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Plain Packaging of Cigarettes and Constitutional Property Rights

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Plain packaging of cigarettes and constitutional property rights

Simon Evans and Jason Bosland*

I. Introduction

Australia is the first country in the world to take steps to require that tobacco products be sold in plain packaging.¹ On 6 July 2011, the government introduced the *Tobacco Plain Packaging Bill 2011* (the Bill or the plain packaging legislation) into the House of Representatives, with the intention that it be passed during the Winter 2011 Parliamentary sitting and in force by 1 January 2012. The Bill would allow regulations to be made to prevent tobacco manufacturers applying their trademarks to the packaging of tobacco products manufactured or sold in Australia, with the exception that brand and product names could be used in a prescribed font and within a specified place on the packaging. Importantly, such products will not be able to be labelled using device trademarks or word trademarks in a stylised font or script. In addition, the packaging must be in a plain colour ('drab dark brown'²) without any other decoration. Under the proposed measure, plain-packaging will only apply to material likely to be encountered by the retail customer and, therefore, will not apply to wholesale or shipping packaging.

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¹ Other jurisdictions are also considering the measure, including Canada, the European Union and the United Kingdom: see Alberto Alemanno and Enrico Bonadio, 'Do You Mind My Smoking? Plain Packaging of Cigarettes Under the TRIPS Agreement' (2011) 10 *John Marshall Review of Intellectual Property Law* 450, 453–454.

² Tobacco Plain Packaging Bill 2011 (Cth) cl 19 (the 'Bill').

The tobacco companies view the government's proposal as an interference with their trademark rights (as well as potentially other intellectual property rights) and have suggested that it is unlawful on two separate bases. First, they have raised the possibility that the measure is not compliant with Australia's international intellectual property obligations imposed under the TRIPS Agreement – in particular, Article 20 which provides that the 'use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements'.³ This requires showing that the measure is justifiable on public health grounds. A range of views have been expressed on the tobacco companies' prospects of success on this basis.⁴

Second, the tobacco companies have raised the argument that the plain packaging initiative amounts to an acquisition of property on without just terms in violation of the protection afforded by s 51(xxxi) of the Commonwealth Constitution. The argument is that trademark rights are property rights and that the government's proposed legislation deprives the tobacco companies of the exercise and enjoyment of those rights such that it would constitute an acquisition of property within the meaning of s 51(xxxi). The consequence, according to this argument, is that, because it does not provide for the government to pay 'just terms' compensation, the legislation is invalid. The tobacco companies have asserted that adequate compensation would amount to several billion dollars.⁵ The government, on the other hand,

³ See Tania Voon and Andrew Mitchell, 'Implications of WTO Law for Plain Packaging of Tobacco Products' in Andrew Mitchell, Tania Voon and Jonathan Liberman (eds), *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar, forthcoming 2012).

⁴ For an argument that such a measure would violate TRIPS, see Stephen Stern and Olivia Draudins, 'Generic packaging — A bridge (over the bodies of IP rights) too far?' (2011) 23 *Australian Intellectual Property Law Bulletin* 146. For competing arguments, see Tania Voon and Andrew Mitchell, 'Implications of WTO Law for Plain Packaging of Tobacco Products' in Andrew Mitchell, Tania Voon and Jonathan Liberman (eds), *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar, forthcoming 2012).

⁵ See George Williams, 'Plain packaging challenge could go up in smoke, but you never know', *Sydney Morning Herald* (Online), 7 June 2011 <<http://www.smh.com.au/opinion/society-and-culture/plain-packaging-challenge-could-go-up-in-smoke-but-you-never-know-20110606-1fp92.html>>.

is of the opinion that the measure does not amount to an acquisition of property.⁶ Nevertheless, as a precaution, cl 15(1) of the Bill provides that the '[proposed] Act does not apply to the extent (if any) that its operation would result in an acquisition of property from a person otherwise than on just terms.'⁷

This Chapter considers the merits of any constitutional challenge to the validity of the Bill (if passed) on the basis that it will amount to an acquisition of property without just terms.⁸ This involves considering two main issues. This first is whether the measure interferes with the property rights granted in a trademark and the second is whether such interference amounts to an acquisition of property within the terms of s 51(xxxi). This first issue, considered in Part II of this chapter, requires an evaluation of the nature of the property rights that the law recognizes in a trademark under the *Trade Marks*

⁶ Christian Kerr, 'Cigarettes may be too hot to handle', *The Australian*, 28 May 2011, <http://goo.gl/SIQ20>.

⁷ Tobacco Plain Packaging Bill 2011 (Cth) cl 15. To the extent that, despite this section, the Bill (if enacted) would so result in an acquisition of property by preventing the use of a trademark, such a trademark will be permitted to be used in accordance with regulations made for the purpose of preventing such an acquisition: cl 15(2). See Part IV below.

⁸ It assumes that were it not for s 51(xxxi), the Bill would be validly supported by other heads of Commonwealth legislative power. The Bill is intended to give effect to the *WHO Framework Convention on Tobacco Control*, opened for signature 21 May 2003, 2302 UNTS 166 (entered into force 27 February 2005) ('FCTC'), and thus engages s 51(xxix) of the Constitution (the power to make laws with respect to external affairs). There may be scope to argue that the Bill is not supported by that head of power because the FCTC expresses 'a broad objective with little precise content and permitting widely divergent policies by parties' and the Bill would not 'prescribe a regime that the treaty has itself defined with sufficient specificity to direct the general course to be taken by the signatory states': *Victoria v The Commonwealth (Industrial Relations Act Case)* (1996) 187 CLR 416, 486 (Brennan CJ, Toohey, Gaudron, McHugh, Gummow JJ). However, the Bill would also engage other heads of Commonwealth legislative power, sufficient to support most of the operation of the Bill: see cl 14.

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Act 1995 (Cth) (*Trade Marks Act*). This is a matter of particular contention. It also requires a consideration of the extent to which the proposed measure will impact upon those rights. The second issue, considered in Part **Error! Reference source not found.**, is how the High Court of Australia's jurisprudence on s 51(xxxi) applies to the Bill's operation on these property rights.

II. Plain Packaging and Tobacco companies' trademark rights

It is uncontroversial that a trademark's core purpose is to act as a 'badge of origin' for the goods and services to which it is applied.⁹ It is a thing of utility: it performs a positive *function* in the course of commercial transactions by providing information to consumers about where goods and services originate. The definition of a trademark in section 17 of the *Trade Marks Act* provides as much:

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

As contemplated in this definition, the benefit of a trademark, along with its commercial value, is directly derived from a combination of its use *and* its distinctiveness. The conflict between the government's plain packaging proposal and tobacco companies' trademarks, then, is clear: it takes away a trademark's ability to perform its core function as a badge of origin by prohibiting its use in certain settings. However, merely recognising this conflict does not necessarily answer the question about the impact that the proposed plain packaging measure will have on a trademark owner's *property rights*. Rather, it might be said any conflict depends on the precise characterisation of the rights in question — in other words, What property rights does trademark

⁹ *Coca-Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107, 115 [19] (Black CJ, Sundberg and Finkelstein JJ); cited with approval in *E & J Gallo Winery v Lion Nathan Pty Limited* 244 CLR 144, 163 [43] (French CJ, Gummow, Crennan and Bell JJ).

registration (or the common law) confer on a trademark owner? And how, if at all, does the measure interfere with any of those rights?

A. Trademark Rights

A number of commentators have convincingly argued that the nature of the property granted in a trademark, at least under the *Paris Convention*¹⁰ and the TRIPS agreement,¹¹ does not include a positive right to use the mark.¹² Rather, the property right or rights granted merely relate to the ability to prevent what *others* may do in relation to the trademark — for example, the exclusive right to prevent others from using the trademark as a badge of origin. Indeed, a literal interpretation of the language used in the *Paris Convention* and TRIPS would support such a conclusion. It was on this basis that the WTO dispute resolution panel in *European Communities — Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs (Australia)* found that TRIPS does not confer a positive ‘right to use’, but rather, a right to prevent others from using a trademark.¹³ The panel, however, did say that:

[a]lthough [the TRIPS Agreement] sets out standards for legal rights, it also provides guidance as to WTO Members’ shared understandings of

¹⁰ *Paris Convention for the Protection of Industrial Property*, opened for signature 14 July 1967, 828 UNTS 306 (entered into force 26 April 1970) art 6 (*‘Paris Convention’*).

¹¹ Agreement on the Trade-Related Aspects of Intellectual Property, Annex 1C to the *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) (*‘TRIPS’*).

¹² See, eg, Mark Davison, ‘Plain Packaging of Cigarettes: Would it be Lawful?’ (2010) 23 *Australian Intellectual Property Law Bulletin* 105; Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer, 2nd ed, 2011), 343–46; Voon and Mitchell, above n 3. Cf Lalive, Memorandum to Philip Morris International Management SA, *Why Plain Packaging is in Violation of WTO Members’ International Obligations under TRIPS and the Paris Convention* (23 July 2009), 3 [6].

¹³ WTO document WT/DS290/R (15 March 2005) [7.602].

the policies and norms relevant to trademarks and, hence, what might be the legitimate interests of trademark owners ... This includes its interest in *using its own trademark in connection with the relevant goods and services of its own* and authorized undertakings.¹⁴

Nevertheless, the content of the rights granted under TRIPS and also under the *Paris Convention* are correctly conceptualized as negative rights. This is despite the fact that, as Daniel Gervais points out, the 'spirit of TRIPS' contemplates the positive use of trademarks as the basis for obtaining and maintaining registration and also has a direct role in establishing the scope of protection.¹⁵ Accepting such a negative conceptualization of course, mean that the government's proposal to prevent tobacco companies from using their own trademarks on their own products has no potential to interfere with the property rights of the tobacco companies in their marks. Rather, because the Bill explicitly provides that a trademark cannot be removed from the register on the basis that it has not been used where such non-use result from the operation of the plain packaging measure,¹⁶ its owner would continue to maintain registration and, hence, the right to prevent others from using the trademark.

¹⁴ Ibid [7.664] (emphasis added).

¹⁵ Daniel Gervais, *Analysis of the Compatibility of Certain Tobacco Product Packaging Rules with the TRIPS Agreement and the Paris Convention* (30 November 2010) <http://www.jti.com/documents/corp_reponsibility/16e56b87d2814d84acdd3a75e9d7e689/Gervais.pdf>, 11–12 [30]. See also Annette Kur, 'The right to use one's own trade mark: a self-evidence issue or a new concept in German, European and international trade mark law?' (1996) 18(4) *European Intellectual Property Review* 198, 203. Cf Voon and Mitchell, above n 3, where it is noted that the TRIPS Agreement does not require use to maintain registration.

¹⁶ Tobacco Plain Packaging Bill 2011 (Cth) cl 28(4). Under the *Trade Marks Act 1995* (Cth), a trademark registration can be removed from the register on the basis that it has not been used in good faith for a period of three years ending one month before the day on which the non-use application is filed: *Trade Marks Act 1995* (Cth) s 92(4)(b).

The problem with this argument, however, is that it has only been made in relation to the minimum levels of protection imposed by international agreements. What must be considered is the impact of the plain packaging proposal on the rights that have actually been granted to trademark owners under Australian law. At the domestic level, the rights conferred by the *Trade Marks Act* might be said to go beyond the negative rights conferred by TRIPS. The rights granted to a trademark under s 20 of the Act are as follows:

20 Rights given by registration of trade mark

- (1) If a trade mark is registered, the registered owner of the trade mark has, subject to this Part, the exclusive rights:
 - (i) to use the trade mark; and
 - (ii) to authorize other persons to use the trade mark;in relation to the goods and/or services in respect of which the trade mark is registered.
- (2) The registered owner of a trade mark has also the right to obtain relief under this Act if the trade mark has been infringed.¹⁷

Under s 21, a registered trademark is declared to be in the nature of personal property.

The impact of the government's proposed measure on a trademark owners' property rights turns on the interpretation that should be given to the 'exclusive right ... to use the trade mark' conferred under s 20(1)(a). There are two alternative interpretations: either it grants the trademark owner the exclusive right to use the trademark (a positive right that is given *exclusively* to the owner) or it grants the owner the right to *exclude* others from using the trademark (a negative right). The later (negative) interpretation is consistent with conventional views about the nature of property rights, particularly intellectual property rights. However, there are compelling arguments in support of the former (positive) view.

¹⁷ Section 120 of the *Trade Marks Act 1995* (Cth) sets out three mutually exclusive 'heads' of infringement, each progressively wider in scope.

First, a literal interpretation of s 20 tends to support a positive interpretation. This is especially so when one considers the structure of the provision. It is correct to say s 20(1) should not be read as conferring on a trademark owner an additional ground to obtain relief beyond that provided by s 20(2) where a trademark has been infringed.¹⁸ However, if s 20(1) is simply a negative right to prevent others from using a trademark, it seems strange that s 20(2) uses the term 'also' in describing the right to obtain relief when a trademark has been infringed. Rather, the exclusive right to use, whatever that means, is expressly *in addition* to the right to exclude. In light of that, it is unlikely that an enumerated list of 'rights' would (or should) be interpreted to effectively confer that same single right.

Second, an interpretation that s 20(1) gives rise to a positive right to use as well as a negative right to exclude is also supported by looking at the language used in other intellectual property regimes where rights have been characterized as either negative or positive. As we have seen, Article 16 of the TRIPS agreement, the article which sets out the substantive minimum trademark rights that member states must grant, clearly contemplates a negative right: member states must grant the owner of a registered trademark the 'exclusive right to prevent all third parties ... from using in the course of trade identical or similar signs'. This can be compared to Article 8 of the Berne Convention,¹⁹ which has been said to give rise to a positive right²⁰ and, importantly, is in very similar terms to the language used in s 20(1) of the *Trade Marks Act*: 'Authors of literary and artistic works ... shall enjoy the exclusive right of making and of authorizing the translation of their works'. It is very difficult to see how 'the exclusive right ... to use the trade mark' in the *Trade Marks Act* should be seen

¹⁸ Robert Burrell and Michael Handler, *Australian Trade Mark Law* (Oxford University Press, 2010) 316 n 5; cf William van Caenegem, *Intellectual and Industrial Property in Australia* (LexisNexis Butterworths, 2009) 357.

¹⁹ *Berne Convention for the Protection of Literary and Artistic Works*, opened for signature 14 July 1967, 828 UNTS 222 (entered into force 29 January 1970).

²⁰ See Mark Davison, 'Trade Marks Act 1995 v the Paris Convention and TRIPS' (Paper presented at Legal Issues Relating to Plain Packaging of Cigarettes in Australia, hosted by the Cancer Council of Victoria, the Institute for International Law and the Humanities, and the Melbourne Law School, 8 April 2011).

as conferring a negative right when the expression ‘the exclusive right of making’ in the Berne Convention, assuming this interpretation is correct, is seen as requiring member states to confer a positive one.

Third, trademark rights are different from other intellectual property rights in at least one important respect. Unlike copyright, for example, where there is no requirement that the owner reproduce the work in order to maintain protection, the entire trademarks regime is premised on the use of the subject matter. Thus, a trademark applicant must show use or intended use in order to obtain registration as the owner of the trademark²¹ and, importantly, the owner or an authorized user must use the trademark as a trademark in order to maintain registration.²² Furthermore, the scope of protection is directly linked to the extent of its use: well-known trademarks are entitled to greater protection than lesser-known trademarks.²³ In the same way that similar arguments have been made by Gervais in relation to the rights granted under the TRIPS Agreement,²⁴ the fact that the entire legislative scheme in the *Trade Marks Act* is premised on trademark use lends support to the suggestion that s 20(1) should be interpreted as giving rise to a positive right to use, and accordingly that the plain packaging proposal does affect trade mark rights by restricting their use in the way we elaborate below.

It should be noted that the position in relation to the impact of the proposal vis-a-vis the tobacco companies’ interests in ‘common law trademarks’ is just as complex and likely to be just as controversial. At common law, property rights do not subsist in a trade name, trademark or get-up *per se*.²⁵ Rather,

²¹ *Trade Marks Act 1995* (Cth) s 27.

²² *Trade Marks Act 1995* (Cth) s 92.

²³ *Trade Marks Act 1995* (Cth) s 120(3) (which, provided certain conditions are fulfilled, extends protection to the use of the trademark on goods and services that are unrelated to the registered goods and/or services).

²⁴ Above n 15, 9–12 [21]–[31].

²⁵ *Spalding Brothers v Gamage* (1915) 84 LJ Ch 449.

such indicia are protected under the tort of passing off²⁶ as incidents of the property right that the tort grants and protects in a trader's business reputation or goodwill.²⁷ Goodwill, an elusive concept, has been described as a firm's 'attractive force which brings in custom'.²⁸ Thus, a trade name, device or get-up will only be protected under the tort of passing off to the extent that it is an embodiment of a firm's reputation or goodwill, in the sense that it has become associated with a particular trade source in the minds of relevant consumers.²⁹

But even if, strictly speaking, it cannot be said that property rights exist in trade indicia *per se*, it is at least arguable that depriving a firm of the use of its trade names and the distinctive aspects of its packaging and get-up upon which its reputation relies also, as a matter of logic, deprives it of the property right recognised by the common law in its trading reputation. In other words, rather than depriving the tobacco companies of the property interests in their trademarks, the government's measure can be seen as depriving them of common law property rights in their respective reputations and trading goodwill. And as will be seen below, the High Court's approach to constitutional protection of property rights is certainly broad enough to protect these rights against uncompensated acquisition if that is the effect of the plain packaging legislation.

²⁶ For a recent and in depth discussion of passing off, see Robert Burrell and Michael Handler, above n 18, chs 11–13. A trader will also find an avenue of protection under trade practices legislation (eg *Competition and Consumer Act 2010* (Cth) Schedule 2); however, the object of such legislation is to protect the interests of consumers rather than the property interests of a trader.

²⁷ *Ibid* 10–11; *Erven Warnink Besloten Vennootschap v J Townend & Sons (Hull) Ltd* [1979] 1 AC 731, 741–2 (Lord Diplock) 752 (Lord Fraser); *ConAgra v McCain Foods* (1992) 33 FCR 302, 340 (Lockhart J).

²⁸ *Inland Revenue Commissioners v Muller & Co's Margarine Ltd* [1901] 1 AC 217, 224 (Lord Macnaghten).

²⁹ See, eg, *Reckitt & Coleman Products v Borden Inc* [1990] 1 All ER 873, 884 (Lord Oliver); *ConAgra v McCain Foods* (1992) 33 FCR 302, 340 (Lockhart J).

That common law trademarks themselves might be considered property to the extent that they are protected as an aspect of goodwill under the tort of passing off, at least for the purpose of the constitutional guarantee, is supported by Gummow J's first instance decision in *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health*.³⁰ That case concerned, inter alia, the question of whether confidential information protected under the equitable action for breach of confidence should be considered property within the meaning of s 51(xxxi). Gummow J noted that 'knowledge per se is not proprietary in character' and that the 'equitable jurisdiction to grant relief against an actual or threatened abuse of confidential information ... is based not in pre-existing proprietary right, but in an obligation of conscience arising in the circumstances of the case.'³¹ Nevertheless, his Honour saw it appropriate, in light of the protection afforded by equity, 'to describe [confidential information] as having a proprietary character.'³² His Honour went on to explain that '[t]his is not because property is the basis upon which that protection is given, but *because of the effect of that protection*'³³ and that 'in passing beyond the general law to construe the constitutional guarantee, one should lean towards a wider rather than narrower concept of property, and *look beyond legal forms to the substance of the matter*.'³⁴ Applying this reasoning, there certainly is a plausible argument that the 'effect' and 'substance of the matter' is that trademarks, brand names and aspects of a product's identifying get-up take on proprietary characteristics as a result of the protection that they receive under the tort of passing off.

B. Impact of Plain Packaging on tobacco companies' trademark rights

³⁰ (1990) 22 FCR 73 (*Smith Kline*).

³¹ *Ibid* 120–1.

³² *Ibid* 121.

³³ *Ibid* (emphasis added).

³⁴ *Ibid* (emphasis added).

Assuming that the rights granted under s 20 of the Act include a right of use, it is necessary to consider the potential impact of the plain packaging measure on that right. The Bill clearly affects the tobacco companies' right to use their trademarks in the significant ways described above. However, it is important to note two things.

The first is that the Bill does not prevent *all* uses of the relevant trademarks. Rather, it only prevents the use of the relevant marks on tobacco products themselves (eg cigarettes) and on retail packaging of tobacco products.³⁵ This means that the Bill does not completely extinguish the right to use because tobacco companies will still be able to continue to use their trademarks in the course of trade in the wholesale context as well as, for example, on order forms and invoices.

The second is that existing prohibitions on the use of trademarks and branding in the retail context mean that the proposed measure does not necessarily affect the use of a trademark 'in the course of trade'.³⁶ Existing prohibitions are contained in the *Tobacco Advertising Prohibition Act 1992* (Cth) and prevent, broadly speaking, almost all forms of tobacco advertising. Point of sale advertising is also either prohibited or extensively regulated by various state and territory legislation.³⁷ The plain packaging initiative, therefore, is likely to only affect the use of the tobacco companies' trademarks post-point of sale. However, for the purposes of the *Trade Marks Act*, once a product has been purchased at the retail level for consumption, it is no longer considered to be 'in the course of trade'.³⁸ Thus, any prohibition on the use of trademarks in this context does not, strictly speaking, impact on the tobacco companies' right to use their trademarks *as trademarks*.

³⁵ See Tobacco Plain Packaging Bill 2011 (Cth) cl 4 (definition of 'retail packaging').

³⁶ *Trade Marks Act* s 17.

³⁷ See, eg, *Tobacco Act 1987* (Vic) s 6.

³⁸ See, eg, *E & J Gallo Winery v Lion Nathan Pty Limited* 244 CLR 144, 160–1 [33] (French CJ, Gummow, Crennan and Bell JJ); *Sports Warehouse, Inc v Fry Consulting Pty Ltd* [2010] FCA 664, [174]. See also Davison, above n 20.

However, even if the proposed plain packaging measure does not impact on tobacco companies' trademark rights in a strictly technical sense, it is clear that the measure is likely to significantly undermine the 'brand value' or 'brand equity' surrounding those marks.³⁹ Brand value, of which trademarks form the foundation, is the ability for one firm to distinguish its own products from those of its competitors, not only regarding the source of the product or its quality but also in terms of the 'promise' that the brand makes in terms of satisfaction.⁴⁰ This promise — along with a myriad of other cultural connotations that are attached to a brand — is used to create consumer demand and loyalty. Brand value is therefore measured by a brand's capacity to generate future custom. In 2010, the value of the Marlboro brand was estimated to be in the vicinity of US\$20 billion, the 18th most valuable in the world.⁴¹ The very purpose of the plain packaging measure is to reduce future demand and future custom, and in this way, can only be seen as taking away the benefits, even if not the property rights, associated with the tobacco companies' trademarks.

III. An acquisition of property requiring just terms?

Given the value of tobacco brands and the breadth of the proposed restrictions on their use, it is unsurprising that the tobacco industry and interested parties have united in opposition to the proposed restrictions contained in the Bill and invoked the constitutional protection of property rights contained in s 51(xxxi)

³⁹ Don O'Sullivan, Kwanghui Lim and Janice Luck, 'What is the Value of a Brand to a Firm?', in Andrew T Kenyon, Ng-Loy Wee Loon and Megan Richardson (eds), *Law of Reputation and Brands in the Asia Pacific* (Cambridge University Press, forthcoming 2012) ch 1.

⁴⁰ *Ibid.*

⁴¹ Interbrand, *Best Global Brands 2010*, 17, <<http://www.interbrand.com/en/best-global-brands/Best-Global-Brands-2010.aspx>>.

to challenge the validity of the proposed legislation. Section 51 (xxxi) of the Constitution both vests legislative power in the Commonwealth Parliament and limits that power. It confers the power to acquire property from any person or state on just terms. In doing so, it removes any doubt that there might have been that the Commonwealth Parliament possesses the power of eminent domain. However, it also limits the power the Commonwealth might otherwise have to acquire property on terms that are not just: it 'subject[s] the power of acquisition to an obligation to provide just terms'.⁴² If just terms are not provided by legislation that effects an acquisition, the legislation is invalid. In other words, notwithstanding that it appears among the list of legislative powers conferred on the Parliament and is itself framed as a power, s 51(xxix) is regarded as a constitutional guarantee of private property rights.⁴³ It is concerned with matters of substance rather than form.⁴⁴ And both 'property' and 'acquisition' are 'construed liberally as befits a constitutional guarantee'.⁴⁵

In this way, s 51(xxix) engages six major cultural and political narratives which underpin the tension between the property rights and public interest regulation:

1. The state should not take people's property;
2. The state should not unjustly affect settled expectations, in particular settled economic expectations, and even more particularly settled economic expectations embedded in legal property rights;

⁴² *Smith v ANL Ltd* (2000) 204 CLR 493, 511 (Gaudron and Gummow JJ) ('*Smith*').

⁴³ See, for example, *ICM Agriculture Pty Ltd v Commonwealth* (2009) 240 CLR 140, 160 [8] (French CJ, Gummow and Crennan JJ), 212 [185] (Heydon J) ('*ICM Agriculture*'), tracing the principle back to *Clunies-Ross v The Commonwealth* (1984) 155 CLR 193, 201–202 (Gibbs CJ, Mason, Wilson, Brennan Deane and Dawson JJ).

⁴⁴ *Wurridjal v Commonwealth* (2009) 237 CLR 209, 360 [89] (French CJ).

⁴⁵ See, for example, *Georgiadis v Australian and Overseas Telecommunications Corporation* (1994) 179 CLR 297, 312 (Brennan J) ('*Georgiadis*'); see also *Smith* (2000) 204 CLR 493, 533 fn 160 (Hayne J).

3. The state should not force individuals or particular narrow groups to bear the economic costs of policies with wide public benefit (and the state should not carry out direct redistributions of resources from one group to another);
4. Nonetheless, the state should be able to regulate so as to generate wide public benefit;
5. In particular, the state should be able to regulate property ownership and use so as to generate wide public benefit;
6. But the state should not be able to disguise as regulation measures that in substance deprive individuals of all economic value in property.

Section 51(xxxi) is not concerned with directly addressing the moral or political questions embedded in these narratives. However, as will become apparent, the s 51(xxxi) jurisprudence cannot escape the tensions that they reflect.

The question that arises under s 51(xxxi), rather, is whether the impact the Bill (if enacted) would have on tobacco companies' property rights would amount to an acquisition.⁴⁶ We traced the impact of the Act on the tobacco companies' ability to use and exploit their trademarks in Part II.B above: it restricts their ability to place the marks on goods as an indication of origin, but does not totally prohibit all use of the trademarks,⁴⁷ and will likely reduce significantly the value of those marks. There would be flow-on economic effects for the property of others involved in manufacturing tobacco products and their packaging.⁴⁸

The legislation has another direct operation on property rights other than trademarks. By prohibiting certain forms of decoration, the proposed

⁴⁶ As noted above in Part I, there is no provision for compensation.

⁴⁷ By mandating non-use of the trademarks, the proposed legislation would make the trademarks vulnerable to deregistration for non-use were it not for the consequential provisions that prevent deregistration on this ground.

⁴⁸ See the submission of Amcor to the Senate Standing Committee on Community Affairs, Inquiry into Plain Tobacco Packaging (Removing Branding from Cigarette Packs) Bill 2009, 26 November 2009.

legislation restricts tobacco companies' freedom to use their property (the physical packaging) to the full extent that their proprietary rights would ordinarily allow.

The impact on trademarks is the primary focus of the following Parts of this Chapter; however it will be necessary to touch on the other impacts of the Bill.

In addition to the direct and indirect impact on the tobacco companies' property, the proposed legislation affects the position of the Commonwealth. By prohibiting certain forms of decoration, the proposed legislation confers a benefit on the Commonwealth in that it achieves its regulatory objective of discouraging smoking. It also achieves its greater prominence for anti-smoking images and messages, potentially enhancing the value of the copyright in those images and messages (assuming copyright subsists in them).⁴⁹ As the following Parts demonstrate, the impact on the Commonwealth will be a key factor in determining the validity of the Act.

The critical question, whether the legislation involves an 'acquisition of property on just terms', invokes a 'compound conception'.⁵⁰ As Kirby J said in *Commonwealth of Australia v WMC Resources Ltd*, 'Each word of s 51(xxxi) is important and has been scrutinised by this Court. But it is essential to view the paragraph as a whole.'⁵¹ Kirby J's particular concern was that the 'danger in dissecting the words that the achievement of the purposes of the paragraph as a guarantee may be lost.'⁵² But the 'compound conception' also operates to

⁴⁹ See Stern and Draudins, above n 4.

⁵⁰ *Mutual Pools and Staff Pty Ltd v Commonwealth* (1994) 179 CLR 155, 219–220 (McHugh J) ('*Mutual Pools*'); *Airservices Australia v Canadian Airlines International Ltd* (1999) 202 CLR 133, 254 [348] (McHugh J) ('*Airservices*'); *W H Blakeley & Co Pty Ltd v Commonwealth* (1953) 87 CLR 501, 520 (Dixon CJ, McTiernan, Williams, Webb, Fullagar, Kitto and Taylor JJ); *Grace Brothers Pty Ltd v The Commonwealth* (1946) 72 CLR 269, 290 (Dixon J); *Smith* (2000) 204 CLR 493, 532–533 [118] (Hayne J); 550 [176] (Callinan J); *Trade Practices Commission v Tooth & Co Ltd* (1979) 142 CLR 397, 417 (Stephen J); *Jones v Commonwealth* (1963) 109 CLR 475, 486 (Kitto J).

⁵¹ (1998) 194 CLR 1, 90 [237] ('*WMC Resources*').

⁵² *Ibid* 91 [237].

limit the scope of s 51(xxxi). As Deane and Gaudron JJ wrote in *Re Director of Public Prosecutions; Ex parte Lawler*, the expression ‘acquisition of property on just terms’ ‘must be read in its entirety and, when so read, it indicates that s 51(xxxi) applies only to acquisitions of a kind that permit of just terms.’⁵³ These perspectives must be kept in mind as we dissect whether each of the elements of the compound conception is engaged by the proposed legislation:

- Are the trademarks ‘property’?
- Are they ‘acquired’?
- Is the acquisition one that requires ‘just terms’?

A. Intellectual property rights as constitutional property rights

There can be no doubting that intellectual property rights can constitute ‘property’ for the purposes of s 51(xxxi). The High Court has given an extremely wide interpretation to the term ‘property’. It includes ‘innominate and anomalous interests’,⁵⁴ ‘any interest in property’⁵⁵ and ‘every species of valuable right and interest’.⁵⁶ Continued expansion of s 51(xxxi) was probably an inevitable consequence of reading the section as a guarantee of property rights.⁵⁷

⁵³ (1994) 179 CLR 270, 285.

⁵⁴ *Bank of New South Wales v Commonwealth* (1948) 76 CLR 1, 349 (‘Bank Nationalisation Case’).

⁵⁵ *Minister of State for the Army v Dalziel* (1944) 68 CLR 261, 285 (‘Dalziel’).

⁵⁶ *Ibid* 290.

⁵⁷ Simon Evans, ‘Constitutional Property Rights in Australia: Reconciling Individual Rights and the Common Good’ in Tom Campbell, Jeffrey Goldsworthy and Adrienne Stone (eds), *Protecting Rights Without a Bill of Rights: Institutional Performance and Reform in Australia* (Ashgate 2006) 197, 200.

What of trademarks? The High Court has explicitly recognized at least two types of intellectual property rights as ‘property’ within the scope of s 51(xxxi).⁵⁸ *Australian Tape Manufacturers Association Ltd v Commonwealth* considered the validity of legislation that provided that domestic copying of audio recordings did not constitute an infringement of copyright in the recording.⁵⁹ For reasons that we will explore below, that aspect of the legislation did not involve an *acquisition* of property to which s 51(xxxi) applied. However, members of the Court did accept that the copyright was ‘property’, acquisition of which could in principle fall within s 51(xxxi).⁶⁰ This proposition was reaffirmed (in obiter) in *WMC Resources*:

Copyright which subsists under the *Copyright Act* is identified therein in terms of exclusive rights (ss 31, 85–88) and is classified by s 196 as ‘personal property’ which is ‘transmissible by assignment, by will and by devolution by operation of law’. Likewise the exclusive rights given by the *Patents Act* to a patentee are classified by s 13(2) as ‘personal property’ and as ‘capable of assignment and of devolution by law’. ... As a result of the decision in *Australian Tape Manufacturers Association Ltd v Commonwealth*, it is settled that these species of exclusive right constitute property to which s 51(xxxi) of the Constitution may apply.⁶¹

⁵⁸ In addition to the cases cited here, see *Phonographic Performance Company of Australia Limited v Commonwealth of Australia* [2011] HCATrans 117 (argued 10 May 2011 to 12 May 2011).

⁵⁹ (1993) 176 CLR 480 (*‘Tape Manufacturers’*).

⁶⁰ *Tape Manufacturers* (1993) 176 CLR 480, 499–500 (Mason CJ, Brennan, Deane and Gaudron JJ), 527 (Dawson and Toohey JJ).

⁶¹ *WMC Resources* (1998) 194 CLR 1, 70 [183]–[184] (Gummow J) (footnotes omitted).

And in *Chaffey*, it was said that ‘a law reducing the content of subsisting statutory exclusive rights, such as those of copyright and patent owners, would attract the operation of s 51(xxxi)’.⁶²

Section 21 of the *Trade Marks Act* confirms that trademarks are property rights.⁶³ Applying this reasoning, trademarks must also constitute property within the meaning of s 51(xxxi). Section 21 of the *Trade Marks Act* confirms that trademarks are in the nature of personal property. Moreover, like copyright and patents, trademarks can be assigned,⁶⁴ licensed to others,⁶⁵ and are capable of devolution by law.

In short, therefore, there is little to distinguish trademarks from the copyright and patent rights that the High Court has so emphatically and repeatedly treated as property rights within the scope of s 51(xxxi). In particular, the comments in *Tape Manufacturers* and *Chaffey* noted above involve rejection of the blanket proposition that intellectual property rights are, as statutory rights, ‘inherently susceptible of statutory modification or extinguishment’ and therefore do not fall within the protection of s 51(xxxi).⁶⁶

⁶² See also *Attorney-General for the Northern Territory v Chaffey; Santos Limited v Chaffey* (2007) 231 CLR 651, 664 [24] (Gleeson CJ, Gummow, Hayne and Crennan JJ) (*‘Chaffey’*) (citation omitted). This goes considerably further than the previous cases and was not necessary for the decision. Gummow J commented in argument in *Phonographic Performance Company of Australia Limited v Commonwealth of Australia* [2011] HCATrans 117 (10 May 2011), line 2480, ‘The last sentence may be too wide, I think. Maybe it should be “could” rather than “would”.’

⁶³ **‘Nature of registered trademark as property.** A registered trademark is personal property.’

⁶⁶ See *WMC Resources* (1998) 194 CLR 1, 70–1 [182]–[187]. Some statutory rights may be modified without requiring just terms: see, eg, *Chaffey* (2007) 231 CLR 651, 664 [23] (Gleeson CJ, Gummow, Hayne and Crennan JJ). Some of the factors indicating that the right may be modified without just terms are:

Thus, there can be little doubt that a law that acquired tobacco companies' trademarks would be a law that acquired 'property' within the meaning of the compound conception of an 'acquisition of property on just terms'. The question, to which we turn in the next Part, is whether there is such an 'acquisition'.

What of the other putative characterizations of the proposed law as effecting an acquisition of property? First, to the extent that the proposed legislation simply reduced the value of the trademarks or of the trademark owners' business or of the business of others involved in the production and distribution of tobacco products, it would not effect an acquisition of property within the meaning of the 'compound conception'. That conclusion could be dissected in terms of 'property' (the value of property is not itself property) or 'acquisition' (discussed further below). However, the cases have tended not to do so — instead simply observing that, as Dixon J wrote, in *British Medical Association v The Commonwealth*, s 51(xxi) does not protect 'the general

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- that the statute 'in its original form [is] expressed in terms indicative of subsequent amendment', for example by conferring rights 'subject to this Act' or 'as varied for the time being': see for example *WMC* (1998) 194 CLR 1, 57 [146]–[147] (McHugh J), 74–5 [199]–[203] (Kirby J).
 - that 'the interests are ephemeral, prone to ready variation or dependent upon benefits paid out of the consolidated revenue' rather than 'exclusive, transferable, require substantial investment, impose significant obligations and partake, by analogy, of the familiar features of stable and valuable property interests long recognised by the common law': *WMC* (1998) 194 CLR 1, 99 [253] (Kirby J).

Neither of these factors is present in the case of trademarks. Although the proposed legislation 'involve[s] reduction of the content of subsisting statutory exclusive rights' it does not do so by abridging the exclusivity or 'by the conferral upon third parties of immunity from infringement of those rights': *WMC* (1998) 194 CLR 1, 71 [187] (Gummow J).

commercial and economic position occupied by traders.⁶⁷ (Whether extinguishing *all* the value attaching to an item of property may constitute an acquisition to which s 51(xxxi) applies is considered further below.)

Second, to the extent that the proposed legislation restricts the tobacco companies' freedom to use the physical packaging to the full extent that their proprietary rights in that packaging would ordinarily allow, it affects property rights in that packaging. The critical issue is not whether the interests affected are proprietary but whether there is an acquisition.

B. 'Acquisition' requires deprivation and 'identifiable and measurable countervailing benefit or advantage'

The narratives that underpin s 51(xxxi) jurisprudence assume a dichotomy between 'acquisition' and 'regulation'. Acquisition requires compensation; regulation does not. The exercise of eminent domain power by government to take title to land in order to build a road or other public infrastructure is a prototypical acquisition requiring compensation. Zoning laws are prototypical regulation that does not require compensation.⁶⁸ These prototypes are deployed even under constitutional property rights provisions that do not refer to 'acquisition' but instead refer to 'tak[ing]' or other terms.⁶⁹ But the use of that word in s 51(xxxi) adds to the salience for Australian constitutional law of two differences between the prototypes.⁷⁰ In the former, the government

⁶⁷ (1949) 79 CLR 201, 270. See also *ICM Agriculture* (2009) 240 CLR 140, 179 [81] (French CJ, Gummow and Crennan JJ); *Airservices* (1999) 202 CLR 133, 300 [502] (Gummow J).

⁶⁸ Title to land is the prototypical 'property' in both narratives.

⁶⁹ See, eg, *Constitution of the United States*, 5th Amendment.

⁷⁰ The first listed meaning of 'acquire' is to 'gain, obtain, or get as one's own, to gain the ownership of': *Oxford English Dictionary* (second edition, 1989; online version June 2011) available at <<http://www.oed.com/view/Entry/1731>>. Earlier version first published in *New English Dictionary*, 1884. Contrast *Commonwealth v Western Australia* (1999) 196 CLR 392, [280]-[281] (Callinan J).

gains a proprietary interest and that proprietary interest corresponds with the proprietary interest that is lost by the original owner. In the latter, the government does not gain anything, least of all ownership of property at the expense of the original owner.

This dichotomy is carried through in the cases on s 51(xxxi). Mere deprivation of property does not constitute an acquisition for the purpose of s51 (xxxi). Deane and Gaudron JJ in *Mutual Pools* wrote:

The extinguishment, modification or deprivation of rights in relation to property does not of itself constitute an acquisition of property. For there to be an 'acquisition of property', there must be an obtaining of at least some identifiable benefit or advantage relating to the ownership or use of property.⁷¹

That 'identifiable benefit or advantage' need not be obtained by the Commonwealth itself. And what is acquired by the Commonwealth (or indeed by another person) need not correspond precisely with what was lost by the original owner. But, on the authorities to date, there must be some correspondence and some proprietary link. As is implicit in the passage from *Mutual Pools* quoted above, it is enough if 'some identifiable and measurable countervailing benefit or advantage'⁷² relating to the ownership or use of property accrues to some other person (whether or not that person is the Commonwealth). In this way, for example, extinguishment of a chose in action against the Commonwealth may involve an acquisition of property although there is no direct transfer of a proprietary interest because the Commonwealth receives 'a direct benefit or financial gain'.⁷³ Equally, in *Newcrest Mining (WA) Ltd v Commonwealth*,⁷⁴ legislation that had the effect of vesting land that was subject to mining leases in the Commonwealth and the Director of National Parks and Wildlife and prohibiting mining operations resulted in Commonwealth and the Director acquiring identifiable and measurable

⁷¹ *Mutual Pools* (1994) 179 CLR 155, 185 (internal citations omitted).

⁷² *Ibid.*

⁷³ *Georgiadis* (1994) 179 CLR 297, 305 (Mason CJ, Deane and Gaudron JJ).

⁷⁴ (1997) 190 CLR 513 ('*Newcrest*').

advantages: 'The Director acquired land freed from the rights of Newcrest to occupy it and conduct mining operations; the Commonwealth acquired the minerals freed from the rights of Newcrest to mine them.'⁷⁵ By contrast, in *WMC Resources*,⁷⁶ there was no acquisition where a Commonwealth law reduced the area covered by a statutory permit to explore for petroleum offshore because the Commonwealth had no title to the area that was enhanced by the reduction of the permit holder's rights. The Commonwealth 'was under no liability reciprocal to the permit or interest and acquires no benefit by the modification or extinguishment'.⁷⁷

The most recent decision on this point is *ICM Agriculture*.⁷⁸ That case considered whether legislation that terminated statutory rights to groundwater and replaced them with a new regime that limited the access to groundwater effected an acquisition of property rights (which the statutory rights were assumed to constitute).⁷⁹ Six members of the High Court reaffirmed that 'acquisition' in s 51(xxxi) requires a deprivation and a corresponding gain.

French CJ, Gummow and Crennan JJ observed that 's 51(xxxi) speaks, not of the "taking", deprivation or destruction of "property", but of its acquisition.'⁸⁰ As

⁷⁵ *ICM Agriculture* (2009) 240 CLR 140, 202 [151] (Hayne, Kiefel and Bell JJ).

⁷⁶ (1998) 194 CLR 1.

⁷⁷ *Ibid* 20 [24] (Brennan CJ).

⁷⁸ (2009) 240 CLR 140, 202 [151] (Hayne, Kiefel and Bell JJ) (*'ICM'*). The High Court has also reserved its decision in *Phonographic Performance Company of Australia Limited v Commonwealth of Australia* [2011] HCATrans 117 (argued 10 May 2011 to 12 May 2011).

⁷⁹ The case is complicated by the fact that the legislation in question was state legislation. Section 51(xxxi) was implicated by an argument that the state legislation depended on Commonwealth legislation that authorised an agreement with the states concerning the acquisition and that the Commonwealth legislation (although it did not effect the acquisition itself) was nonetheless legislation 'with respect to' the acquisition of property.

⁸⁰ *ICM Agriculture* (2009) 240 CLR 140, 179 [81] (citation omitted).

Dixon J wrote, in *British Medical Association v The Commonwealth*,⁸¹ their Honours continued, ‘the wide protection given by s 51(xxxi) to the owner of property nevertheless is not given to “the general commercial and economic position occupied by traders”.’⁸² They adopted the statement of Deane and Gaudron JJ in *Mutual Pools* cited above, requiring ‘an obtaining of at least some identifiable benefit or advantage relating to the ownership or use of property’.⁸³ The legislation challenged in *ICM Agriculture* did not constitute an acquisition, these Justices held, in part because the licensees whose licences were terminated and replaced did not have private rights in the groundwater but more relevantly for present purposes because the groundwater ‘was a natural resource, and the State always had the power to limit the volume of water to be taken from that resource’.⁸⁴ Thus, the state did not acquire any property rights when its new licence regime took effect and ‘other licensees or prospective licensees’ did not acquire any relevant rights — ‘[t]hey have at best the prospect of increasing or obtaining allocations under the new system applying to the LLGS.’⁸⁵

Similarly, Hayne, Kiefel and Bell JJ wrote:

[T]here can be no *acquisition* of property unless some identifiable and measurable advantage is derived by another from, or in consequence of, the replacement of the plaintiffs’ licences or reduction of entitlements.⁸⁶ That is, another must acquire ‘an interest in property, however slight or insubstantial it may be’.^{87 88}

⁸¹ (1949) 79 CLR 201, 270.

⁸² *ICM Agriculture* (2009) 240 CLR 140, 179 [81].

⁸³ (1994) 179 CLR 155, 185 (Deane and Gaudron JJ).

⁸⁴ *ICM Agriculture* (2009) 240 CLR 140, 180 [84].

⁸⁵ *Ibid.*

⁸⁶ *Newcrest* (1997) 190 CLR 513, 560 (Toohey J), 561 (Gaudron J), 634 (Gummow J).

⁸⁷ *ICM Agriculture* 201 (2009) 240 CLR 140, 201–2 [147]. Citing and quoting from *Tasmania v Commonwealth (The Tasmanian Dam Case)* (1983) 158 CLR 1,

Although their Honours' reasoning suggests some conflation of the question whether or not the licensee's rights were proprietary with the question whether there was an acquisition, it continues to insist on the distinction between acquisition and deprivation and that an acquisition requires a correspondence between the property interest diminished and the property interest gained.⁸⁹ There was therefore no analogy with *Newcrest*: '[A]ny increase in the water in the ground would give the State no new, larger, or enhanced "interest in property, however slight or insubstantial"⁹⁰, whether as a result of the cancellation of the plaintiffs' bore licences or otherwise.'⁹¹

There are strands of reasoning in some of the cases that would suggest that a less stringent correspondence between the property interest diminished and the property interest gained may suffice to constitute an acquisition. These emerge in the dissenting judgment of Heydon J in *ICM Agriculture*. Emphasising that even a 'slight or insubstantial' acquisition of property sufficed to bring it within the terms of s 51(xxxi),⁹² Heydon J cited the proposition of Callinan J in *Smith* that '[t]here does not need to be correspondence either in appearance, value or characterisation between what has been lost and what may have been acquired. Indeed what has been acquired may often be without any analogue in the law of property and incapable of characterisation according to any

145 (Mason J); *Australian Tape Manufacturers v Commonwealth* (1993) 176 CLR 480, 500 (Mason CJ, Brennan, Deane and Gaudron JJ), 528 (Dawson and Toohey JJ).

⁸⁹ *Ibid* 202 [149]–[150].

⁹⁰ *The Tasmanian Dam Case* (1983) 158 CLR 1 at 145 per Mason J; *Tape Manufacturers* (1993) 176 CLR 480 at 500 per Mason CJ, Brennan, Deane and Gaudron JJ.

⁹¹ *ICM Agriculture* (2009) 240 CLR 140, 203 [153].

⁹² *ICM Agriculture* (2009) 240 CLR 140, 215 [190].

Draft only, 4 August 2011. Chapter for publication in Andrew Mitchell, Tania Voon and Jonathan Liberman (eds), *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar, UK, forthcoming 2012).

established principles of property law.⁹³ Thus Dixon J had said in *Bank of New South Wales v Commonwealth (Bank Nationalisation Case)*:

I take *Minister of State for the Army v Dalziel*⁹⁴ to mean that s 51(xxxi) is not to be confined pedantically to the taking of title by the Commonwealth to some specific estate or interest in land recognized at law or in equity and to some specific form of property in a chattel or chose in action similarly recognized, but that it extends to innominate and anomalous interests and includes the assumption and indefinite continuance of exclusive possession and control for the purposes of the Commonwealth of any subject of property.⁹⁵

Taking possession of land for an indefinite period⁹⁶ or placing 'all the property and all the activities of the company under the supreme control'⁹⁷ of the Commonwealth, even while not disturbing the title to the underlying property, can amount to an acquisition. However, if the Commonwealth (or another person) merely uses or directs the use of the original owner's property without taking possession or title, there is no acquisition.⁹⁸

Heydon J went further and considered that an acquisition would be effected if the legislation conferred a 'direct benefit' on the acquirer. This benefit need

⁹³ Ibid 215-216 [190], citing *Smith v ANL* (2004) 204 CLR 493, 542 (Callinan J). See also *Commonwealth v Western Australia* (1999)(96 CLR 392, [280]-[281] (Callinan J).

⁹⁴ (1944) 68 CLR 261.

⁹⁵ (1948) 76 CLR 1, 349.

⁹⁶ *Minister of State for Army v Dalziel* (1944) 68 CLR 261.

⁹⁷ *Bank of New South Wales v Commonwealth (Bank Nationalisation Case)* (1948) 76 CLR 1, 348 (Dixon J).

⁹⁸ *Australasian United Steam Navigation Co Ltd v Shipping Control Board* (1945) 71 CLR 508; cf *Australian Capital Television Pty Ltd v Commonwealth (Political Advertising Case)* (1992) 177 CLR 106.

not necessarily resemble a conventional property right.⁹⁹ In his view, on the facts of *ICM Agriculture*, the State acquired three benefits. First, it regained control over the water resources that constituted the difference between the allocations under the previous bore licensees' entitlements, and the allocations under the new aquifer access licences. Second, the State gained the extinguishment of liabilities towards the bore licensees owed under the previous regime. These liabilities included duties to give notice and accord procedural fairness to the licensees with respect to the imposition of conditions, or the cancellation or suspension of licences for failure to comply with conditions. By extinguishing these liabilities, the State 'obtained "relief from suit by the" holders of the bore licences'¹⁰⁰ amounting to an acquisition of property.¹⁰¹ Third, to the extent that the allocations under the aquifer access licences reduce the total allocated water below the amount of water sustainably available, New South Wales gained a capacity to issue more water rights (that is, the surplus water sustainably available). His Honour considered the possibility of the future capacity to make extra allocations a 'presently existing, direct and identifiable benefit or advantage ... even though it may not be proprietary in a conventional sense'.¹⁰²

This is the terrain on which one of the key questions in any challenge to the plain packaging legislation will be fought. What benefit or advantage does the Commonwealth (or any third party) acquire as a result of the operation of the proposed legislation on the tobacco companies' property?

Of course, it obtains satisfaction of its regulatory objectives. But as already noted, there is no case that holds that to be a sufficient benefit or advantage to constitute an acquisition — though Heydon J's dissent in *ICM Agriculture* comes close to accepting this proposition. But the Commonwealth does not gain any right to use the tobacco companies' trademarks or their packaging materials. It is not relieved of any reciprocal obligation to the tobacco companies in relation

⁹⁹ *ICM Agriculture* (2009) 240 CLR 140, 233 [227]–[229].

¹⁰⁰ *Ibid* 234 [234] (citation omitted).

¹⁰¹ Cf *WMC Resources* (1998) 194 CLR 1, 18 [18] (Brennan CJ) (observing that public law duties do not constitute property for the purposes of s 51(xxi)).

¹⁰² *ICM Agriculture* (2009) 240 CLR 140, 235 [235].

to their trademarks or their packaging: it has no radical or residual interest in that property that was burdened by those rights and is now relieved of that burden. It does not gain possession or control of those rights.

It has been suggested that a benefit may be found in the enlarged presentation of the textual and graphical warnings on tobacco packaging.¹⁰³ However, it is difficult to see that this constitutes a sufficiently proprietary benefit, even of an unconventional, innominate or anomalous kind, even if there is some notional increase in the value of whatever intellectual property rights inhere in the warnings.

In short, it would appear most unlikely that, on current authorities, a majority of the High Court would conclude that the proposed legislation effected an ‘acquisition’ of the tobacco companies’ property rights. It may well be, in the view of some, that this is a deficiency in Australia’s constitutional protection of property rights. The distinction between acquisition and regulation, though central to the constitutional text, is not central to some accounts of the duties of the state (and the rights of individuals) in relation to property, accounts that prioritise the individual over the collective. But it is clear that the Australian Constitution in s 51(xxxi), as interpreted to date, while protecting property rights against some incursions by the Commonwealth, limits that protection to protection against ‘acquisitions’ that provide direct and proprietary benefits to the Commonwealth or third parties.

C. ‘Acquisitions’ outside the scope of the guarantee

There are other limits on the protection afforded by s 51(xxxi) that could be invoked to support an argument that the proposed legislation did not effect an acquisition of the tobacco companies’ property requiring compensation. In particular, the High Court has recognized that the guarantee derived from s 51(xxxi) does not apply to all acquisitions of property. Just as some types of property are not protected by the guarantee, some types of acquisition are fall outside its scope. Were it otherwise, the Commonwealth’s other legislative powers would be limited in ways that appear inconsistent with the terms of their grant: ‘[g]overnment hardly could go on if to some extent values incident

¹⁰³ Stern and Draudins, above n 4, 149.

to property could not be diminished without paying for every such change in the general law.¹⁰⁴ In this section, we consider five questions that have been regarded as relevant to the shape of the protection afforded by s 51(xxxi)¹⁰⁵:

- whether the legislation effecting the acquisition was a necessary or characteristic feature of the means means of achieving an objective within the scope of Commonwealth legislative power, not being solely or chiefly the acquisition of property;
- whether the legislation was a genuine adjustment of competing rights and not directed at the acquisition of property;
- whether the legislation was ‘clearly directed only to the prevention of a noxious use of proprietary rights’;
- whether, in the context of the legislation, just terms were an ‘irrelevant or incongruous’ notion;
- whether the legislation was enacted under a grant of power that ‘clearly encompassed the making of laws providing for the acquisition of property unaccompanied by any quid pro quo of just terms’.

As will be seen, these principles are of doubtful application in the case of the plain packaging legislation and will not likely affect the outcome.

1. A necessary or characteristic feature of the means selected to achieve an objective within power

This principle originated in the judgment of Brennan J in *Mutual Pools* and was developed by Gleeson CJ and Kirby J in *Airservices*:

¹⁰⁴ *Pennsylvania Coal Co v Mahon* 260 US 393, 413 (1922) (Holmes J).

¹⁰⁵ See *Telstra Corporation v Commonwealth* (2008) 234 CLR 210, [47]-[49] (emphasizing that such principles are not ‘discrete exception to the application of s51(xxxi)’).

In *Mutual Pools & Staff Pty Ltd v The Commonwealth*, Brennan J, referring to earlier authority, pointed out that a grant of legislative power comprehends a power to enact provisions appropriate and adapted to the fulfilment of any objective falling within the power, and that s 51(xxxi) does not abstract the power to prescribe the means appropriate and adapted to the achievement of an objective falling within another head of power where the acquisition of property without just terms is a necessary or characteristic feature of the means prescribed.¹⁰⁶

Brennan J had applied the principle to uphold a law that extinguished taxpayers' entitlement to receive a refund of an unconstitutional tax and instead conferred an entitlement to a refund on the taxpayers' customers, onto whom the burden of the tax had been passed.¹⁰⁷ In his view, it also explained the result in cases upholding laws that provided for payment of provisional tax, forfeiture of enemy aliens' property and prohibited imports, sequestration of bankrupts' property and imposition of fines.¹⁰⁸ Later it was applied (with some modification in the language used) to uphold laws providing for forfeiture of property used in commission of an offence.¹⁰⁹ (In that same case, Deane and Gaudron JJ recast the principle to ask whether such a law 'is reasonably capable of being seen as appropriate and adapted to achieving, or, as reasonably proportionate to some object or purpose within power'.¹¹⁰) Similarly Gleeson CJ and Kirby J applied it to uphold a law that imposed liens on aircraft to secure payment of statutory fees relating to the use of those aircraft.¹¹¹ The liens 'were provided to secure the effectiveness of charges relating to aircraft which,

¹⁰⁶ (1999) 202 CLR 133, 180 [98] (citations omitted).

¹⁰⁷ *Mutual Pools* (1994) 179 CLR 155, 181.

¹⁰⁸ *Ibid* 178.

¹⁰⁹ *Re Director of Public Prosecutions; Ex parte Lawler* (1994) 179 CLR 270, 281 (Brennan J) ('*Lawler*').

¹¹⁰ *Ibid* 286 (footnote omitted).

¹¹¹ *Airservices* (1999) 202 CLR 133, 180–1 [98]–[99].

of their very nature, could otherwise leave Australia with substantial debts unpaid and with no effective means for their recovery.¹¹²

There are at least three substantial difficulties with applying this principle to conclude that the plain packaging laws do not effect an acquisition requiring just terms.

First, it has only been used to uphold acquisitions that were incidental to achieving a different objective.¹¹³ '[W]here the sole or dominant character of a provision is that of a law for the acquisition of property, it must be supported by s 51(xxxi) and its validity is then dependent on the provision of just terms.'¹¹⁴ In contrast, leaving aside the public policy goal of reducing tobacco consumption, it cannot be said that the plain packaging legislation effects an acquisition as an *incident* of the attainment of an objective or enforcement of an obligation (assuming of course that it does in fact effect an acquisition: see Part III.B above).

Second, it is difficult to see how the failure to provide just terms is 'appropriate and adapted' to the regulatory objective or 'a necessary and characteristic feature' of the legislative scheme. Rather, and adapting language used by Heydon J in *ICM Agriculture*, '[i]t is convenient from the point of view of ... the Commonwealth ... not to pay compensation, but that does not render the means "appropriate and adapted". The scheme in question can proceed just as efficiently, though more expensively, if compensation is paid.'¹¹⁵

¹¹² *Ibid* 181 [101].

¹¹³ For a list of acquisitions which have been held to be valid despite the absence of just terms, see Simon Evans, 'Constitutional Property Rights in Australia: Reconciling Individual Rights and the Common Good' in Tom Campbell, Jeffrey Goldsworthy and Adrienne Stone (eds), *Protecting Rights Without a Bill of Rights: Institutional Performance and Reform in Australia* (Ashgate, 2006) 197, 201–2.

¹¹⁴ *Mutual Pools* (1994) 179 CLR 155, 181 (Brennan J).

¹¹⁵ *ICM Agriculture* (2009) 240 CLR 140, 230 [222].

Third, the status of the principle is in some doubt. McHugh J subjected it to robust criticism in *Airservices*. In his view, it inverted the proper order of inquiry. ‘Where the Commonwealth acquires property, s 51(xxxi) must be addressed at the beginning and not at the end of the inquiry.’¹¹⁶ He elaborated:

Where the inquiry is whether an acquisition of property is within federal power but outside s 51(xxxi), a two-stage process must be undertaken. First, is the impugned law a law within s 51(xxxi)? Second, if no, is the law otherwise within the legislative power of the Commonwealth as a law with respect to another head of federal power? It is incorrect to seek to answer the second question and treat it as determining the answer to the first.¹¹⁷

In his view, the answer to the first question should be cast in terms of whether the circumstances of the acquisition ‘make the notion of fair compensation to the transferor irrelevant or incongruous’.¹¹⁸ We consider that approach below.

Finally, it is clear that the principle does not exempt legislation from the protections of s 51(xxxi) simply on the ground that they are reasonable or proportionate responses to compelling public interests. Whether the plain packaging legislation is or is not a reasonable or proportionate public health measure is not relevant to its validity — at least to the extent that the impact on property rights is more than an incidental feature of the legislation.

2. A genuine adjustment of competing rights

In *Nintendo Co Ltd v Centronics Systems Pty Ltd*, Mason CJ, Brennan, Deane, Toohey, Gaudron and McHugh JJ held that:

¹¹⁶*Airservices* (1999) 202 CLR 133, 251 [341].

¹¹⁷ *Ibid* 250 [339]. See also *ICM* (2009) 240 CLR 140, 230 [222] (Heydon J).

¹¹⁸ *Ibid* 250 [340], quoting *Mutual Pools* (1994) 179 CLR 155, 219–220 (McHugh J).

The cases ... establish that a law which is not directed towards the acquisition of property as such but which is concerned with the adjustment of the competing rights, claims or obligations of persons in a particular relationship or area of activity is unlikely to be susceptible of legitimate characterization as a law with respect to the acquisition of property for the purposes of s 51 of the Constitution.¹¹⁹

Here, as in application of the previous principle, the s 51(xxxi) jurisprudence comes close to the idea that reasonable or proportionate regulation of property owners and their property in the pursuit of some overriding public interest falls outside the protection of s 51(xxxi).

In *Nintendo*, the challenged legislation introduced a new intellectual property regime that conferred rights on the designers of circuit layouts. The inevitable consequence was that some goods, lawfully manufactured prior to the commencement of the legislation, contravened those new rights and became subject to forfeiture when the legislation commenced. It was held that 'relevant character [of the challenged provision] is that of a law for the adjustment and regulation of the competing claims, rights and liabilities of the designers or first makers of original circuit layouts and those who take advantage of, or benefit from, their work.'¹²⁰

In *Airservices*, Gummow J held that the statutory liens held by the Civil Aviation Authority over the respondents' aircraft arose from an 'exchange from the provision of services' to the operators of the aircraft.¹²¹ The lien provisions 'adjust[ed] the respective interests of those who own [the aircraft] and of the provider of services'.¹²² Thus, the enforcement of the liens by the Authority was not a compulsory acquisition which required fair compensation. By contrast, Gaudron J held that, absent a relationship between the party to which

¹¹⁹ *Nintendo Co Ltd v Centronics Systems Pty Ltd* (1994) 181 CLR 134, 161 (citation omitted) ('*Nintendo*'). Cf *Mutual Pools* (1994) 179 CLR 155, 171.

¹²⁰ *Nintendo* (1994) 181 CLR 134, 161.

¹²¹ (1999) 202 CLR 133, 300 [503].

¹²² *Ibid* 300 [501].

the debt was owed (the Authority) and the owner of the property over which the liens were imposed (the lessor), ‘a law acquiring a security interest in the property of a person who did not incur the charges or penalties is not adjusting any interest of or claim by that person, or any obligation owed by him or her. It is simply appropriating a security interest in that person’s property.’¹²³ This disagreement demonstrates the plasticity — perhaps the instability — of the principle.

Nonetheless, it is clear even from the majority judgments, and from earlier cases that the existence of some relationship between rights-holders is required. The principle is not a safety net for regulations that the Court regards as striking a fair balance between private rights and the public interest — even if some trace of this thinking might perhaps be attributed to decisions such as *Tape Manufacturers*.¹²⁴ Unsurprisingly, the principle has come in for criticism, in particularly robust form in Callinan J’s judgment in *Smith*.¹²⁵

Every constitutional system that protects property rights requires the constitution’s interpreter (usually the courts) to demarcate the boundaries between the constitutional protection of property rights and state regulatory authority occurs. No constitutional system of which we are aware has satisfactorily resolved the matter.¹²⁶ It is no great surprise that this particular principle has proven controversial in its foundations and problematic in its application in Australia. But once again, it is clear that the principle does not exempt legislation from the protections of s 51(xxxi) simply on the ground that they are reasonable or proportionate responses to compelling public interests.

¹²³ *Ibid* 197 [156].

¹²⁴ (1993) 176 CLR 480.

¹²⁵ (2000) 204 CLR 493, 551 [181] (‘Much legislation affecting private property enacted by the Commonwealth acting bona fide will seek to adjust, effect or resolve competing claims, the claims of the persons adversely affected by it on the one hand, and the claims for the greater good of the community at large advantaged by it on the other.’). Cf Kirby J to like effect: *ibid* 529 [103].

¹²⁶ See, for example, Gregory S Alexander, *The Global Debate over Constitutional Property: Lessons for American Takings Jurisprudence* (Chicago 2006).

And it is not engaged by the plain packaging legislation in the absence of a relationship of any kind, let alone a mutual accommodation of rights and interests in that relationship.

3. Just terms an 'irrelevant or incongruous' notion

As noted above, McHugh J's doubts about the first limiting principle led him to formulate an alternative principle that identified an acquisition as outside the scope of s 51(xxxi) where the circumstances of the acquisition 'make the notion of fair compensation to the transferor irrelevant or incongruous'.¹²⁷ In his view, 'where the particular implementation of a valid exercise of s.51 power necessarily involves an acquisition of property or is a reasonably proportional sanction for a breach of a s.51 law, the acquisition is outside the scope of s.51(xxxi)'.¹²⁸ This explained three earlier decisions upholding the validity of laws that provided for the acquisition of property: a law providing for forfeiture of goods as sanctions for breach of a law;¹²⁹ a law providing that property of alien enemies be applied to satisfy war reparations;¹³⁰ and a law providing for payment of provisional taxation, in advance of a taxation debt arising in order to facilitate the collection of taxes.¹³¹ The acquisition in each case was indeed an acquisition but not one to which s 51(xxxi) applied.

Subsequently, in *Airservices*, McHugh J applied this principle to conclude that liens imposed to secure a statutory liability to pay charges (fees for services provided by a Commonwealth authority) were not an acquisition of property to which s 51(xxxi) applied. If just terms were required, 'the entire purpose of the lien would be frustrated as the Authority [to which the charges were owed]

¹²⁷ *Airservices* (1999) 202 CLR 133, 250 [340], quoting *Mutual Pools* (1994) 179 CLR 155, 219–220 (McHugh J).

¹²⁸ *Mutual Pools* (1994) 179 CLR 155, 222 (McHugh J).

¹²⁹ *Burton v Honan* (1952) 86 CLR 169.

¹³⁰ *Attorney-General of the Commonwealth v Schmidt* (1961) 105 CLR 361.

¹³¹ *Clyne v Deputy Commissioner of Taxation (NSW) [No 1]* (1982) 13 ATR 463.

would be no better off, and indeed may be worse off, in terms of net recovery of the charges levied as a quid pro quo for the provision of the services.¹³²

This principle is not without its own difficulties — indeed difficulties directly analogous to the difficulty with the first principle that led to its formulation. Arguably, it states a conclusion about certain categories of law rather than providing a criterion for reaching that conclusion. After all, the principle can hardly be that an acquisition is outside the scope of s 51(xxxi) whenever providing just terms would frustrate the achievement of the purpose of the law.

Regardless, it is difficult to see how it could be said that just terms were irrelevant or incongruous in the case of a law like the plain packaging legislation enacted under the external affairs power, the corporations power, the trade and commerce power or the territories power that prohibited a person from dealing in goods whose packaging does not comply with a tobacco product requirement where those requirements themselves effected an acquisition of property. There is no inconsistency with the fundamental operation of the law in providing just terms as there is in the cases considered by McHugh J. By contrast, the provisions of the plain packaging legislation for forfeiture of non-compliant goods could readily be upheld under this principle.

4. Grant of power encompasses uncompensated acquisition

The previous principle is related to a formulation that appeared in *Nintendo*, where Mason CJ, Brennan, Deane, Toohey, Gaudron and McHugh JJ wrote:

Th[e] operation of s 51(xxxi) to confine the content of other grants of legislative power, being indirect through a rule of construction, is subject to a contrary intention either expressed or made manifest in those other grants. In particular, some of the other grants of legislative power clearly encompass the making of laws providing for the acquisition of property unaccompanied by any quid pro quo of just terms. Where that is so, the other grant of legislative power manifests a contrary

¹³² *Airservices* (1999) 202 CLR 133, 253 [345].

intention which precludes the abstraction from it of the legislative power to make such a law.¹³³

The Court held that the Commonwealth's power to make laws with respect to intellectual property rights 'authorizes the making of laws which create, confer, and provide for the enforcement of, intellectual property rights' in various 'products of intellectual effort'.¹³⁴ 'It is of the nature of such laws that they confer such rights on [the originators of such rights] and that they conversely limit and detract from the proprietary rights which would otherwise be enjoyed by the owners of affected property.'¹³⁵

It was held that 'the grant of legislative power [in relation to IP rights] manifests a contrary intention which precludes the operation of s 51(xxi)¹³⁶ reflecting the principle that s 51(xxi) does not confine the scope of other grants of legislative power where the 'other grant[] of legislative power clearly encompass[es] the making of laws providing for the acquisition of property unaccompanied by any quid pro quo of just terms.'¹³⁷

This does not amount to a blanket exclusion of laws made under the intellectual property rights power from the protection of s 51(xxi). Any such conclusion would be inconsistent with *Tape Manufacturers* and observations in

¹³³ (1994) 181 CLR 134, 160 (citations omitted).

¹³⁴ *Ibid.* Dawson J's approach was different. In his view, where Commonwealth legislation led to a transfer of property rights between private persons (rather than a transfer to the Commonwealth), the acquisition would usually not be 'for a purpose with respect to which the Commonwealth has power to make laws'. Accordingly, legislation effecting an 'acquisition of property which is not intended to be used or applied for such a purpose' is neither supported by s 51(xxi) nor subject to that subsection's requirement of just terms: *Ibid* 165–166.

¹³⁵ *Ibid* 160.

¹³⁶ *Ibid* 161.

¹³⁷ *Ibid* 160.

Nintendo itself, *WMC Resources* and *Chaffey*.¹³⁸ And there is no obvious analogy between the effects of the law considered in *Nintendo* and the direct effects of the plain packaging legislation's provisions that bring about a prohibition on use of the tobacco companies' trademarks. Once again, this principle is not likely to protect the plain packaging laws from any impact of s 51(xxxi). (On the other hand, this principle could be relied on to support the fall back provisions that regulate rather than prohibit the use of the trademarks: see Part IV below.)

5. Preventing a noxious use of proprietary rights

This principle, perhaps the least developed of those considered here, is a working out of the distinction between unconstitutional uncompensated acquisition and constitutionally unproblematic regulation. *Trade Practices Commission v Tooth & Co Ltd*¹³⁹ involved a challenge to a provision prohibiting corporations from 'exclusive dealing', that is, refusing to extend a lease or licence over property to companies who purchased goods or services from the lessor's competitors. Stephen J held that the provision, although it restricted the lessor's capacity to deal with its own property, did not effect an acquisition of that property.¹⁴⁰ He cited the judgment of Viscount Simonds in *Belfast Corporation v OD Cars Ltd*,¹⁴¹ who in turn cited *Pennsylvania Coal Co v Mahon*,¹⁴² in which Brandeis J said (in dissent):

Every restriction upon the use of property ... deprives the owner of some right theretofore enjoyed, and is, in that sense, an abridgment by the State of rights in property without making compensation. But restriction imposed to protect the public health, safety or morals from

¹³⁸ See discussion and references, above, n 66.

¹³⁹ (1979) 142 CLR 397 ('*Tooth's Case*').

¹⁴⁰ *Ibid* 412–413 (Stephen J).

¹⁴¹ [1960] AC 490 ('*Belfast Corporation*').

¹⁴² 260 US 393 (1922).

dangers threatened is not a taking. The restriction here in question is merely the prohibition of a noxious use.¹⁴³

In the same US case, Holmes J, writing for the Court, said '[t]he general rule at least is, that, while property may be regulated to a certain extent, if regulation goes too far it will be recognized as a taking.'¹⁴⁴ Stephen J concluded that the assessment is fact-specific and insusceptible to the enunciation of a definitive standard.¹⁴⁵ That certainly is the experience in the United States where a vast and unsatisfying jurisprudence attempts unsuccessfully to define clear limits to what constitutes a regulatory taking.¹⁴⁶ The High Court of Australia has shown very limited appetite for that jurisprudence or, as seen in the analysis above, for the idea that the *balance* between a regulation's impact on property rights and its pursuit of some salutary purpose is the touchstone of validity. Equally, it has not pursued Stephen J's suggestion that proscription of a noxious use of property is *categorically* outside the protection of s 51(xxxi). It is most unlikely that it will do so in any challenge to the plain packaging legislation.

IV. Conclusion

What then are the prospects of a successful challenge to the plain packaging legislation on the grounds that it effects an uncompensated acquisition of property? In our view:

¹⁴³ (1979) 142 CLR 397, 417.

¹⁴⁴ *Pennsylvania Coal Co v Mahon* 260 US 393, 415 (1922), cited in *Tooth's Case* (1979) 142 CLR 397, 414.

¹⁴⁵ *Tooth's Case* (1979) 142 CLR 397, 415.

¹⁴⁶ See, for example, *Penn Central Transportation Co v City of New York* 438 US 104 (1978), 124 (the Court has been 'unable to develop any "set formula" for determining when "justice and fairness" require' compensation under the Takings Clause instead relies on 'essentially ad hoc, factual inquiries').

- The tobacco companies' trademarks include a positive right to use the mark, not just a negative right to restrain use by others.
- They are property within the scope of the protection afforded by s 51(xxxi).
- The prohibitions on their use authorized by the plain packaging legislation therefore restrict the tobacco companies' proprietary rights.
- However, the effects on those rights do not constitute an acquisition within the meaning of s 51(xxxi). On the facts available to us, no corresponding advantage sufficiently connected to the property is conferred on the Commonwealth or any other person.
- If, however, the restrictions did constitute an acquisition, the various principles that limit the operation of s 51(xxxi) would not apply to alleviate the protection afforded by s 51(xxxi).
- Equally, to the extent the various prohibitions authorized by the plain packaging legislation restrict the tobacco companies' use of their proprietary rights in cigarette packaging (rather than the trademarks), those restrictions do not amount to an acquisition within the meaning of s 51(xxxi).

Strictly this makes it unnecessary to consider the fallback provisions in s 11 of the plain packaging legislation but we do so for completeness. Where a statute fails to provide just terms for an acquisition of property that requires just terms, the provisions effecting the acquisition will be invalid. There is no 'constitutional right' to just terms, provision of which will save an otherwise invalid acquisition. Commonly, therefore, in order to avoid invalidity, Commonwealth statutes contain a provision to the effect that if the operation of the legislation results in an acquisition of property to which s 51(xxxi) applies, the Commonwealth is liable to pay a reasonable amount of compensation to the person from whom it is acquired.¹⁴⁷ The government has not followed this path in the principal provisions of the proposed legislation,¹⁴⁸ perhaps as a consequence of its assessment of the amount of the

¹⁴⁷ See eg *Wurridjal v Commonwealth* (2009) 237 CLR 209, 461–463 [428]–[437] (Crennan J).

¹⁴⁸ Proposed s 59 does, however, in relation to the provision in proposed s 58 for disposal of seized goods: Tobacco Plain Packaging Bill 2011 (Cth).

compensation that would be payable. Instead, the proposed legislation contains a two-stage fallback.

Proposed s 11(1) provides that the proposed legislation would not apply 'to the extent (if any) that its operation would result in an acquisition of property from a person otherwise than on just terms'. This provision attempts to salvage as much of the operation of the proposed legislation as possible.¹⁴⁹ Such a provision would likely be valid and effective: it is unlikely that it would be regarded as impermissibly requiring the Court to 'perform a feat that is, in essence, legislative and not judicial',¹⁵⁰ to construct a 'new and different' valid law out of the remnants of the partially invalid law.¹⁵¹

Section 11(2) appears to acknowledge that the greatest risk of such an uncompensated acquisition of property arises from the restriction of the use of a trademark on the packaging of tobacco products or on tobacco products themselves. To the extent that the remainder of the proposed legislation would cause such an acquisition, it can be displaced by regulations that prescribe requirements (including requirements for size and placement) for the use of trademarks on tobacco packaging and tobacco products. (Of course, to be valid, those regulations would themselves have to be drafted so that they did not effect an uncompensated acquisition of property.)

Although these provisions leave something to be desired from the standpoint of the rule of law, they are not on that account invalid.

In short, therefore, the plain packaging legislation appears likely to survive constitutional challenge brought on the ground that it effects an uncompensated acquisition of property in the tobacco companies' trademarks

¹⁴⁹ So, for example, if proposed s 14 would otherwise authorise regulations that prohibit the use of trademarks and those regulations would result in an acquisition of property from a person otherwise than on just terms, proposed s 11(1) would prevent proposed s 14 from so operating but preserve the remainder of the operation of proposed s 14.

¹⁵⁰ *New South Wales v Commonwealth (WorkChoices Case)* (2006) 229 CLR 1, 241 [596] (Kirby J, dissenting).

¹⁵¹ *Ibid* 241 [597].

Draft only, 4 August 2011. Chapter for publication in Andrew Mitchell, Tania Voon and Jonathan Liberman (eds), *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar, UK, forthcoming 2012).

or their packaging. Moreover, it is likely to do so without the courts needing to engage deeply with the most troublesome aspects of s 51(xxxi) jurisprudence, namely, the extent to which regulatory laws fall outside the guarantee notwithstanding that they may appear to effect an acquisition of property. Those difficult questions must await another case.

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