.

HEYDON J: I think you were to provide it.

FRENCH CJ: Yes, that is what I have been told. Counsel was to hand it up.

MR WALKER: I am so sorry, your Honours. Can I just give you the references and I apologise. It is *Lingle v Chevron* 544 US 528 (2005). Perhaps if I could go first to 537 - and this is reviewing the jurisprudence, including the 19th and early 20th century decisions - and there you see the opinion of the court by Justice O'Connor, referring to *Mahon* at the foot of that page, 537. We draw to attention this mode of reasoning, whether the regulation:

> may, in some instances, be so onerous that its effect is tantamount to –

and then there is the reference to –

> Justice Holmes' storied but cryptic formulation –

which has provided the label for our argument, as Justice Kiefel has noted, the "too far". At the top of the next page a sentence with which we, at least, can be sympathetic –

> The rub, of course, has been—and remains—how to discern how far is "too far".

Then there are familiar considerations of the nature of regulation and including the nature of judicial deference. At 539, about point 7 on that page, in relation to what her Honour had reviewed at that point – *Loretto*, *Lucas*, *Penn Central,* et cetera – she says:

> Accordingly, each of these tests focuses directly upon the severity of the burden –

Again, it is a question of magnitude. At 540, that very word, I think, is used.

HEYDON J: Line 2.

MR WALKER: Yes, thank you, your Honour. The *Penn Central* inquiry. *Penn Central,* you will recall, had to do with deprivation of the right to by,

among other things, demolition, replace Grand Central with a Marcel Breuer building, and one sees there the reference to:

> magnitude of a regulation's economic impact and the degree to which it interferes with legitimate property interests.

Finally, we have drawn to attention the decision in 2010 of the Supreme Court in *Stop the Beach Renourishment v Florida Department of Environmental Protection* 560 US, and I just, without taking you to it, draw to attention in the slip opinion, page 10, in the opinion of the court of Justice Scalia a reference again to the matter depending upon nature and extent.

FRENCH CJ: None of these cases and none of the cases to which you have taken us involve somebody putting into the marketplace a substance which places at risk of serious and fatal disease – I am looking at 19 and 20 of the questions reserved – all who use it. Does that not really put it into a different category in terms of – I mean, we are not talking about rent caps which was one of the American cases to which you took us, but we are talking about something in quite a different category, are we not?

MR WALKER: This may be against myself, but I need to say this. *Mugler* certainly shows in relation to the so-called police power a deference to a legislative judgment about the dangers of liquor. So I cannot say that the jurisprudence does not contain precedent and, of course, *Mugler* was upheld. No, your Honour, I do not have a case that says that. Neither is there an authority that says there is an area of regulation where the policy may fairly be seen, within the limits of a judicial scrutiny of legislative policy, to be inspired by a concern for health or safety, by which I suppose I mean the physical integrity of people rather than making them better physically. There is no case that says that that is a reason for the conceptual impossibility of 51(xxxi) applying to regulation – I am not talking about prohibition – to regulation of what people may do with their property in relation to selling such goods.

HAYNE J: Because none of these cases concerns the regulation, or all of these cases concern the regulation of use of property capable of application to other and different uses, commonly land.

MR WALKER: To a broad range of multifarious uses, yes. Commonly land, yes.

HAYNE J: We are in the realm, true it is, of a piece of cardboard for which one can no doubt postulate many uses.

MR WALKER: I do not wish to do that though, your Honour. That would be idle. We have to start our inquiry at cigarette pack.

HAYNE J: This is a package for the sale of cigarettes.

MR WALKER: Yes, I accept that entirely. Your Honours, in light of the time, may I simply correct an error in relation to our proposition four on the second page of our outline. In line 2, of course, that reference is not page 1 in 225 CLR, it is page 101 and the particular reference I want to draw to attention is at 126, paragraph 60 and 128, paragraph 69 to 71. I think references may already have been made to that in relation to proportionality. It has otherwise been sufficiently covered in our written submission. The same thing, with respect, may be said about propositions five and six, and that is - - -

FRENCH CJ: Now, can I just say about that, Mr Walker, that we are of the view that the questions reserved should not be varied as they would raise a distinct question which is not part of the case.

MR WALKER: I trust, your Honours, we have not misunderstood the direction that had been made. We tried to respond by raising the matter, but I have nothing further to say about it. May it please the Court.

FRENCH CJ: Thank you. Yes, Mr Solicitor.

MR SOFRONOFF: Thank you, your Honours. Your Honours, we would wish to deal with two matters; the first concerns the identification of the property in this case and the second concerns a matter raised by the Commonwealth in its submissions. Could I deal with that second aspect first and very briefly. I have had discussions with my learned friend, Mr Gageler. Would your Honours go please to the submissions of the Commonwealth at paragraphs 83 and 84? Paragraph 83 states a proposition in a broad form, you can see that from the first line, and paragraph 84 states it in a narrower form, that appears on the second line.

The Commonwealth, I understand, will not press the proposition advanced in paragraph 83 and therefore I do not need to deal with that. That was the only matter with which we were concerned on behalf of the Attorney-General of Queensland. As to paragraph 84, in the way in which the Commonwealth proposes to articulate the propositions contained within it – having regard to the way in which the Commonwealth proposes to articulate the proposition in it, we have nothing to say. So the only matter that I wish to deal with as succinctly as I can is the question of the identification of the right of property in this case.

In relation to that it would be useful to begin, in our respectful submission, to take as an example, with the oral outline of propositions of British American Tobacco handed up by our learned friend, Mr Myers, yesterday. If your Honours go to that document, paragraph 4 identifies the property with which the plaintiffs are concerned, or at least those plaintiffs, trademarks, copyright, design and patent, and then in paragraph 5 goodwill and reputation and then physical property in retail packaging. Could I deal with trademarks as an analogue of copyright design and patent because the Commonwealth statutes which create rights of property in respect of each of those matters are very similar and it would be sufficient to base my submission upon the *Trade Marks Act* alone.

Could I ask your Honours then to go to the *Trade Marks Act* and the relevant section is section 20. It is useful in this discourse about acquisition of property constituted by rights, in our respectful submission, to have regard to the taxonomy put forward by Professor Hohfeld and our learned friends yesterday handed up his classic article in that respect. It is useful, in our submission, for these reasons. First, Professor Hohfeld pointed out that when we speak about property in this context, we are speaking about legal relationships between persons. We are not speaking about things. Secondly, when we speak about legal relationships between persons and use the word "right", we often mean different things when we use that expression.

Professor Hohfeld identified four ways in which that expression is used. First, a right, strictly so called, a right to do something, which has with it a corresponding duty in another person or persons or the world at large to do something or to refrain from doing something. Secondly, a privilege to do or to refrain from doing something. That privilege has as its correlative in another person or the world what he called no right, that is, no right to stop the person exercising the privilege. There being no existing English word to cover it, he called it "no right".

Thirdly, when we speak of right, sometimes we mean power, by which he meant the ability to alter legal relations with another person. A trustee power obviously would be such a power, but even if I make an offer capable of acceptance to you, then you have the power to alter our legal relations by accepting it. I therefore confer a power upon you and you have that power. The corresponding feature is that another person or all persons have a liability to have legal relations altered. The fourth and final one is immunity, that is to say, immunity from having one's legal position altered, and the corresponding concept is a disability in another person or the whole world to alter one's legal position. Bearing those in mind then, and turning one's attention to section 20 - - -

FRENCH CJ: Then there are freedoms. Sometimes we see in rights discourse rights and freedoms being rather confused in the human rights field, I think. In fact, one sees expressions such as "rights to freedoms".

MR SOFRONOFF: Yes, rights to freedoms, that is right. There is a redundancy there. When one looks at section 20 then, what section 20 does is to confer upon a registered owner of trademark what are called rights, the exclusive right to use the trademark and, secondly, the exclusive right to authorise another person to use the trademark. It is important, in our respectful submission, to remember that absent some legal prohibition somewhere in the common law or in a statute, anybody can use a word or a picture in any way they choose, that is to say, there is a privilege to do that and nobody can interfere with that absent common law or statute. The *Trade Marks Act* does not alter that general privilege except that by registration - - -

GUMMOW J: So taking this phrase "exclusive rights" in 20(1), how do you fit that in the Hohfeldian structure?

MR SOFRONOFF: I was just about to come to that, your Honour. If one accepts that everybody has a privilege to use a mark in any way they choose absent legal regulation in some form, what this Act does is to cause the registered owner alone in the whole world to continue to retain that privilege and confers upon the registered owner a right to prevent others from using it. There is then a corresponding duty in the rest of the world to refrain from using the mark. Consequently, we would submit that section 20(1)(a) - - -

FRENCH CJ: Anybody is free to use a mark unless prevented by law from doing so.

MR SOFRONOFF: Exactly.

FRENCH CJ: This constrains the freedom of anybody other than the registered trademark owner.

MR SOFRONOFF: Yes, and there are pertinent rights and powers which the Act affects, but this is central.

CRENNAN J: Well, do you give some importance to the words "in relation to goods and/or services" in this context?

MR SOFRONOFF: That is irrelevant for the present case because what that does is to constrain the exercise of the exclusive right, that is to say, it constrains the right to stop others using marks other than in relation to goods and services. So if we can find some - - -

CRENNAN J: In relation to the same goods and services. Someone might use – like the *Granada Case* – a trademark for totally different goods and services. So the exclusive use is tied to the particular goods and services in respect of which the trademark is registered.

MR SOFRONOFF: Yes, but the scope of that right in that respect is not material for the present case. For example, section 20 does not prevent me using the word "Winfield" as much as I like, and as people do use trademark words freely - - -

CRENNAN J: That is right, the trademark legislation does not give a monopoly on the trademark.

MR SOFRONOFF: No.

CRENNAN J: Someone can write it down on a piece of paper even in the course of trade and that would not be an infringement.

MR SOFRONOFF: Yes, exactly. Then the second provision, 20(1)(b), confers a power in Hohfeldian terms upon the trademark owner to alter the legal relationship between the owner and another person or persons by anointing that other person as someone else who recovers the privilege to use the trademark and the trademark owner can do that without the consent of the other person. So 20(1)(a) confers, in our submission, a Hohfeldian right; 20(1)(b) confers, in our submission, a Hohfeldian power, and that is all it does Then, that is backed up, the exclusive right to use is backed up by section 120 which defines an infringement, which takes up the point your Honour Justice Crennan was raising as to the narrowness of the right.

GUMMOW J: That is true of subsection (1), but subsections (2) and (3) go a bit wider, do they not?

MR SOFRONOFF: Go wider, quite, they do. None of that, in our submission, matters for the present case, but the important part is that 120 defines an infringement and then 126 confers jurisdiction upon a court so that, where there is an infringement, relief can be obtained from the court. So the exclusive right to prevent others from using it is backed up by sections 120 and 126 and other ancillary provisions.

Section 22 of the Act confers another power upon the registered owner. It speaks in conveyancing terms, in terms of dealings and absolute ownership, but what it means in strict legal terms, in our submission, is that the registered owner who has the right to prevent others using the mark can deal by conferring that right upon another person and cease to have that right himself or herself or in any other way. So it is a power to alter legal

relations with other persons. If one then asks the question, what is the property that the Act speaks of, 21(1) provides that, "A registered trade mark is personal property."

Section 17 defines a trademark, other than a registered one, a trademark is a sign used for a particular purpose. "A trademark is a sign"; obviously one cannot own an idea of a sign or a word. One can own a thing upon which that appears, but one cannot own the mark as a mark. Section 21, however, does not speak about marks, it speaks about a registered trademark and, having regard to the effect of section 20, what it speaks about is that the rights and powers and, if they be there, privileges and immunities constitute personal property.

FRENCH CJ: But while a trademark may have a role to play in get-up and the generation of goodwill, the statutory concept is one of distinction.

MR SOFRONOFF: Yes. I am only speaking about the statute. I will come to the get-up. Therefore, one can see, in our submission, that what one gains by registration is a right to prevent others, a chose in action, if one wishes, from using the mark, a right, a power to authorise others to use the mark who thereby gain the right – the privilege, regain the privilege to use the mark. The question then is, what effect do the Tobacco Acts, as I will call them, have upon these?

Could I ask your Honours to go to the *Tobacco Plain Packaging Act* and section 20 is of course the key provision. There are others relating the cigarettes themselves, but we can look at section 20. It, in subsection (2), prohibits the use of any mark except permitted marks. Subsection (1) specifies that trademarks are prohibited also to appear on packaging.

GUMMOW J: Registered or unregistered, I suppose?

MR SOFRONOFF: Quite, your Honour, registered or unregistered, yes, and "trademark" is not, I think, defined in the definition section. Consequently, what is affected is the privilege that the whole world possesses to use trademarks or marks on packaging of cigarettes or tobacco products and registered trademark owners are not singled out. Nobody can use a mark or a trademark except that which is permitted, the privilege is gone. So what is affected is the privilege to use marks of any kind upon retail packaging of tobacco products.

Without going through all of the sections of the Act, one then goes back to the Act itself and its purpose. It is an agreed fact between the parties in this case that smoking causes lung cancer. That is admitted in paragraphs 19 and 20, and it causes other diseases. There are analogous allegations in the defence of the Commonwealth in the demurer

proceedings. Consequently, for as long as we can remember, back to the late 1960s, I think, certainly the early 1970s, it has been a condition of sale under legislation, which only applies to people who choose to engage in the sale of tobacco, to apply a health warning to the package, external package of cigarettes. It only applies to persons who choose to engage in sale and it only applies to the privilege to use trademarks or marks to the extent that a person chooses to engage in sale.

For present purposes the matter, in our submission, to note is that the privilege to use a mark, the privilege to use a trademark, and the privilege to use a registered trademark is not sourced in the *Trade Marks Act*. It is sourced in the general liberty of persons to do as they please unless prohibited by common law or statute.

FRENCH CJ: Well, it is a freedom.

MR SOFRONOFF: It is a freedom. I use the word "privilege", your Honour, only because Professor Hohfeld uses it, but he also put up the word "freedom" and the word "liberty" to apply to the same concept and in this context it means the same thing.

That privilege, in our submission, is not property. It is not a chose in action. It is a mere liberty to act unless regulated by law. It is relevant here to notice the dictum of Justice Dawson in *Australian Capital Television Pty Ltd v Commonwealth* – your Honours need not get the book – 177 CLR 106 at 198 to 199. At the foot of the page his Honour was dealing with the broadcasting licence and observed that:

> While the licence may be in the nature of property, what is done under the licence is not.

His Honour did not go on in that passage to examine what is the property and the licence, but when one considers this case, the property in the trademark we have analysed and consists of identifiable rights, powers and perhaps other matters, but the *Trade Marks Act* does not guarantee freedom, continuing freedom, to use a registered trademark, in all circumstances.

FRENCH CJ: So the prohibition is directed to and constrains the freedom to use a trademark and thereby affects the right conferred – because of the generality of the prohibition – the right conferred by the *Trade Marks Act* section 20?

MR SOFRONOFF: No, your Honour. It constrains the freedom to use the trademark, but it in no way impinges upon the right of the registered trademark owner to prevent others using it.

FRENCH CJ: The exclusivity element.

MR SOFRONOFF: It in no way impinges upon the right of the trademark, the power of the trademark owner to authorise others to use it or to appeal to a court in relation to an infringement or to transfer it or, indeed, to use it for any other purpose other than - - -

GUMMOW J: The phrase "exclusive right" may indicate it is a right to exclude.

MR SOFRONOFF: That is my submission, your Honour, that it is a right to exclude others from the privilege which would otherwise exist to use a mark. Upon registration the universal right to use is now concentrated in one person in the universe, namely, the registered owner. We would put it that way exactly, that it is a right to exclude others from the use, that is to say, it extinguishes the privilege that, until the moment of registration, was enjoyed by the world.

FRENCH CJ: Well, I suppose another way of putting it is that the registered trademark owner has always had the freedom to use the trademark. He gets a statutory right. What is affected by this legislation is the freedom that he has and which anybody else would have to use a trademark.

MR SOFRONOFF: Yes, and not the statutory right that is conferred, which remains in tact. It remains perfectly in tact.

BELL J: I think the husk argument would suggest it remains in tact, but it has lost some value.

MR SOFRONOFF: Could I say two things about that. Quite right, your Honour, and it will have lost value. As to loss of value, as Justice Brennan observed in *Australian Capital Television* at page 166 that there is a loss in value does not mean that there is an acquisition.

GUMMOW J: What page was that?

MR SOFRONOFF: Page 166, your Honour. Secondly, that there is a loss in value does not mean that you have lost a piece of property. There are lots of reasons why one can lose value in a piece of property without losing it or having anybody else acquire a piece of it. In this particular case there can be no doubt that the market value ascribed to the Winfield brand as a registered trademark would be based in part upon the propensity of people to continue to resort to cigarettes with the word "Winfield" on them. That propensity of people to do those things is not property, it is just a fact of life. The piece of property to which we can ascribe a value is the

registration of the trademark which protects the owner of the trademark from anybody else exploiting that propensity, but that is a different thing. So when one asks, will there be a reduction of people resorting to cigarettes with the word "Winfield" on them if this legislation passes, and if the answer is in the affirmative, that does not answer the question whether there has been any tinkering with the right that protects that propensity.

There is, in our respectful submission, an important distinction to be made, which the plaintiffs do not make, between an acquisition of a right, or even a reduction of the right, and interference with the right in any way and what they truly complain about, which is a fear that they will lose the likelihood of people in the future resorting to their product because the brand will not be evident. Could I deal then briefly with goodwill?

As was pointed out in *Federal Commissioner of Taxation v Murry* (1998) 193 CLR 605 at 616 to 617, and your Honours need not look at it, there are many facets to what we call goodwill and although it is convenient to speak about goodwill for many purposes and although accountants can treat it as an actual intangible asset and ascribe a value to it, in a discourse like the present it is, in our submission, important to remember that there is no such thing as goodwill. That is a term that describes a lot of different things.

In this particular case, in the BAT statement of claim, what is alleged as property in this respect is called – just for your Honours' reference, it is at page 21 of the book and it is paragraph 60 – what is called goodwill is substantial reputation and goodwill arising from the use of trademarks, copyright works and get-up. Substantial reputation and goodwill, we can put reputation aside because it is not property. Goodwill, in this connection, in our submission, means nothing more than the propensity of smokers to continue to buy cigarettes which bear a particular word or mark upon the packaging and that is not property. It is just a fact of life that people will continue to do things. It is a fact of life which returns money to the person who has the benefit of the privilege to use that mark.

Now, the right to prevent others to use the mark is of value because it protects for the exclusive use of the registered trademark owner that propensity. That is property and whether that right is founded in the *Trade Marks Act* or in the common law in the tort of passing off or in the *Trade Practices Act*, whatever it is called now, section 52, that chose in action is property. The right to prevent others using the mark, whether because it is misleading or deceptive or because the *Trade Marks Act* confers a statutory monopoly, that is property. But something called reputation and goodwill without further analysis is not property and nothing is gained from attacking this case form the perspective of goodwill that is not gained from attacking it from the perspective of the *Trade Marks Act* because it leads back to the

same place. What is your right, the right in question, whether common law in passing off or misleading and deceptive conduct or the *Trade Marks Act* and is that right a piece of property? Grant that it is, has that been interfered with and the answer, in our submission, is in the negative.

GUMMOW J: Why in the negative?

MR SOFRONOFF: Why in the negative, because the right to prevent others using the mark is not affected by the legislation.

HEYDON J: No one is going to use the mark because it is a criminal offence.

MR SOFRONOFF: Nobody is going to use the mark because it is a criminal offence but nobody is – if anybody used the mark then the *Trade Marks Act* would continue to operate so that it would be an infringement, and if a person used the mark "Winfield" in the way permitted by the legislation, the *Trade Marks Act* would continue to operate so that that would be an infringement, and so would the common law of passing off and so would the *Trade Practices Act*. Those are our submissions, your Honours.

FRENCH CJ: Thank you, Mr Solicitor.

MR GAGELER: There are two bedrock propositions that are established by the cases and anchored ultimately firmly in the text of section 51(xxxi). The first proposition is that there can be no acquisition of property from any person within the meaning of section 51(xxxi) unless a Commonwealth law in its legal or practical operation produces the result that in substance, if not in form, some interest in the nature of property is taken from some person and some corresponding interest in the nature of property is given to so as to be acquired by some other person.

The protection afforded by the condition of just terms in section 51(xxxi) is protection to property within the broadest conception of that term understood by reference to, and I quote, "the concepts of the general law" – the quote is from *Chaffey* at paragraph 23 – and the protection afforded by the condition of just terms is protection against acquisition in the sense of expropriation or, and again I quote, "requisition" - the word "requisition" I take from *Peverill* 179 CLR at page 245.

The protection is not to conduct involving the use or exploitation of a thing in which property exists but unless and to the extent that two conditions are satisfied. One is that the ability to engage in the conduct is itself an interest in the nature of property and the second is that such

extinction or diminution of that interest as may be effected by a Commonwealth law is accompanied by a corresponding creation or accretion of some other interest in the nature of property in some other person.

The occasional references in the cases to an acquisition lying in the attaining of an identifiable benefit or advantage relating to the ownership or use of property – language your Honours heard repeatedly yesterday – need to be put in context. Those words were first uttered on 9 March 1994 in the joint judgment of Justices Deane and Gaudron in *Mutual Pools* 179 CLR 155 at page 185 towards the top of the page in the sentence immediately following footnote (90).

On the same day the same judges in the joint judgment in *Georgiadis* – the same volume, at pages 304 to 305, with Chief Justice Mason – said, at the bottom of page 304, adopting the language of Justice Mason in the *Tasmanian Dam Case*, in the last half-sentence in the last full paragraph on that page:

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

It is then said in the last two lines on that page and over to the top of the next page that the word:

> "acquisition" directs attention to whether something is or will be received.

The word "correspond" is used in the following sentence and towards the bottom of page 305 in the penultimate full sentence on that page there is a reference to the need for the extinguishment to be related directly, or at least if not the need then the explanation of the result in that case – being that the extinguishment resulted directly in a benefit of a proprietary nature to the Commonwealth.

The more precise identification of the proprietary nature of the benefit in that case one sees at page 311 in the judgment of Justice Brennan in the first paragraph. It was, in effect, a release of a chose in action which had, he said, the same nature as the chose that was extinguished.

So, your Honours, the short, straightforward and entirely orthodox answer to the whole of the tobacco companies' case is that there is upon a proper analysis of the property to which they point and the legal operation of the provisions that they say acquire the property in fact and in law, no extinction or diminution of any interest in the nature of property. There is

no creation or accretion of property or any interest in the nature of property, that is, direct and corresponding or indeed at all. There is, for reasons substantially given by the Solicitor-General for Queensland, nothing more than a prospective regulation of conduct in the course of trade. I want to go to the detail in a moment and your Honours will see where I am going in the outline of argument.

The second proposition which I simply want to state and say something a little about at the end is this, that there can be no acquisition of property within the meaning of section 51(xxxi) unless that acquisition of property is an acquisition that is capable of meeting the compound description of an acquisition on just terms. That is to say it must be an acquisition of property that is consistent with or congruent with a quid pro quo of compensation or rehabilitation so as to meet a standard of fair dealing between the property owner and the Australian community. That is the way in which just terms have been translated in the cases.

Now, although the proposition can be put at different levels of generality it is sufficient for the purposes of the present case to capture the incongruity point this way. It is incongruous to compensate or rehabilitate a trader for any diminution or transfer of property that may occur as an incident or consequence of the trader being required to adhere to a norm of trading conduct that has as its purpose the prevention of harm to the public.

Take the Ratsak example. To say if you want to sell Ratsak the package has to say in bold and clear letters, "Harmful to human health, call this poisons line telephone number for further information" it would be incongruous to make it a quid pro quo for the imposition of that requirement that the trader who chooses to sell Ratsak, subject to such a condition, be paid for space on the package or paid for advertising the poisons line.

Take the Ratsak example again. If you say as a prescription for the sale of Ratsak that it cannot be packaged in a way that is attractive to children it would be incongruous to compensate a seller of Ratsak for being unable to continue to use the machine that makes the packaging that is attractive to children and it is incongruous because fair dealing, according to our concept of justice, does not extend to compensating an owner of property for the use of property in a way that causes harm to others.

Now, those who suggest that there is some novelty or heterodoxy or inappropriate foreign influence creeping into that point overlook what was said in *Theophanous* 225 CLR 101. I will just mention this to your Honours. It is at paragraph 57 where the first articulation of the concept of incongruity was identified as lying in the judgment of

Justice Gibbs as part of the majority in the decision in *Tooth* in the High Court.

I will go to this towards the end of my submissions but what Justice Gibbs said in *Tooth* was that for a trading corporation to be practically compelled to extend a lease so as to comply with the requirement of section 47 of the *Trade Practices Act* not to engage in a form of dealing that would have the purpose or effect of substantially lessening competition, if it amounted to an acquisition of property was not an acquisition of property within the meaning of section 51(xxxi).

Justice Stephen in the same case, in a passage I will take your Honours to later, expressed essentially the same concept in slightly different terms when he described that consequential acquisition of property, if it occurred, as being simply a consequence of compliance with prohibition of a noxious use.

Your Honours, can I go to the property involved, or said to be involved in various ways by the tobacco companies. I hope not to repeat anything said by the Solicitor-General for Queensland, almost all of which I adopt. To the extent that I depart from him, I will make that clear. The forms of property are four: registered trademarks, get-up, property, so it is said, goodwill and the tobacco products and tobacco packaging to be manufactured or sold in the future.

Dealing first with registered trademarks. The argument of the tobacco companies, as best we have been able to dissect it, comes down to saying that the practical operation of the prohibitions in Chapter 3 of the Plain Packaging Act are operating by reference to the tobacco product requirements in section 20(1) and section 26(1) of that Act results in a diminution of property in their trademarks for one of three reasons, not entirely unpacked in the way in which the case has been presented orally to your Honours but lurking there in the written submissions.

One reason is because the 1995 *Trade Marks Act* on its proper construction, unlike the 1955 Act and unlike the 1905 Act, confers on an owner, in addition to a right to exclude use by others, some positive or affirmative right to use a registered trademark presumably in any of the ways covered by the definition of "use" in section 7(4) of that Act. That argument appears faintly in the submissions of BATA.

The second that appears more strongly in most of the submissions is that there is a general principle of property law that says a proprietary right to use is a necessary consequence of a proprietary right to exclude use by others. The third argument, as we understand it, is that irrespective of whether there is a proprietary right to use, it is sufficient for the purposes of

section 51(xxxi) that a prohibition on use has the practical effect of robbing the right to exclude others of value.

Can I take those three arguments as we understand them one by one? The first argument, that the 1995 Act confers a positive or affirmative right to use, we have dealt with thoroughly in our written submissions and your Honours have been addressed thoroughly by the Solicitor-General for Queensland. Can I simply say this? There is no basis in the text or context of the 1995 Act for reading it as altering the essential nature of a trademark as explained in the joint judgment in *Nike* 202 CLR 45 at paragraph 65 in terms that the only, and I emphasise the only right conferred by registration was a right to prevent others from using the trademark. There is of course the concomitant right to authorise use.

In the reference in section 20(1) to "exclusive rights", the emphasis is on the word "exclusive" as it is in the exact same reference to "exclusive rights" in section 13 of the *Patents Act*, in section 10 of the *Design Act* and in sections 13 and 31 of the *Copyright Act*. The designation in section 21 of the *Trade Marks Act* of a trademark as personal property makes explicit what was explained in *Nike* at paragraph 48 by reference to the judgment of Justice Windeyer in *Colbeam Palmer* as being implicit in the 1955 Act and the power conferred by section 22(1) of the *Trade Marks Act* of a registration owner to deal with a "trade mark as its absolute owner", is a restatement in slightly different language of the substance of the power that was conferred by section 57 of the 1995 Act.

One does not find in the 1995 Act anything that changes the nature of a trademark as incorporeal, personal property capable of being dealt with by a registered owner and there is nothing, apart from irrelevant mattes of detail, irrelevant for present purposes, in the 1995 Act that changes the nature of the statutory rights that an owner has by force of registration.

Your Honours, the second argument is that a proprietary right to use is the necessary consequence of a right to exclude others. This is something one sees most strongly in the Imperial written submissions in reply but has been put to your Honours in various ways orally. The argument is flawed at two levels. It is flawed, first, because it draws too close an analogy between property in a particular piece of intellectual, incorporeal property and the fullest and most beneficial form of title that one can have to real property or to a chattel. In doing so, it glosses over the whole point made in *Yanner v Eaton* in all of the judgments in that case that, when you are speaking of property, one size does not fit all.

There are, clearly, proprietary rights to use that carry no legal right to exclude others – easements, for example, profits à prendre, for example, that are in the nature of rights in common. But there are equally proprietary

rights to exclude use by others that carry no proprietary right to use. Indeed, that is the very nature of an intellectual property right.

There was a point well made in a judgment of Justice Isaacs in the case of *Henry Clay v Eddy* 19 CLR 641 – may I ask your Honours to turn to it – at page 655, a trademark infringement case. In dealing with the issues in that case his Honour said at page 655:

> It is, in my opinion, however, a radical fallacy to regard the property in a trade mark as something entirely separate and distinct from the trade in connection with which it is used. It is only for the protection of that trade, and to prevent stealing that trade by deception . . . that any property, so called, in a trade mark is recognized. . . . The right of property in a trade mark is not, so to speak, an affirmative right, like the property in the goods. It is not a right in gross, or in the abstract; but is appurtenant to the trade in certain goods, and has no purpose that the law will recognize apart from them . . . The property in the mark is simply the right to exclude others from using it, or one likely to be mistaken for it, to the owner's prejudice ; and that right is confined within certain limits similar in this respect to patent rights -

His Honour then referred to the well-known and often quoted case of *Steer v Rogers* in that field.

Your Honours, the second flaw in this second argument is perhaps a deeper one, and it is that it adopts a theory of proprietary use that has some resonance in some streams of thought that emerged in the United States in the second half of the 20th century that are inconsistent with the accepted position in Australia. Whether or not my use of a thing has the character of property turns not on whether I have the right to exclude others from making the same use, it turns on whether I have an ability at law or in equity to protect my use from interference by others, and that was the point of the decision in *Victoria Park Racing* in the judgment of Justice Dixon as picked up, explained, extracted and adopted in the decision of Justice Deane in *Moorgate Tobacco*.

Could I take your Honours to *Moorgate Tobacco* 156 CLR 414, a fight between tobacco companies relating to the subject matter of a first unregistered then registered trademark. In the course of that fight an argument was mounted that conduct involved constituted a tort of unfair competition, explained at the bottom of page 439 and top of page 440, in some way involving what is described as a misappropriation of a proprietary or – I think the language used is quasi-proprietary right. Now, in dealing with that argument Justice Deane, with whom other members of the Court agreed, referred to *Victoria Park Racing* at page 444 and over to

page 445. May I ask your Honours to turn to that. It is said at page 444 that:

> one need go no further than the decision in *Victoria Park Racing and Recreation Grounds Co Ltd v Taylor*. In that case, a majority of the Court, in confirming the dismissal of an action to restrain a radio station broadcasting descriptions of horse races conducted on the plaintiff's land made from a platform erected on adjoining land for that purpose, expressed conclusions which correspond closely with those of Brandeis J in the *International News Service Case*. Dixon J commented that the reasons of Brandeis J substantially represented "the English view" which he described in terms which involved a rejection of the reasoning underlying the majority judgment in *International News Service* –

and the language of Justice Dixon was this –

> "[t]he fact is that the substance of the plaintiff's complaint goes to interference, not with its enjoyment of the land, but with the profitable conduct of its business. If English law had followed the course of development that had recently taken place in the United States, the 'broadcasting rights' in respect of the races might have been protected as part of the quasi-property created by the enterprise, organization and labour of the plaintiff in establishing and equipping a racecourse and doing all that is necessary to conduct race meetings. But courts of equity have not in British jurisdictions thrown the protection of an injunction around all the intangible elements of value, that is, value in exchange, which may flow from the exercise by an individual of his powers or resources whether in the organization of a business or undertaking or the use of ingenuity, knowledge, skill or labour. This is sufficiently evidenced by the history of the law of copyright and by the fact that the exclusive right to invention, trade marks, designs, trade name and reputation are dealt with in English law as special heads of protected interests and not under a wide generalization."

Then the next paragraph is significant in the judgment of Justice Deane, again extracting from the judgment of Justice Dixon:

> His Honour added that the judgment of Brandeis J contained "an adequate answer both upon principle and authority to the suggestion that the defendants are misappropriating or abstracting something which the plaintiff has created and alone is entitled to turn to value". Dixon J identified that answer as being that "it is not because the individual has by his efforts put himself in a position to obtain value for what he can give that his right to give it becomes protected by

> law and so assumes the exclusiveness of property, but because the intangible or incorporeal right he claims falls within a recognized category to which legal or equitable protection attaches".

That is the proposition that has been accepted in Australian law for the identification of a species of property. I should point out that the Court in *Nike* at paragraph 4 extracted part of the same reasoning in the judgment of *Victoria Park Racing* noted that it was approved in *Moorgate* and said that it:

> should be regarded as an authoritative statement of contemporary Australian law.

The point is that the registration of a trademark confers no ability on an owner at law or in equity to protect the owner's own use from interference by others. There are particular and very specific provisions in section 121 of the *Trade Marks Act* and section 145 of the *Trade Marks Act* that deal with some interference with a mark that has been put on goods, but that is as far as it goes.

Your Honours, the third argument then is that whatever the position might be at general law and whatever the nature of this property might be at general law, when we get to section 51(xxxi) there will be a sufficient taking of property as one part of an acquisition of property if without diminution of a right of property there is a diminution in the practical content or value of property or a right of property that is left untouched. We say to that, first, that it is contrary to the language of section 51(xxxi) which refers to property, not use or value, is certainly contrary to the context of section 51(xxxi), but I will come to that at a later point in my argument, and it is unsupported by any authority in this Court. There is no case that holds there to have been a taking of property merely because the legal or practical operation of the law has been to result in a diminution of use or value of a thing in which some right of the property exists.

GUMMOW J: What about the *Banking Case*?

MR GAGELER: That was a case where what was taken – your Honour went to the relevant provision in section 18 and section 19 in the course of argument yesterday – what was taken and correspondingly conferred by force of sections 18 and 19 of the Bank Nationalisation Act was adequately described by Sir Owen Dixon. If your Honours turn to page 346 or, again, to page 348, as "full power to manage, direct and control the business and affairs of the" bank or, in the language at page 348 "complete powers of disposition" over its assets real and personal. They are rights of property, the right to use.

HAYNE J: But that was done by putting in a board.

MR GAGELER: Of course. The right to use that was displaced by the statutory presence of the board was a right of property. We are talking here about - - -

HAYNE J: Whose right of what property?

MR GAGELER: The shareholders' rights to control the business of the company.

GUMMOW J: Shareholders have a right to elect directors from time to time, I suppose.

MR GAGELER: Yes. Well, there was a range of rights clearly, but the company's rights - - -

CRENNAN J: Nominee directors had a power of control over the assets. That was really the indirect aspect of acquiring property, that is to say, having access to the assets.

MR GAGELER: Yes. But the control over the assets, and we are talking about all of the control of the real property, control of disposition of real and personal property, is itself a right of property.

GUMMOW J: Then we get to the control of the packaging.

MR GAGELER: I am dealing with trademarks at the moment. I have got quite a lot to say about the control of the packaging. But the point is, yes, there was a taking of use and disposition of management and control in that context, but we are dealing with tangible personal property, real property, leave aside the other details of property. One is talking about rights that are themselves rights of property, the taking was of rights of property. In *Dalziel* – Mr Shaw taught me to pronounce it that way – in 68 CLR 261 again your Honour Justice Gummow pointed out the terms of regulation 54 in terms of the argument presented in that case, but what was taken and what was correspondingly conferred by force of regulation 54 was all of the rights that Mr Dalziel had over land as a tenant, again, proprietary rights.

If one goes to the *Tasmanian Dams Case* 158 CLR 1 in the judgment of Justice Deane, relevantly at pages 286 to 288, what was seen by Justice Deane to be taken as a result of the practical operation of section 11 of the World Heritage Protection Act that his Honour sufficiently describes at page 273, towards the bottom of the page, was what was identified by him at page 287, about the middle of the page, as "rights of use and development of the land" and what correspondingly he identified as having

been acquired. He put in corresponding proprietary terms at page 288 where he said in the first full sentence:

> The property purportedly acquired consists of the benefit of the prohibition, which the Commonwealth can enforce or relax, of the exercise of those rights of use and development of land –

Now, of course he introduced that reasoning to a conclusion by stating, at page 286, there was a conclusion that he reached with some hesitation and of course of those judges who addressed the issues of acquisition in that case, his view was a minority view. The contrary view was taken by Justice Mason at pages 145 to 146 and it is the statement of Justice Mason that appears in the introduction of that discussion that for there to be an acquisition of property, that another must acquire an interest in property however slight or insubstantial it may be. That has been taken up as the orthodox position in later cases. Justice Brennan adopted the same approach at page 247 and Justice Murphy a slightly narrower approach at the bottom of page 181.

In the *Georgiadis* line of cases of course what was extinguished was the chose in action itself, the legal right, and in *Newcrest* 190 CLR 513, what was taken or sterilised by the practical operation of the prohibition was identified in your Honour Justice Gummow's judgment at pages 634 to 635 as rights of Newcrest to occupy and conduct mining operations which were the very rights that were granted by the statutory lease, proprietary rights, and what was gained by the Commonwealth was the enhancement of a reversion, a right in the nature of property, and an enhanced statutory right, again in the nature of property, of the director to occupy the land in question.

Now, all of that, your Honours, is to be contrasted with *WMC Resources* 194 CLR 1, a case that concerned the diminution in the physical area covered by an exclusive licence to explore for petroleum. Exploration if it resulted in petroleum being found led to the ability to obtain further rights to exploit. This was an exclusive licence and it was clearly of value. The judgment of your Honour Justice Gummow, at page 71, has this discussion. In paragraph 185, your Honour, said in the last sentence:

> For s 51(xxxi) to apply, it would be necessary to identify an acquisition, whether by the Commonwealth or a third party, of something propriety in nature.

In paragraph 189 your Honour said:

> Before the enactment of the Consequential Provisions Act, the Permit had conferred upon WMC (and the other interested parties)

> an immunity from the operation of the criminal law in respect of the conduct of petroleum exploration in a specified area. The Consequential Provisions Act operated first to reduce that specified area.

In the last sentence it is said:

> This reduction in the operation of the immunity did not result in any acquisition, within the meaning of the authorities, of something proprietary in nature.

Paragraph 192, your Honour, invoked the remarks of Justice Holmes, in a case that I will come to when I do get to the goodwill end of the argument in this case, where his Honour said, and I will quote a little bit of it now:

> "Delusive exactness is a source of fallacy throughout the law. By calling a business 'property' you make it seem like land, and lead up to the conclusion that a statute cannot substantially cut down the advantages of ownership existing before the statute was passed."

Conscious of avoiding that fallacy your Honour said, at the end of paragraph 193:

> The Consequential Provisions Act may have operated to diminish the commercial value of the permits to which it applied by reason of the separate treatment now given to blocks and parts of blocks within Area A of the Zone of Cooperation. Further, the Executive Government of the Commonwealth was advantaged in the sense that the international law obligations assumed to Indonesia in the Treaty were rendered more likely of fulfilment.
>
> However, these circumstances do not indicate that the Consequential Provisions Act involved any acquisition of property which attracted the constitutional guarantee.

The protection is property. The protection is not to the value of property. Now, your Honour then from paragraph 195 through to paragraph 198 went on to deal with a separate or alternative form of analysis and that was an analysis that relied on such rights as were conferred by the statute, being susceptible of variation, at least within a range that encompassed the *Consequential Provisions Act*.

That was the form of analysis that was developed and applied in the joint judgment in *Chaffey*, to which I do not wish to take your Honours. It leads to what is sometimes styled and I think in our written submissions is

styled and inherently susceptible to variation argument. It is developed in our written submissions at paragraphs 56 to 63, but here it need not, for the purposes of the present case, be overstated. It may be that even the right to exclude an undoubted affirmative proprietary right that is conferred by registration of a trademark is inherently susceptible of variation by reference to some considerations of public interest within some range.

There is a suggestion to that effect that one finds in paragraph 110 of the joint judgment of your Honours Justices Crennan and Kiefel in the recent *Phonographic* decision in the last sentence. That need not be explored for present purposes. It is sufficient to say that any right to use a trademark, whether flowing directly as part of the rights granted by registration or flowing from the rights granted by registration, is a right that is conferred, or must be conferred, subject to law as it exists from time to time. One sees that notion in the description of a trademark by Justice Deane in the passage in *Murray Goulburn*, to which attention was drawn yesterday, a passage that is referred to with approval in *Nike* at paragraph 61 and explained in paragraph 62 as a statutory striking of balance between various interests.

There is an even narrower basis upon which the range of variation can be expressed for the purposes of the present case and that is to say that any right, statutory or otherwise proprietary, that may exist in the use of a trademark must at least be subject to a subsequent prohibition on use to prevent harm to the public or to public health from the use of the trademark.

That congenital limitation on the use of a trademark we put not as a matter of fine textual analysis but by reference to the essential nature of a trademark as the grant of a statutory monopoly that is in derogation, as the Solicitor-General for Queensland pointed out, of a common law right of the public to freedom of trade where the defining statutory function of a trademark that one sees in section 17 of the current Act, that of distinguishing goods or services, is always susceptible of being supplemented by other functions.

In our submissions in writing in the JTI proceedings, in footnote 3 we noted the current leading English textbooks referenced to trademarks having in practice other functions which are described as the advertising function and the quality function and we noted your Honour Justice Gummow's reference to those functions in the case of *Johnson & Johnson v Sterling Pharmaceuticals* back in 1991 where the obvious statement was recorded that sometimes those secondary functions are capable of being abused.

It is in the nature of a mark used in relation to goods or services in the course of trade that the function of those marks may in practice go

beyond simply distinguishing goods or services to what is described as the advertising function, to put it in other language appropriate for the present case, the promotional function, and that function is capable of causing harm in a variety of circumstances.

CRENNAN J: Is part of that argument to say that the function to distinguish goods in the course of trade has not been interfered with by the packaging legislation, as distinct from the advertising function?

MR GAGELER: It need not be part of the argument. The deployment of some trademarks will be prevented in its entirety and I have to accept that. It is an aspect of the argument that it - - -

FRENCH CJ: So far as the statute confers an exclusive right to use the trademark, incorporated by reference to the definition in section 17, does it protect any wider interest than the interest in the use of the trademark to distinguish the goods or services of one trader from another?

MR GAGELER: No, it does not. That is the statutory definition, yes.

FRENCH CJ: Yes, I am talking about the statutory scheme.

MR GAGELER: Can I go back to your Honour Justice Crennan's question. My answer really relates in particular to the, if one turns to the objects of the *Tobacco Plain Packaging Act*, which your Honour has read. The ultimate objects are in subsection (1). The means to those ends, if I can put it that way, are explained in subsection (2) where the regulation of retail packaging in the appearance of tobacco products, including by the prohibitions in sections 20(1) and 26(2) are designed, amongst other things, to reduce the appeal of tobacco products to consumers – that is, to reduce the attractive force to reduce the promotional effect.

If one looks, of course, at the history of regulation of tobacco products – and if you go back to the date of the Winfield mark, the earliest registration of which I think was in 1973, or the Camel mark in 1979 – what one has seen since then is the increasing restrictions by a variety of Commonwealth, State and Territory laws that have prevented use of trademarks to promote tobacco products because it was seen that that promotion was harmful to public health.

We have given your Honours the details of that legislation – some of it Commonwealth and some of it State and Territory – in paragraph 28 of our written submissions. On the argument for the tobacco companies for the last 40 or so years, they had been frogs slowly boiling without realising it. It has been a gradual taking of their property.

The better explanation, in our submission, is that none of that increasing restriction on use of their trademarks has amounted to any diminution of any existing right of the property and the *Tobacco Plain Packaging Act* imposes restrictions of the same nature and for exactly the same purpose.

Now, so far as get-up is concerned, it is simply, according to the general conceptions of our law, not property. It is probably not necessary to go past the statement of the majority, to which your Honours need not turn, in *Moorgate*, an earlier *Moorgate* 145 CLR 457 at 478, picking up the statement of Lord Diplock in *GE Trademark*. The statement is to the effect that registration is the only way that a trademark becomes subject to proprietary rights.

We have collected the cases which are elementary in our written submissions in paragraph 66, but perhaps the strongest and clearest statement in the cases I should take your Honours to is in *Harrods v Harrodian Schools* [1996] RPC 697 at 711 in the judgment of Lord Justice Millett at line 30 expressing emphatically what one sees in all of the cases, English and Australian. He said:

> It is well settled that (unless registered as a trade mark) no one has a monopoly in his brand name or get up, however familiar these may be. Passing off is a wrongful invasion of a right of property vested in the plaintiff; but the property which is protected by an action for passing off is not the plaintiff's proprietary right in the name or get up which the defendant has misappropriated but the goodwill and reputation of his business which is likely to be harmed by the defendant's misrepresentation -

As to the particular arguments of JTI - it might as well be called JTI in its demurrer proceedings - has alone amongst the tobacco companies not pleaded goodwill but pleaded only the existence of get-up and asked your Honours to take judicial notice of the fact that JTI could bring an action in passing off, thereby asking your Honours to take judicial notice of the existence of goodwill - we simply say this, that the invitation to take judicial notice of what is asserted to be the fact that JTI's use of get-up has given rise to its ability to bring an action for passing off is necessarily an invitation to take judicial notice of the fact that the use of that get-up has had sufficient attractive force, to use the language of other cases, to generate goodwill, something that JTI refuses, on the pleadings, to either assert or admit. As for JTI's assertion of an ability to bring an action for misleading and deceptive conduct we simply say that that gives JTI no more property in the JTI get-up than it gives a misled consumer, who could bring exactly the same action.

Now, your Honours, in respect of goodwill, it is instructive, although perhaps unnecessary, to go to the detail.

FRENCH CJ: Sorry, just before we leave that, your defence, I think, in paragraph 4 says that by reason of the matters admitted in 4(a), which includes the features of the packaging:

> the plaintiff has contributed to the creation and maintenance of a want on the part of some members of the public in Australia to consume JT Tobacco Products –

Now, that is by reason of the packaging features and get-up, not by reason of any implied assertion about the addictive qualities of tobacco. So, it really goes to this attractive power, does it not?

MR GAGELER: Yes, which is denied by JTI in its reply. It is just a very odd claim to be bringing, your Honour, and I will say no more about it. Goodwill is dealt with in the agreed facts in the *BATA Case* in paragraphs 7 to 11 where, without going through the detail, the obvious point is made by BATA and I should say none of this is the position that has been reached in relation to the other tobacco companies on the pleadings but the obvious point is accepted by BATA that the goodwill that it has established at paragraph 11 is in the premises that are spelt out in paragraphs 7, 8, 9 and 10 where the packaging and appearance of its cigarettes - I am reading from paragraph 9 – has been that for some time:

> the principal means used and available to be used by BATA in Australia for the purposes of –

not only distinguishing its cigarettes but promoting its cigarettes. It is that, through the exposure referred to in paragraph 10, that is relevantly the source of goodwill and the argument goes, because BATA has used its trademarks and its other get-up to generate goodwill in the past, a restriction on its continuing ability to use trademarks and goodwill in the future constitutes an acquisition of that existing property that it has built up. The problem with that argument is that it fails to come to grips with the point made in *Murry*. Your Honours need not turn to it, it is in our written submissions in paragraph 68. That goodwill past, present or future cannot be separated from the conduct of a business and the argument, in our respectful submission, employs the same form of delusive exactness that was criticised by Justice Holmes in the decision that I have already drawn your Honours' attention to.

May I ask your Honours to turn to *Truax v Corrigan* 257 US 312. This was a Lochner era due process case with Justices Holmes and Brandeis in dissent. If one wants to know its present status, the majority decision, of

course, is well and truly dead and buried. The argument was that because there was an existing business which was valuable, a new form of regulation of labour laws that affected the future conduct of that business constituted a diminution of property. At page 342 the fuller version of what Justice Holmes said was this:

> The dangers of a delusive exactness in the application of the Fourteenth Amendment have been adverted to before now. . . . Delusive exactness is a source of fallacy throughout the law. By calling a business "property", you make it seem like land, and lead up to the conclusion that a statute cannot substantially cut down the advantages of ownership existing before the statute was passed. An established business no doubt may have pecuniary value and commonly is protected by law against various unjustified injuries. But you cannot give it definiteness of contour by calling it a thing. It is a course of conduct, and, like other conduct, is subject to substantial modification according to time and circumstances both, in itself and in regard to what shall justify doing it a harm.

Now, your Honours, the minor difference, and it is a very minor difference, that we have from the submission of the Solicitor-General for Queensland is that whereas he submitted that goodwill could not be property, we do not need to go that far, we would simply say that the property that is goodwill cannot be separated from the continuing conduct of a business. Your Honours, I am about to turn to the packaging of cigarettes.

FRENCH CJ: Yes, that might be a convenient moment. We will adjourn until 2.15 pm.

AT 12.42 PM LUNCHEON ADJOURNMENT

UPON RESUMING AT 2.15 PM:

FRENCH CJ: Yes, Mr Solicitor.

MR GAGELER: Your Honours, I move to packaging and cigarettes and ask your Honours to turn to the *Tobacco Plain Packaging Act* section 2 and to note items 4 and 5 and the operative provisions to which they refer. Manufacturing and packaging is to be regulated from 1 October and sale and purchase is to be regulated from 1 December. Now, it is conceivable

that at the time those prospective provisions come into operation that they will have some application to some goods then in existence. No separate point is made about that transitional operation of the Act. If such a point were to be made, it seems to us that it would be covered by *Nintendo v Centronics* 181 CLR 134 at 160, but we say nothing more about that.

The Act, on and from those dates in the future, will fundamentally apply to goods that do not yet exist and it is the choice of these tobacco companies, or anyone else who might consider entering this market, to bring goods into existence and to sell those goods once brought into existence. The restriction imposed by this legislation is simply a restriction that says if goods are to be created and sold at all, then those goods must comply with this standard as to their colour, shape, size, texture and markings – that is what is said in the *Tobacco Plain Packaging Act* – and those goods must have on their packaging certain information about the health consequences of the product that is contained in that packaging and that is, in substance, all that is said by the 2011 information standard.

In our submission, this legislation is no different in principle from any other specification of a product standard or an information standard for products or, indeed, services that are to become the subject of trade in the future. That form of regulation fits precisely within the principle stated by Sir Owen Dixon in the *BMA Case* 79 CLR 201 to which I ask your Honours to turn. Your Honours have looked at this many times for a variety of purposes, but your Honours will recall that the scheme of the pharmaceutical benefits legislation effectively required the sale of specified pharmaceutical products to occur at a price fixed by regulation.

That was said, amongst other things, in argument to amount to an acquisition of property. The argument you will see recorded at page 211, about the middle of the page, it being said that the effect was to produce a forced sale and that was an acquisition of property within the meaning of section 51(xxxi). The judgment of Sir Owen Dixon dealing with that argument begins at page 269. It is a lengthy passage and I want to read three excerpts from it. At the bottom of page 269 his Honour said:

> The contention that s 51(xxxi) of the Constitution invalidates the legislation because it amounts to or includes an acquisition of property upon terms that are not just cannot, in my opinion, be supported. It depends upon the view that under the Act the prices of drugs or medicines supplied by the chemists in pursuance of the legislation are fixed by the executive and may be so fixed quite arbitrarily. I think that we must treat prices fixed by the regulations as fixed by law.

Over the page in the first full paragraph his Honour continued:

> Here there has been no attempt to show that the prices the Pharmaceutical Tariff would provide would in fact be inadequate or unfair. But however that may be I do not think that the provisions of the legislation governing the supply of prescribed medicines, materials or appliances by chemists amount to a law with respect to the acquisition of property within the meaning of s 51(xxxi). The view has been expressed that s 51(xxxi) covers voluntary acquisition. The view has also been expressed that it covers acquisitions of property authorized by Federal law even although the property is not acquired by the Commonwealth (*McClintock v The Commonwealth*). No doubt if you combine these views a dialectical argument may be constructed to support the conclusion that as the acquisition of the medicine from the chemist by the customer is authorized by Commonwealth law s 51(xxxi) must apply. But it is a synthetic argument, and in my opinion is unreal . . . The protection which s 51(xxxi) gives to the owner of property is wide. It cannot be broken down or avoided by indirect means. But it is a protection to property and not to the general commercial and economic position occupied by traders. The essence of a chemist's relation to the plan is that, as a trader, he must decide whether at the prices fixed by the Commonwealth he will or will not supply a commodity which he buys and sells, the law having brought about a situation in which it is likely that there will be little or no other trade for him in that commodity. If the prices are too low he may suffer in his trade, but that is not within the protection of s 51(xxxi).

Your Honours, in our respectful submission, that principle is the governing principle in the present case. It was referred to in the joint judgment of Justice Gaudron and your Honour Justice Gummow in *Smith v ANL* 204 CLR 493 at paragraph 23 where it is recognised that the application of the principle may involve questions of degree. It is a paragraph that uses the *BMA Case* as an illustration of the proposition that appears in the first sentence of the preceding paragraph and it introduces a discussion that goes over some pages but concludes at paragraph 47. It is, of course, in the context very different from the present or from the *BMA Case* where it said at the end of paragraph 47:

> The acquisition with which this case is concerned was effected directly by force of the legislation and does not occur by reason of any subsequent voluntary steps taken by Mr Smith.

If one is searching for a limit to the principle, which need not be found for the purposes of deciding the present case, it could be found, or some inspiration for it might be found in the tax cases, the cases that have considered when a condition imposed on a method of doing business goes

so far as to amount to a tax. There is a mention of that in *Peverill* in the judgment of Justice Dawson, where at page 253 - - -

GUMMOW J: What is the citation?

MR GAGELER: 179 CLR 253. The same volume contains back to back about four acquisition of property cases, but page 253, in the course of dealing with a different argument there about taxation, his Honour usefully refers back to *Homebush Flour Mills* and the statement of Chief Justice Latham which was used in that case to decide that a condition on a milling business imposed by State legislation did in those circumstances amount to a forced benevolence and to a tax and it may be conceivably - - -

FRENCH CJ: There was something like that in *Wool Tops*, I think, in the judgment of Justice Isaacs.

MR GAGELER: Yes. So it is a principle that has its limits. We are nowhere near those limits in the present case. In our submission, it is sufficient to stay squarely within the principle that a product standard be a standard about the qualities or characteristics of goods to brought into existence and that an information standard be a standard about the information to be provided to purchasers or to the public about the qualities, characteristics or consequences of using those goods. As to the product standard, and that is all that the *Tobacco Plain Packaging Act* is, in essence, a product standard, the argument of Imperial put in writing and again orally that acceptance that this legislation is valid would mean you could have a Commonwealth law that says every tenth car manufactured in Australia is to be given to the Commonwealth, is wrong at two levels. It is wrong as a method of argument to hypothesise an extreme use of power and to use that to test a constitutional principle. That point was made in *Work Choices*, 229 CLR 1 at paragraph 188, amongst other places.

A less extreme example from the real world one would find in section 201 of the *Copyright Act* that says one copy of every book published in Australia is to be sent automatically to the National Library. But at another level it fails to recognise a difference in kind between a law that says if you make or sell goods of this description, then you must give some of those goods to someone else and a law that says if you make and sell goods of this description, then they have to meet this specification. The true analogy here would be a law that says, as laws say, that every car manufactured in Australia is to be fitted with seatbelts or is to run on unleaded fuel or is to have any other safety or environmental standard.

FRENCH CJ: This is in a slightly different category from safety warnings, is it not? It is really a product standard which requires the vendor

to say to the consumer if you value your life, do not purchase this product, putting it crudely.

MR GAGELER: I was moving on to the information standard, but if one separates out the product standard from the information standard, they are complementary but they are different. The information standard of course is one that is made under the *Competition and Consumer Act* under section 134 of that Act. A provision that properly construed, in our submission, properly construed by reference to the scope and purposes of the Act, confines the exercise of discretion by the Minister in making an information standard to the prescription of information that is in relation to the goods or services or in some way about the goods or services.

If you are looking to the interaction of that with the *Tobacco Plain Packaging Act*, mention was made yesterday of section 10. Section 10(c) makes the standard prevail over the Act and you will note the qualification in the words at the end of section 10(c):

> to the extent that the standard relates to the health effects of smoking or using tobacco products.

This standard is directed to informing, redressing and reducing harm to the public health that is caused by use of the tobacco products contained within the packaging to which the standard relates and to suggest that the tobacco packages become little billboards for government advertising is wrong at yet again the same two levels. Hypothesising a distorting possibility is not the way to test the constitutional principle. Again, a less distorting realistic real world possibility of free advertising is the *ACTV Case*, the talking heads for two or three minutes during an election campaign, but, in any event, there is a difference in kind between an information standard about the goods or services that a person chooses to put into the marketplace and information about other things that might be required to - - -

KIEFEL J: Mr Solicitor, how is section 10(c) intended to operate?

MR GAGELER: It may not be necessary in that other provisions make clear that the requirements for colour and lack of marking do not apply to such part of the packaging as is devoted to the implementation of the requirements of the information standard, but section 10 makes assurance doubly sure, your Honour, that the - - -

FRENCH CJ: It pulls back the operation of the statute to the extent of any inconsistency with the specified regulations and instruments, is that right?

MR GAGELER: Yes, that is right. In practice it means the plain colour - - -

FRENCH CJ: It does not give them some sort of super-regulatory effect?

MR GAGELER: Of course not. No, that is right. I should say, so far as the facts are concerned here, it is put by only one of the tobacco companies against us now, that is, Imperial, that this is a question of degree. We disagree. We put it as a question of characterisation in the way that I have articulated it, but can I say this. It is a question of degree. We have as one of the facts we sought to be found as a constitutional fact in paragraph 17(C) of our written submissions identified this:

> health warnings have the purpose and likely effect both of informing members of the public of harm caused by tobacco products and of discouraging members of the public from smoking tobacco products –

That is given slightly more content by paragraph 35 of the written submissions which is introduced by the words "Research before and after 2006", which was the introduction of the mandatory health warnings, including the Quitline logo, confirms what common human experience suggests. Now, BATA in its written reply says that is a statement of the obvious. Insofar as that statement of the obvious is contested by Imperial, the submissions of BATA should, in our submission, be preferred.

Your Honours, can I move to acquisition. Point one is, therefore, understanding properly what the property is in the present case. We do not get past first base, but, in any event, even if there were a diminution of property, there is, in our submission, no - - -

GUMMOW J: Your point is, I think, that the first question is to identify as precisely as can be what is in the bundle that constitutes the rights that give rise to the property?

MR GAGELER: Yes.

GUMMOW J: You then ask whether there has been any taking, deprivation, so to speak, in respect of sufficient number or sufficient degree of that bundle?

MR GAGELER: Or any in this case.

GUMMOW J: Or any, yes.

MR GAGELER: Yes, and that is a point that I have addressed. The next question, if one needs to get there, is to say, well, what in the nature of property has correspondingly been given to someone else? There the arguments with which we need to deal, as we see it, come down to three. It is said that the pursuit or achievement of a Commonwealth legislative purpose or the Commonwealth's version of the public interest is per se an acquisition. Secondly, it is said that there are benefits to the Commonwealth, vaguely defined, but presumably either the Commonwealth as a body politic or the Commonwealth Executive, that flow from either or both non-use by tobacco companies of their own trademarks or get-up and control, it is said, over the physical products, that is, the cigarettes and packaging, to be manufactured and sold by the tobacco companies in the future.

Then overlapping, but as a separate point, it is said that there is a benefit in the form of the free advertising to the Commonwealth or to the operators of Quitline or perhaps to the owner of the Quitline trademark, from mandating or enhancing their information that is said to be required to be on the future products.

Can I deal with the arguments in that order? The argument that there is a per se acquisition of property where there is a diminution or extinguishment of property in pursuit of a Commonwealth legislative purpose is, in our submission, without overstating it, impossible to sustain on the language of section 51(xxxi), or by reference to the course of authority in this Court. On the language of section 51(xxxi), not only is the reference to acquisition of property, but it is qualified by the words:

> for any purpose in respect of which the Parliament has power to make laws -

The condition that such acquisition of property occurs can only be for a purpose in respect of which Parliament has power to make laws must mean that compliance with the condition is not itself a defining feature of the thing that it conditions, that is, the acquisition of property. But when you come to the cases the idea that acquisition lies simply in taking has been rejected unanimously in decisions of the Court, including most recently in *ICM.*

Can I remind your Honours just of three cases? One of them often overlooked for this proposition is the *BLF Case* 159 CLR 636, a case dealing with the deregistration and consequences of deregistration of the BLF. At page 653 there is a paragraph beginning "The second main submission". In that paragraph a couple of arguments about there being an acquisition of property, contrary to section 51(xxxi) are noted and dealt with, one of them being that the Minister might effectively terminate

contractual rights existing between the Federation and an officeholder. That is dealt with in a sentence which says:

> However, even if that be so, there is nothing in the Act that provides for the acquisition of those rights - they may be extinguished, but not acquired.

That would seem to be so obvious that it is said in the last sentence of that paragraph, "it is unnecessary to consider the authorities", that is why this case is often overlooked, but it is a unanimous and quite clear-cut statement of the relevant principle.

If one goes to *Tape Manufacturers* 176 CLR 480, your Honours have looked at this in a number of contexts. Your Honours will recall from the joint judgment of Chief Justice Mason and Justices Brennan, Deane and Gaudron at page 505 that in the context of dealing with an argument about the scope of the taxation power and the operation of section 55 of the Constitution the legislative scheme was characterised as a complex solution to a complex problem of public importance and as being the implementation of a public purpose. The provision challenged as an acquisition of property was section 135ZZM(1) which is referred to at page 527 in the joint judgment of Justices Dawson and Toohey and at about point 8 of the page it is said of that section that:

> The effect of that section is to diminish the exclusive rights conferred elsewhere in the Act by way of copyright but it does not result in the acquisition of property by any person. All that the section does is to confer a freedom generally –

and not a proprietary right. That is developed over the page. A very clear-cut statement is made at the top of page 528 that:

> The mere extinction or diminution of a proprietary right residing in one person does not necessarily result in the acquisition of a proprietary right by another.

Justice McHugh, in the first line of his judgment, first couple of sentences, agreed with that analysis and so did the joint judgment to which I have already referred at pages 499 to 500 where there is a quotation and adoption of the proposition to which I have already referred stated by Justice Mason in the *Tasmanian Dam Case*.

Going then to *ICM* 240 CLR 140, may I remind your Honours, although summaries of argument are sometimes incomplete, the essence of the argument of Mr Ellicott on this point is captured at the top of page 145 where it was said that there:

> was an acquisition by the State. The benefit it was to receive was that it regained complete control over a proprietary interest so that it could grant aquifer access licences to former bore licensees for lesser quantities.

And that that was sufficient to engage section 51(xxxi). At page 179, in the joint judgment of your Honour the Chief Justice and Justices Gummow and Crennan, there is a statement of relevant principle in paragraph 81 and at paragraph 84 it is said, in the sentence accompanying footnote (179):

> The changes of which the plaintiffs complain implemented the policy of the State respecting the use of a limited natural resource, but that did not constitute an "acquisition" by the State in the sense of s 51(xxxi).

The cases in footnote (179) were both cases involving restrictions on land use imposed by heritage legislation and cases that held that the fact that the legislation was enacted for political purposes or that it was enacted in the public interest was not sufficient to show that there was a proprietary benefit amounting to an acquisition. *Chapman v Luminis* involved the *Aboriginal and Torres Strait Islander Heritage Protection Act* and was the decision of Justice von Doussa. The relevant paragraphs to which your Honours need not turn were paragraphs 733 to 734. *Walden* was a case that involved the *Heritage Act* (NI). The relevant paragraphs in the judgment of your Honour Justice Kiefel are paragraphs 23 and 24. There is then, in the joint judgment at paragraph 85, an explanation of *Newcrest* in proprietary terms and an explanation of the *Bank Nationalisation Case* also in proprietary terms.

In the joint judgment of your Honours Justice Hayne, Justice Kiefel and Justice Bell, at paragraph 132 the proposition stated by Justice Mason in the *Tasmanian Dam Case* is treated as well established. At paragraphs 151 and 152 *Newcrest* is explained in terms consistent with that statement. The benefits to the director and the Commonwealth were not simply identifiable and measurable, they were proprietary. In paragraph 153 in the last sentence it is said:

> any increase in the water in the ground would give the State no new, larger, or enhanced "interest in property, however slight or insubstantial", whether as a result of the cancellation of the plaintiffs' bore licences or otherwise.

Your Honour Justice Heydon, in dissent in the result, nevertheless accepted the acquisition of property as requiring more than the destruction of an interest in property. Your Honour said that at paragraph 190 and again

your Honour said that by reference to the judgment of Justice Mason in the *Tasmanian Dam Case*. Three unanimous decisions all saying the same thing.

HEYDON J: I do not want to spoil the party, but footnote (324) said that:

> Since the proposition was not challenged in these proceedings, it is inappropriate to examine its validity.

MR GAGELER: That does not spoil my party, your Honour.

HEYDON J: You are easily pleased, Mr Solicitor.

MR GAGELER: Your Honours, that is the first argument. The second argument about benefit to the Commonwealth said to be from control over the physical products to be brought into existence in the future is really met again by emphasising one aspect of the analysis of Sir Owen Dixon in the *BMA Case* and that is to understand that the regulation in that case and the regulation in this case is regulation by law. All that is being done is the laying down of a norm of conduct governing the manufacture and sale of anyone who may wish to engage in that practice in the future.

The Act, it might even be pointed out, is binding on the Commonwealth, section 9 of the *Tobacco Plain Packaging Act* and the provisions with which your Honours are familiar in the *Competition and Consumer Act* that bind Crown entities if they choose to enter into commercial operations. The only power that is given to the Commonwealth, or to any emanation of the Commonwealth, is the power to enforce that norm of conduct by applying to a court for a civil or a criminal sanction.

In the *Tobacco Plain Packaging Act* the civil sanctions and criminal sanctions your Honours see in Chapter 5 - the civil sanctions being a matter for the secretary of the Department to enforce, the criminal sanctions, of course, a matter for the DPP. But that is all with which we are concerned in this case, either in respect of the information standard or the product standard, compliance with a mandated code of conduct, and save for the making or amendment of the regulations under the Act or of the standard itself, no emanation of the Commonwealth is given any legally sanctioned capacity to decide what is to be done with any tobacco products in the future. It is a point I think I need not labour.

The argument then that there is some proprietary benefit to the Commonwealth that arises from the non-use by tobacco companies of their own trademarks or get-ups seems very much to be the same argument stated another way. It is an argument that seeks to draw an analogy between what

is happening here and the dedicated ongoing exclusive passive use of real property in the nature of a hospital ground or a wilderness area or a national park that one sees in other cases. In our submission, there is no analogy to that line of cases at all.

So far as free advertising is concerned, again it is essentially answered simply by pointing out that this is a product standard and repeating what I have already said about that for the reasons that no property is taken by a product standard, no property is given by a product standard. It is far-fetched in the extreme to treat this as a forced benevolence, in the language of Chief Justice Latham, or as the requisition of a little billboard for the gratuitous announcement of something the Commonwealth considers to be in the public interest. It is not.

The product information required to be placed on these products differs only in intensity from product information that is routinely mandated to accompany therapeutic goods, industrial chemicals, poisons and other products injurious to the public health. The mandatory graphic health warnings are the skull and crossbones for a digital age, nothing more.

Your Honours, can I move to regulation, or incongruity, and deal with it relatively quickly. The relatively narrow point to which I want to get is one that I have already articulated. Can I mention two aspects of the context of section 51(xxxi), one of them structural, the other historical, and then can I highlight two elements of the text and then turn to the cases. The cases are *Tooth*, *Mutual Pools*, *Airservices* and *Theophanous*. I am not going to go through the later ones in any detail.

The structural aspect is this, that section 51(xxxi) is one of 42 heads of concurrent or exclusive Commonwealth legislative power, all of them designated in terms of being to make laws for the peace, order and good government of the Commonwealth and all involving to some degree power to regulate or prohibit conduct involving the exercise of rights of property and power to adjust rights, duties and liabilities of persons standing in particular kinds of relationship, again including by extinguishing or creating rights of property.

What that means, and to use the language of Justices Deane and Gaudron in *Mutual Pools* 179 CLR 155 at page 189, is that it is obvious, that is their language, that good government could hardly go on if every law that incidentally altered property rights in a way that constituted an acquisition of property were invalid unless it provided for a quid pro quo of just terms. There is a limitation on the scope of those acquisitions of property to which the guarantee of just terms will apply. The principle of construction by which section 51(xxxi) operates to abstract an acquisition of property from other heads of power – to use the words of Sir Owen Dixon

in *Schmidt*, the source of the doctrine – that principle cannot be used, in his language, to sweeping and undiscriminating away and has no application except within the ground actually covered by section 51(xxxi).

The cases show that there can be acquisitions of property that are outside section 51(xxxi) that are within the defence power - *Schmidt* within the corporations power, *Tooth* within the trade and commerce power and otherwise. The historical aspect is this and should not be overlooked.

FRENCH CJ: Just before you move to that you were looking at paragraph 12, I think, and 13 of your written outline. It does not go as far as paragraph 84 of your written submissions. You say that if:

> the acquisition of property without compensation is no more than a necessary consequence or incident of a restriction on a commercial trading activity where that restriction is reasonably necessary –

et cetera, whereas the proposition in 12 is a negative proposition:

> no . . . reason to treat every transfer of property that is incidental to regulation –

So that is a qualification, is it, on the breadth of what you are saying in 84?

MR GAGELER: No, it is a step in getting to what I am saying in 84, your Honour. All I am seeking to do - - -

GUMMOW J: Not a strategic retreat?

FRENCH CJ: Or even a tactical one.

MR GAGELER: I am moving forward, your Honours. I am not moving backwards. Paragraph 83 is part of a pact I had with the Solicitor-General for Queensland.

FRENCH CJ: Yes, I am just reading the rather Delphic terminology of paragraph 13 of your outline.

HAYNE J: It is us you have got to make the pact with, Mr Solicitor, eventually.

MR GAGELER: I am still moving forward, your Honour. I am sorry, your Honour, you might have noticed that paragraph 13 is - - -

GUMMOW J: Part of the problem with this, Mr Solicitor, is that legislators regularly think they are moving forward the public interest by

passing various statutes, doing various things, which some elements of society will not like and some will. Now, how you translate that into some constraint on 51(xxxi), may require some legerdemain.

MR GAGELER: I am taking it in stages. I was dealing with the context and then I was going to deal with how I do it. I will put it another way - how others have done it in the past and then how it should be done in the present case. But the explanation, your Honour, for the rather cryptical or Delphic construction of paragraphs 12 and 13 is at the bottom of page 3 of a three-page outline.

FRENCH CJ: That makes it all clear.

MR GAGELER: It will not take long to get to the point. The historical context is not unimportant and has not really been dwelt upon in other cases on section 51(xxxi) but forms a significant part of the written submissions, in any event, of Imperial in the present case, both in-chief and in reply, where something is sought to be drawn from the American experience and quite a deal is sought to be drawn from the common law, going back to Blackstone. We say of section 51(xxxi) that to pursue a framer's intention is "to pursue a mirage". That is the language used in the *Work Choices Case* 229 CLR 1 at paragraph 120.

We also say when you examine the historical record there is not a skerrick of justification for the theory of section 51(xxxi) being designed as some fiscal constraint operating to limit the power of the Commonwealth to invade rights of private property under pretext of public good. That language I have drawn from the written submissions of Imperial.

The convention debates, your Honours, have been sufficiently surveyed in an article by Professor Evans that we have given you in our supplementary authorities. It is at tab 8. I do not want to read from it. It is pages 128 to 132 of the article that contain a thorough examination of the debates about section 51(xxxi). There is also just a one-paragraph introduction in Quick and Garran to those debates. The upshot is this. The entire focus of the debates was ensuring Commonwealth legislative power to acquire property – they were focusing on land, of course – for public works and insofar as there was any reference to the American Constitution, it was limited to the power of Congress of eminent domain. There was no mention of the takings clause.

Insofar as it might be thought, and it has been suggested in some of the cases, that the reference to acquisition on just terms in section 51(xxxi) drew its inspiration from the reference to "taking without just compensation" in the takings clause of the fifth amendment, it is useful to note the contemporary, that is, late 19th century, understanding of the scope

of the takings clause and, in our respectful submission, that is the only utility of going to the American cases at all. The late 19th century understanding can be seen in an extract from Quick and Garran that we have in our written submissions at paragraph 95 in the text accompanying footnote 245, and this is what Quick and Garran relevantly drew from American case law:

> "[w]henever any business, franchise, or privilege becomes obnoxious to the public health, manners or morals, it may be regulated by the police power of the State even to suppression; individual rights being compelled to give way for the benefit of the whole body politic".

I do not know if your Honours had the case of *Mugler v Kansas* to hand when Mr Walker mentioned it earlier, but it is a very useful late 19th century illustration of precisely that position in the United States and it was a case where it was argued that prohibition that had been introduced in Kansas constituted the taking of property in a brewery contrary to the 14th Amendment. There are just two passages that I wanted to highlight. One is at the top of page 661 where the point is made that determining what measures were needed for the protection of public morals, public health or public safety were seen to be a matter entirely for the legislature. The other is at the bottom of page 668 in the last three lines of that pages beginning, "A prohibition simply upon the use of property" over to the middle of the next page. That form of analysis or that view - - -

GUMMOW J: What did Justice Field say? He dissented, did he not?

MR GAGELER: Yes, he did. Your Honour, I cannot point to a pithy passage I am afraid.

HEYDON J: This case falls outside what the majority said, though, does it not? This is not a prohibition upon the use of property. It does not prevent people using cigarettes. This says that if it were a criminal offence to smoke, then it would not be a contravention of 51(xxxi).

MR GAGELER: Yes, that is correct.

HEYDON J: So what is the precise materiality of the passage at the bottom of 668?

MR GAGELER: I am sorry, your Honour. What it is dealing with is the incidental effect of a prohibition on conduct that is imposed by reference to the legislature's view of what is needed to protect public health. So prohibition, yes, was on – I cannot tell you whether it was just on drinking or selling drink, but a prohibition bit at a later stage and this prohibition was said, in its practical operation, to be a sterilisation of the brewery that could

not longer be used for the purpose for which it was dedicated. So it fits within the principle with which we are concerned, although the facts are slightly different, I accept that.

GUMMOW J: I think as Justice Hayne points out, at page 678, Justice Field about point 7, says something of some significance:

> It has heretofore been supposed to be an established principle, that where there is a power to abate a nuisance, the abatement must be limited by its necessity, and no wanton or unnecessary injury can be committed to the property or rights of individuals.

MR GAGELER: Your Honour, if proportionality - - -

GUMMOW J: That is what he seems to be getting to.

MR GAGELER: In a dissenting judgment, but let me say, your Honour - - -

GUMMOW J: …..a dissenting judgment. He is a jurist, as they say sometimes, continued reputation.

MR GAGELER: Your Honour, I am not in any way shying away from that. I was pointing to the quite clear-cut majority view which did not involve any element of proportionality. Your Honour has seen from our - - -

HAYNE J: Certainly, but the first third of the page of 678 is the contrary view.

MR GAGELER: Of course it is a contrary view but, your Honour - - -

HAYNE J: So what do we get out of this consideration? You assert that we should adopt one as the competing view, what?

MR GAGELER: No. I am getting nothing more than the contemporary understanding in 1900 of whether or not an incidental sterilisation of property as a result of a legislative measure imposed for the benefit of public health amounted to a taking. There are two views, two views that you see from this case. One is that it was for the legislature in an unrestrained choice to determine whether or not a prohibition was in the public interest and where that prohibition was imposed, then an incidental taking of property was not contrary to the prohibition.

The other view to which attention has been drawn was that there is not an unrestrained choice on the part of the legislature and some element of

what we would now call proportionality was required. Your Honours have seen that both of those views are accommodated in the proposition that we put. Take the narrowest Justice Field view when I get to it, and I am not trying to get doctrine from this case – I am simply getting context from this case – but the present case, if I need to relate it to this case, *Mugler* falls within the narrower Justice Field conception.

KIEFEL J: But there was no discussion of this in the Convention Debates.

MR GAGELER: Not at all, no, no.

KIEFEL J: Such discussion as there was was, as you say, concerned only with whether or not there was a power, whether it was clear enough that there was a power.

MR GAGELER: That is right.

KIEFEL J: So we are taking a bit of a leap to assume that those drafting 51(xxxi) had this in mind.

MR GAGELER: Exactly. Taking a leap to assume that you get anything out of the American cases, Quick and Garran got out of the American cases what I have already referred to which is a reflection of the majority view in *Mugler* and I am simply pointing to *Mugler* itself. Your Honours, there was no – I have done a lot of reading – there was no regulatory taking case in the United States until the majority judgment of Justice Holmes in *Pennsylvania Coal* in 1922.

KIEFEL J: It could, however, be observed that Justice Dixon appears to have thought, at least in 1941, that the source of section 51(xxxi) was found in the Fifth Amendment. That appears in *Andrews v Howell*.

MR GAGELER: I never like to quibble with - - -

KIEFEL J: Quibble, but he appears to have changed his mind.

MR GAGELER: I never like to quibble.

CRENNAN J: In the *Banking Case*.

MR GAGELER: Yes. Your Honours, that is the Convention Debates, that is the American authorities. Now, in *ICM* your Honour Justice Heydon at paragraph 183 in a passage it is not necessary to turn to found some utility in looking at the ethos of the late 19th century in considering the scope of section 51(xxxi) and your Honour pointed out, absolutely

correctly, that it was an age of respect for property and so it was, but it was also an age, as pointed out by Lord Radcliffe in a case that I do not ask your Honours to turn to, *Belfast Corporation* [1960] AC 490 at 524, when there was rapidly increasing legislative restriction on use of property imposed by reference to considerations of public health without compensation.

Lord Radcliffe referred to the *Public Health Act* 1875 but if you look at the New South Wales statute book as it existed in the last decade of the 19th century you will find, for example - the legislation that we have given your Honours in the supplementary authorities - you find behind tab 2 an example of the local equivalent of that English statute Lord Radcliffe referred to, section 42 of the *Public Health Act* imposed restrictions on use of property by reference to what was injurious to health.

The other Act we have given your Honours extracts of, the *Noxious Trades and Cattle-slaughtering Act* was an Act that in section 2 you will see allowed the Governor to declare trades to be noxious. In section 9 it then required, "Any person . . . carrying on that trade" to be registered and in section 5, allow the "local authority" to enter premises and "To refuse or cancel the registration" if there was any contravention of the terms of a - - -

GUMMOW J: I do not know if we have been referred to *Munn v Illinois* in our tour through the 1870s in the United States, 94 US 113 at 126, where, in support of this doctrine you have referred us to, they relied upon what Sir Matthew Hale had said. It is discussed in *Airservices* 202 CLR 133 at 299, paragraphs 498 to 499, leading to some sharp remarks by Justice Holmes in the 1920s in *Tyson*.

MR GAGELER: That is when it changed, the 1920s. That is my point and it is really the only point that I wanted to get out of this. Before *Pennsylvania Coal* when Justice Holmes changed it, there was a quite clear - - -

GUMMOW J: You are saying it has changed there, but it cannot change here, is that the idea?

MR GAGELER: No, I am not saying that. All I am saying is that if anything is to be drawn from the historical context of the Constitution, it is by reference to the American authorities, a stable position, that a prohibition imposed on one view by reference to any legislative judgment as to public health and on another view by reference to a proportionate judgment about the public health, did not constitute an invalid taking of property if it resulted in an incidental extinguishment of use of property.

The position at common law, can I point out, was dealt with in a decision of the Privy Council in *Slattery v Naylor* (1888) 13 AC 446 and appealed from the Supreme Court of New South Wales concerning a case where a local by-law prohibited continued use of a cemetery which had the effect of sterilising Mr Slattery's use of a grave plot. He said that that was beyond power because of the application to the empowering statute of the common law presumption against taking a private property without acquisition. The answer to that was, no, this is simply regulation.

One sees that at the bottom of page 449 and at the top of page 450 and at about point 5 on page 450 it is said that it is unfortunate but legally irrelevant that the effect was the taking away of an enjoyment of property for which a loan that property was acquired and had been used. All I get from all of that historically is that it was no part of the late 19th century conception of justice and no part of the inherited conception of justice that we derive from the common law to see it as necessary to compensate an owner of property for not being able to continue to use that property in a way that is injurious to others. That is what I get.

If you then move to the text of section 51(xxxi), there are two qualifications that are imposed on an acquisition of property by that provision. One is that it be for a purpose sometimes translated as use – the Full Court translated purpose as use in *Blakeley* 87 CLR 501 at 519 – and sometimes emphasised as giving rise to the essence of acquisition under section 51(xxxi) as being requisition, and there is a stream of cases that emphasise that element. The other qualification is just terms and we say this, that the word "just" in the context of "just terms" is a constitutional term as big as the word "property" and as big as the word "acquisition", and in considering whether a taking or acquisition of property is congruent with just terms, the full concept of justice and the limitations on that concept, in our submission, must be taken into account.

Now, those two qualifications, as I said, have given rise to two streams of authority. One of them, which is being identified as having its source in Justice Gibbs' judgment in *Tooth's*, is this limiting notion of congruity with just terms. The other, which was developed by Justice Brennan in *Mutual Pools* but really originated with Justice Brennan in the Federal Court in *Tooth's*, is the notion of there being no requisition for a Commonwealth purpose where there is nothing more than an incidental transfer of property as a result of compliance with a measure that is enacted in the public interest.

Now, those two streams of authority were then brought together by Chief Justice Gleeson and Justice Kirby in *Airservices* in a passage, that I will take your Honours to in a moment, where they were said to be two expressions of essentially the same notion. The test for incidentality that

Justice Brennan sought to make out was at least a test for incongruity, but I will come to that in a moment. Can I go back to *Tooth* and take your Honours to Justice Gibbs' judgment, 142 CLR 397.

The case concerned the application to a constitutional corporation of the exclusive dealing provision in section 47(9)(a) and the argument was that compliance with that provision required, in some circumstances at least, the corporation to grant a lease at less than commercial terms. Compliance with the provision required a transfer of property otherwise than on full commercial terms. That was dealt with in different ways by different judges and, indeed, Chief Justice Barwick and Justice Aickin upon whose judgments our learned friends rely took the view that there was an acquisition of property within the meaning of section 51(xxxi), but they were in dissent.

It is the view of Justice Gibbs that gives rise to the incongruity cases, as I have pointed out from what was said in *Theophanous*, and what Justice Gibbs had to say is at pages 408 to 409. About the middle of the page after the reference to *Schmidt* he said:

> It appears to me that there are cases in which s 51 authorizes the compulsorily divesting of property in circumstances in which no question of just terms could sensibly arise – for example, it would be absurd to say that the legislature could make provision for the exaction of a fine, or for the imposition of a forfeiture of property used in the commission of a crime, only on just terms. Whatever explanation may be accepted, the provisions of s 47(9), which prohibit a corporation from refusing to grant or renew a lease for the reasons stated, seem to me to be of the same nature as provisions for penalty or forfeiture. As at present advised I doubt whether the Federal Court would have power to grant an injunction . . . or renewal of a lease, but the heavy penalties provided for the contravention of the sub-section may be regarded as practically compelling a corporation to grant or renew a lease if a substantial reason for not doing so would be one of the reasons mentioned in s 47(9). If s 47(9) is regarded as having the effect that in certain circumstances a corporation is obliged against its will to grant or renew a lease, it only has that effect where the corporation is engaging in the practice of exclusive dealing forbidden by the sub-section, in circumstances in which its conduct has the purpose, and has, or is likely to have, the effect of substantially lessening competition. The sub-section is not merely a device to compel a corporation to divest itself of a proprietary interest and its effect is to deter or punish forbidden conduct. It does not provide for the acquisition of property within s 51(xxxi).

One sees the same concept expressed in different language in the analysis of Justice Stephen at page 415 and he was drawing language from the dissenting judgment of Justice Brandeis in *Pennsylvania Coal* who cited, amongst other cases, the case of *Mugler*, to which I have taken your Honours, but, sufficiently for present purposes, at page 415 it is said in the middle of the page:

> An important consideration is that these sub-sections are clearly directed only to the prevention of a noxious use of proprietary rights.

It is that analysis that led Justice Stephen, amongst other reasons, to consider there to be no acquisition of property to which section 51(xxxi) applied even if there was an acquisition of property. In our submission, that notion of congruity having an element necessarily of consideration of the broad concept of justice by reference to what is sought to be achieved by the statutory scheme feeds through to *Theophanous* 225 CLR 101, a case your Honours will sufficiently recall. May I simply point out the paragraphs.

Paragraph 57, that is the origin of incongruity. Paragraph 60 where it said, in effect, there is no easy answer and paragraph 63 where the conclusion of incongruity is related to the vindication of the public interest and the manner in which that occurred in the relevant Act. To similar effect in paragraph 11 there is a reference to the notion of incongruity in Chief Justice Gleeson's judgment and in paragraph 14 content is given to the notion in his conclusion that just terms in that context would weaken or destroy the normative effect of the legislation.

Your Honours, I will not go back to what Justice Brennan said in the Federal Court in *Tooth*, but may I just give you a reference to it. It is 34 FLR 11 at pages 146 to 148. But his analysis of the same provision was to the same conclusion, but coming at it from the perspective that whatever transfer of property was involved in compliance with the exclusive dealing provision could not properly be characterised as a requisition for the purposes of the Commonwealth. He is looking at it from the other limb of the conditions.

It was that notion that was taken up and developed by his Honour in *Mutual Pools* 179 CLR 155 at 179 through to 181. It is a proposition that his Honour states in that lengthy discussion in slightly different ways at a number of points, but the crystalline version of what he says is in the last two lines at page 180 and to the top of page 181 and the broader proposition that we had stated in our written submissions, to which we need not get for present purposes, sought to go no further but rather to adopt and explain what his Honour there said.

HEYDON J: Are you withdrawing paragraph 83 for the purposes of - - -

MR GAGELER: Yes.

HEYDON J: So we need not worry ourselves about paragraph 83 and its virtues and vices.

MR GAGELER: I see your Honour has pen poised. No. But, similar notions can be seen in a less crystalline form in the judgment of Chief Justice Mason at page 171 where, describing a category of cases where there had been an acquisition of property, but not within section 51(xxxi), he referred to them as:

> cases in which the transfer or vesting of title to property or the creation of a chose in action was subservient and incidental to or consequential upon the principal purpose and effect . . . had no recognisable independent character.

There is, essentially, the same sort of notion that one sees in the judgment of Justices Deane and Gaudron at pages 189 to 190 where, in the last few lines one of the categories of law which is seen as generally outside the scope of section 51(xxxi), even if it gives rise to a transfer of an interest in property, is where that occurs as an incident of general regulation of conduct of citizens in areas which need to be regulated in the common interest. Now, none of these are precise formulations of course, none of them remove the element of judgment and no verbal formulation can ever be entirely satisfactory.

Justice McHugh, at pages 219 to 220, in the second line of page 220 introduced the actual language of incongruity, but in stating his conclusion, at page 224, he explained his conclusion in these words, 224 about point 4:

> In so far as the Refund Act acquires property, it does so incidentally. The acquisition of property is merely an incident of a law which seeks to repay –

et cetera. When you then go to *Airservices* 202 CLR 133 where, of course, the acquisition of property question arose in relation to the statutory lien, what you see is that in approaching the question of whether there was an acquisition of property in that case, Chief Justice Gleeson and Justice Kirby at paragraph 98 adopted the approach of Justice Brennan in *Mutual Pools*.

GUMMOW J: They were alone in that, were they not?

MR GAGELER: Of course, yes. And they refer in the next paragraph to *Lawler* and say that what Justice Brennan was saying in *Mutual Pools* and the incongruity concept in *Lawler* converge. One sees that in the last sentence of paragraph 99. Now, Justice McHugh, at paragraph 344, after a very lengthy discussion, appears – and so my answer to your Honour Justice Gummow's earlier question is a qualified yes – appears to have seen some utility in the approach of Justice Brennan in *Mutual Pools* but expressed his own conclusion in terms of incongruity at the end of paragraph 345. What one sees from this is that these are concepts that are useful at some level of expressing a conclusion. Incidentality is never far from the centre of the analysis.

Your Honour Justice Gummow - your Honour has already referred to part of your Honour's judgment – but your Honour at paragraph 494 in the third sentence used the language of incongruity. Your Honour then, in paragraph 497, drew on the *Mutual Pools/Tape Manufacturers* notion of section 51(xxxi) not necessarily applying to a law which is a genuine adjustment of competing claims, et cetera, and then in paragraph 501 drew the line in that case by reference to those sorts of considerations saying in the second sentence that:

> The statutory lien provisions are part of the regulatory scheme for civil aviation safety created by the Act -

and then going on to make some other points. Now, your Honours, those streams of authority are the foundation for the relatively narrow principle that we have sought to articulate in our written submissions in paragraph 84, and I sought to articulate and will not restate, at the commencement of my submissions. No formula in any area of constitutional discourse is going to be satisfactory for every case. We do not pretend that. But, in our respectful submission, a transfer of property that occurs as a consequence of complying with a regulatory norm of conduct imposed in the public interest is not an acquisition of property to which section 51(xxxi) applies, at least where the norm of conduct is imposed to prevent harm for the public. If there is an element of proportionality to be built into that your Honours have seen we have accommodated that in - - -

FRENCH CJ: What content does one give to the notion of the incongruity in this context? Is one speaking in terms of a logical inconsistency between the provision of compensation and the advancement of the norm?

MR GAGELER: It is bigger than that, your Honour. The language is not compensation. The language is just terms. The constitutional conception of justice does not extend to paying someone for not using their property so as to harm another person.

KIEFEL J: Is this directed to the space argument?

MR GAGELER: I am sorry, your Honour?

KIEFEL J: Is this directed to the argument that there is property in the space which the Commonwealth has acquired without paying for it?

MR GAGELER: It is directed to all arguments. Your Honour, we do not need to reach it - - -

HAYNE J: Is not that its difficulty, Mr Solicitor, that it is an argument that is addressed without first identifying the putative acquisition? You express this principle in paragraph 84 in terms of complete generality as applicable, I think, whatever is the acquisition that is identified, do you not?

MR GAGELER: Your Honour, I am addressing the acquisitions in the present case, the alleged acquisitions in the present case, nothing more, nothing less, and I am seeking to articulate a principled criterion of incongruity.

HAYNE J: Is not the point at which one needs to enter that debate to first identify the putative acquisition?

MR GAGELER: Absolutely.

HAYNE J: And until that is done, one cannot test, I think, the content that you are giving to this otherwise generally expressed proposition?

MR GAGELER: Your Honour, can I identify the putative acquisitions as each of the acquisitions that I have addressed in detail in my earlier submissions, that is – let me take them in turn – what is said to be an extinguishment of statutory rights or of property deriving from statutory rights in the trademarks and other intellectual property, the taking of property in the physical goods to come into existence in the future and the effect on goodwill of the business. All of those and their alleged concomitant benefit to the Commonwealth are answered, if necessary, and, in our submission, you do not get to this point because they are answered at two ancillary stages, but, if necessary, then they are answered by the application of this principle of incongruity.

Your Honours, I did not propose to address on any of the other matters of detail in our written submissions. I am sorry, Mr Lloyd is the margarine man on our team and there is a piece of paper in rejoinder, your Honours. Nothing will turn, I believe, on whether margarine was sold in plain packaging in 1899, but it was. It has been handed to your Honours.

FRENCH CJ: Thank you. Solicitor-General for the Northern Territory.

MR GRANT: May it please the Court, the two matters on which we seek to intervene have been addressed exhaustively by the Solicitor-General for the Commonwealth. Your Honours have our outline of propositions before you. There is nothing, your Honours, that we seek to add further to what the Commonwealth said in that respect, save to make two points, your Honours. Paragraphs 10 and 11 seek to identify that arbitrariness is an appropriate criterion for the Court to apply in determining whether regulation may properly be characterised as a law with respect to the acquisition of property in the very broad sense, that being the purpose of the guarantee that was identified by Sir Owen Dixon in *Grace Bros*.

Your Honours, paragraph 12, we include there some discussion of the United States cases only to the extent that the submissions of Van Nelle in that respect have any life and we note, your Honours, in subparagraph (c) that in determining whether a regulation affects the taking in the United States context, one primary consideration will be the character of government action and that will oftentimes be determinative and that that character, your Honours, comprehends whether the regulation involves some public program adjusting the benefits and burdens of economic life to promote the common good. If it please your Honours, they are the submissions for the Northern Territory.

FRENCH CJ: Yes, thank you. Yes, Solicitor-General for the ACT?

MR GARRISSON: If it please the Court, the ACT relies upon its written submissions already filed and adopts the submissions of the Commonwealth, including the oral submissions of the Solicitor-General, subject to any questions that the Court may have.

FRENCH CJ: Thank you, Mr Solicitor.

MR GARRISSON: Thank you, your Honour.

MR MYERS: Your Honour.....

FRENCH CJ: Yes, Mr Myers.

MR WALKER: Your Honours, that debases the question of us as interveners.

FRENCH CJ: Yes, that is the basis upon which you seek - - -

MR WALKER: First the agreement.

FRENCH CJ: Right.

HAYNE J: Second?

MR WALKER: That is the practical answer, but, of course, your Honours are not parties to that agreement. I am in your Honours hands entirely.

FRENCH CJ: Just a moment, Mr Walker. All right, Mr Walker, but you will need to keep it short.

MR WALKER: Thank you, your Honour, I have come prepared.

FRENCH CJ: You have a bare majority, I think.

GUMMOW J: Both in overall length and in sentencing.

MR WALKER: I have come prepared, your Honours. May I say, I have got two points. That is probably misleading because I am going to refer to two cases. There may be more than two points. Can I go directly to *Tooth*, may it please your Honours, 142 CLR 397. Now, starting with the passage in Mr Justice Gibbs' reasons, to which you have been already sufficiently taken, starting at 407 and continuing, the use made of that in the argument against us is, of course, as part of the tapestry by which, what I will call noxious use, in that case the proscribed reasons for refusing to renew a lease, et cetera, a noxious use of property can be controlled without invoking 51(xxxi).

A closer reading, in our submission, shows in a number of the reasons that there was a very important premise for that claimed application of this authority which was actually approached oppositely by their Honours. Take, for example, Justice Gibbs at 407. First he construed the law in question which was putatively acquiring property so as to involve, it was claimed, the requirement for just terms, and at about halfway down 407, you will find the conclusion to his interpretative reasoning as follows:

> The sub-section does not, in my opinion, require the owner of property to grant or renew a lease at less than its full rental value.

Now, that raises interesting questions about being compelled to do so but not reaching an agreement, but that was by most of their Honours regarded as a matter which would sound in a factual inquiry as to whether one had continued to refuse to renew for one of the proscribed reasons only. That is important to his Honour's reasoning, and can be seen in the concluding

words on page 409, intended by their repetition clearly to emphasise the matter - this is an inch down:

> In any case, as I have said, the section does not oblige the corporation to grant or renew a lease on other than fair commercial terms.

Now, true it is that all the other matter that has been read to your Honours from those reasons is also part of the setting, but the beginning and end of it is that in terms of what I will call exchange value as a means of understanding the concept of just terms his Honour saw no deficit. It was the deprivation of freedom of choice that was to be considered.

The same thing can be seen in the reasons of Justice Stephen at 415 to 416. There one finds the "noxious use" reference at about halfway down 415, but again the same concept of fair value at the foot of 415:

> likewise, in the case of leases and licences, there is no restraint imposed upon the level of rent which a prospective lessor may demand. It would be a curious concept of "acquisition" which, while compelling the supply . . . nevertheless leaves the supplier or lessor free to nominate his price or rental.

Now, the matter does not rest there completely. To similar effect, one finds what Justice Mason said at 429 to 431 where, in extended reasoning which I will not read, his Honour reached the conclusion, which includes the statement at the foot of 429:

> However, as will appear later, I do not think that the section should be understood as requiring a lessor to grant or renew a lease on the same terms and conditions as those applying to a former lease -

following a reference to the effect of inflation upon rent.

Then on 430, first full paragraph, you will see a reference to the course of the litigation in terms of this issue being raised. I draw that to attention because of the passage one sees at 444 in Mr Justice Aickin's reasons, which has his Honour dealing with a matter on a quite opposite basis, namely, that there were not just terms provided in relation to rent. So that the case is not clear to demonstration, but it is clear that most of the judges who considered the matter in the way that my friend, the Solicitor-General for the Commonwealth, sought to use it started with the proposition that this after all was a lease which would recover full commercial value, notwithstanding it was a forced lease. At 433, in particular, may I draw to attention the second-last paragraph of Mr Justice Mason's reasons:

Although s.47(1) and (9)(a) may result in a compulsory acquisition of property in circumstances not specifically dealt with in argument, no argument was advanced to sustain the conclusion that in these circumstances the acquisition would be otherwise than on just terms.

The case thus understood does nothing whatever to support the Commonwealth use of it. Finally, can I come to *Smith v ANL* 204 CLR 493 in order to draw to attention that as to the *BMA* decision, upon which my learned friend, the Solicitor, dwelled, the reasoning to which you have already been taken, I fear, several times in paragraph 23 of the reasons of Justices Gaudron and Gummow, starting at page 505, does include the comment, if I may respectfully call it that, of *BMA* that today, perhaps, it would be thought nearer the line of invalidity, clearly being a reference to a 51(xxxi) induced invalidity, as opposed to the other grounds.

Now, it is to be recalled that Mr Justice Dixon had dealt with the matter in a way that that comment might be thought to be suggesting gave more weight to matters of form as opposed to substance in terms of the effective or practical compulsion as opposed to legal compulsion than would perhaps nowadays be done and that, with respect, appears to be the import of the last sentence of paragraph 23 in *Smith* to which we draw attention.

That, in our submission, very strongly supports, and contrary to the way in which the Commonwealth has put it against us, very strongly supports that these are matters of degree. The degree of practical compulsion faced by the pharmacists in that case was trade on these terms or really not at all, get another job. In our submission, that shows that the modern doctrine does most certainly include the practical extent, the degree, the magnitude of the impact about which our argument has been built. May it please the Court.

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

MR ARCHIBALD: May we be treated in the same way as Mr Walker?

FRENCH CJ: You will.

MR ARCHIBALD: Three points, if we may, briefly. The first concerns the character of the registered marks as constituting property. Argument was advanced before the Court today in relation to the right to exclude which is explicitly conferred on the owner of the registered mark by the statute.

We say, fastening upon that aspect alone, that property interest is here acquired if one identifies the nature of the interest by reference again to the notion of illegally endorsed concentration of power. What the right to exclude reveals is an ability to control the extent to which, and the persons by which, access to such opportunities as the mark allows is to be afforded and it matters not for these purposes whether the opportunities afforded by the mark are in the nature of a right or a privilege or whatever. The right to exclude governs access. In the phraseology we used yesterday, the gatekeeper determines access.

As a result of this legislation the gatekeeper ceases to be the owner of the mark. There was an exclusive right to control access. As a result of the legislation, at the very least that exclusivity is taken away for the provisions of section 20 control access. They control the extent to which there is to be exclusion and those in respect of whom there is exclusion and the extent to which, where there is non-exclusion, use may be made of the opportunities afforded by the registered mark. In that way we say there is a clear taking of the proprietary right constituted by the right to exclude and for the reasons we have earlier given we say there is a benefit to be discerned in respect of that taking.

HEYDON J: Can I just try and understand this a bit better? Let us say there was a mark for cigarettes called Capstan and in some versions it had a bearded sailor with ropes and anchors and in other versions it was just "Capstan". If an unlawful trader, after this legislation was in operation, began to trade under the name "Capstan", do you say the Commonwealth is the only person who could sue that infringer?

MR ARCHIBALD: No, the Commonwealth would no doubt prosecute.

HEYDON J: Under its - - -

MR ARCHIBALD: Under Chapter 3, Part 2, or the other way round.

HEYDON J: What crime would it have - - -

MR ARCHIBALD: The offence, I think it is section 30 or 31.

HEYDON J: Yes, but if it is just sold under the name Capstan – I see, your point is that the pirate, as it were, the infringer, has no entitlement and therefore it is not, as it were - - -

MR ARCHIBALD: Has no entitlement in any event. By virtue of the prohibition imposed by section 20(1), when married with the sanctions under the - - -

HEYDON J: It is not the brand, business or company - - -

MR ARCHIBALD: No.

HEYDON J: Is it not the brand? It is just a parallel brand. It is an illegitimate brand.

MR ARCHIBALD: In one of your Honour's postulations it was more than the word component.

HEYDON J: I am assuming just using the work - - -

MR ARCHIBALD: Just Capstan?

HEYDON J: Obviously if it is the word, plus the sailor, then no one could do that because of section 20(1) and (3) together. But if it is just the word - - -

MR ARCHIBALD: Yes, if it is the word, then it may be in conformity with section 20(1). The Commonwealth in that respect would not have a foundation for prosecution and it is true that in that circumstance the owner of the mark may have what I think we have described as the vestigial rights to control access to that component of the mark. So we are not submitting for a moment that there is entire obliteration of the right to exclude, but certainly it ceases to be exclusive and in greater part it is eroded to the extent to which that which remains is no more than vestigial.

That really exposes the other way in which there is an acquisition in respect of the right to exclude. That which is left is bereft of the substantive content that hitherto existed in that right and it, therefore, answers the description of a taking of the effective benefit or the reality of proprietorship in that component of the mark.

CRENNAN J: But is it really vestigial? You would be entitled, would you not, as an owner to get injunctive relief, including interlocutory relief, in relation to that conduct?

MR ARCHIBALD: If it is confined to the word you would, yes, but it is only as to the word and, of course, the starting point for all of this is the nature of the mark, and the examples before the Court are composite marks, of which the word is a component. Whether it is a critical component or not one cannot say. It may or may not be according to the circumstances. It may be some other features of the mark are the definitive ones in the marketplace and so the role that the word plays may vary according to the case. But even if the word itself is a significant portion of the mark that is taken, that which remains in respect of which the owner has concerning its

right to exclude is bereft of substantive content because of the general arrogation of control by the Commonwealth in respect of the features of the mark as a whole, but including the right to exclude. These submissions are directed only to the right to exclude.

CRENNAN J: Do the Philip Morris parties have – are there registrations of the words which form part of the composite marks about which you are speaking, words alone?

MR ARCHIBALD: I think the material in the *BAT Case* shows only the composite marks. I think that is right. Yes, Mr Myers confirms that what I have answered is correct. But yesterday I alluded to the circumstances of Philip Morris where there are some marks that are entirely bereft of a word component.

CRENNAN J: The chevron.

MR ARCHIBALD: Yes, the chevron. So those are the submissions we would make about the right to exclude. May we then make some submissions in relation to the contentions on behalf of the Commonwealth that the circumstances here involve no more than regulation of conduct where a trader chooses to participate in a regulated industry. Our submission is that that circumstance does not displace or provide any foundation for denial of the circumstance that what is otherwise effected by the legislation is an acquisition and that the legislation bears the character of acquisition.

Nothing, in our submission, in the *BMA Case*, for example, yields the conclusion that, in circumstances of the kind addressed by the Commonwealth, there is no room for the engagement of section 51(xxxi). The point that was made by Sir Owen Dixon in the *BMA Case* in 79 CLR 201 at point 9 on the page was that the provision in question there did not impugn the property interest of the party or parties concerned, but was addressed to the general commercial and economic position occupied by the party or parties concerned.

Here, we say, the provisions which are the subject of the present litigation do not address the general commercial and economic position occupied by tobacco manufacturers and distributors, rather, the legislation squarely and explicitly addresses their property interest. Of course, there may be a consequence from the provisions of the legislation which address the property interests which are economic in character, but *BMA* does not stand, in our submission, for any proposition that simply because you choose to engage in commercial activity you are subject to all manner of provisions which the law may seek to impose upon the engaging in that trading activity including acquisition of your property.

So our submission here is that no different conclusion is to be reached simply from the circumstance that the provisions of the plain packaging legislation are engaged at the point at which an article is put into the channels of commerce. The acquisition of property occurs at that point and for that reason, but there is no immunisation of laws which have that effect simply because they engage in that point. I see it is quarter past 4.00. Should we deal with our third point in the morning, if the Court pleases?

FRENCH CJ: Yes, all right. The Court will adjourn until 10.15 am tomorrow.

AT 4.17 PM THE MATTER WAS ADJOURNED UNTIL THURSDAY, 19 APRIL 2012