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TOBACCO PLAIN PACKAGING IN AUSTRALIA: *JT INTERNATIONAL SA V COMMONWEALTH* AND BEYOND

CATHERINE BOND*

For as long as plain packaging legislation had been floated as an option for tobacco products in Australia, tobacco companies had threatened legal action against such a regime. Those threats became action when two tobacco companies separately commenced litigation in the High Court of Australia claiming that the Tobacco Plain Packaging Act 2011 *(Cth) breached section 51(xxxi) of the* Australian Constitution. *Yet, the Act survived that challenge and remains in force to this day. This article reviews the introduction of the Act and subsequent challenge, and closely analyses the judgments comprising the decision in* JT International SA v Commonwealth. *It then examines how plain packaging has operated in practice, including enforcement of the regime and unexpected legal issues arising from its application. This article concludes with a reflection on what the Commonwealth's victory regarding plain packaging means for constitutional intellectual property issues more generally*.

I INTRODUCTION

As soon as plain packaging legislation was floated as an option for tobacco products in Australia, tobacco companies threatened legal action should such a regime be passed into law. In response, both government and academic lawyers stated that any legal action taken against such a measure would likely be unsuccessful. When the Labor Government announced in 2010 that it had decided to introduce tobacco plain packaging, these legal threats turned into action. Before the legislation had even been passed by the federal Parliament, Philip Morris Asia had launched international legal action against the Commonwealth of Australia.[1] Following the passing of the *Tobacco Plain Packaging Act 2011* (Cth), two tobacco conglomerates, JT International SA and British American Tobacco Australasia ('BAT',[2] which holds 47 per cent of the tobacco market in Australia),[3] separately commenced litigation against the Commonwealth in the High Court of Australia. In both matters it was argued that, in restricting the use of their registered trade marks and mandating requirements for the appearance of the physical product, the *Tobacco Plain Packaging Act* breached section 51(xxxi) of the *Australian Constitution* by effecting an acquisition of their intellectual property ('IP'). That provision grants power to the Commonwealth to acquire property from a person, company or state, but also guarantees that, where property is acquired, the Commonwealth must compensate the previous owner on 'just terms'.[4]

* Catherine Bond, Senior Lecturer, Faculty of Law, UNSW Sydney. With thanks to Michael Handler for our helpful discussions surrounding this topic and Chantel Cotterell for research and proof-reading assistance.

[1] See Attorney-General's Department (Aust), *Tobacco Plain Packaging — Investor–State Arbitration* <https://www.ag.gov.au/tobaccoplainpackaging>.

[2] As noted throughout the judgments of the High Court, this matter was brought by three parties: British American Tobacco Australasia Ltd, British American Tobacco (Investments) Ltd, and British American Tobacco Australia Ltd. See *JT International SA v Commonwealth* (2012) 250 CLR 1, 19 n 51 (French CJ).

[3] Department of Health (Aust), *Post-implementation Review: Tobacco Plain Packaging* (2016) 48 <http://ris.pmc.gov.au/sites/default/files/posts/2016/02/Tobacco-Plain-Packaging-PIR.pdf> (citation omitted).

[4] See eg, *Mutual Pools & Staff Pty Ltd v Commonwealth* (1994) 179 CLR 155, 168 (Mason CJ); 184 (Deane and Gaudron JJ).

When the matters were heard together before the High Court, Van Nelle Tabak Nederland BV, Philip Morris Ltd and Imperial Tobacco Australia Ltd had been given leave to intervene on behalf of the plaintiffs. In 2011, Philip Morris Australia comprised 36 per cent of the Australian tobacco market; and Imperial Tobacco Australia held 16 per cent of the Australian cigarette retail market.[5] The governments of Queensland, the Australian Capital Territory and the Northern Territory were also granted leave to intervene on behalf of the defendants, while the Cancer Council of Australia sought to appear as amicus curiae but was ultimately denied. A full bench of the Court, led by Chief Justice Robert French, heard the case.

During its nearly nine-year span, the French High Court delivered a number of surprising judgments involving IP laws.[6] The decision in *JT International SA v Commonwealth*[7] (*'JTI'*) was not one of those cases.[8] A majority of six justices, in five judgments, confirmed what government and academic lawyers had been arguing all along: tobacco plain packaging was not in breach of section 51(xxxi) of the *Australian Constitution*. Heydon J dissented, finding for the tobacco companies in a judgment that was also highly critical of the Commonwealth's alleged attitude to section 51(xxxi).

Having survived that challenge, the Commonwealth government was free to implement and develop its plain packaging regime. While the government itself changed hands from Labor to the Liberal and National Coalition in 2013, the plain packaging regime has continued. There has not always been strict compliance with the measures imposed, but, to this date, the Commonwealth has not had to prosecute for any breach or impose any civil penalties. At the same time, a number of unexpected legal issues have arisen, most recently in the *Scandinavian Tobacco Group Eersel BV v Trojan Trading Company Pty Ltd*[9] litigation in the Federal Court of Australia. At first instance and on appeal, the issue for determination was whether a company which transfers cigarettes from their original packaging into plain packaging is in breach of the *Trade Marks Act 1995* (Cth).

This article examines the *Tobacco Plain Packaging Act* and the broader plain packaging regime from creation, to its constitutional challenge and beyond. It focuses on the Australian experience and does not deal with any international legal issues or developments.[10] In Part II it reviews the Commonwealth government decision to introduce a plain packaging regime and summarises the relevant statutory provisions and their effects. This Part then moves to an

[5] Department of Health, above n 3, 48 (citation omitted).
[6] See eg, *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458; *D'Arcy v Myriad Genetics Inc* (2015) 258 CLR 334.
[7] (2012) 250 CLR 1.
[8] As Liberman notes, '[t]he High Court's decision upholding Australia's plain packaging regime came as no surprise': Jonathan Liberman, 'Plainly Constitutional: The Upholding of Plain Tobacco Packaging by the High Court of Australia' (2013) 39 *American Journal of Law & Medicine* 361, 380.
[9] See *Scandinavian Tobacco Group Eersel BV v Trojan Trading Company Pty Ltd* [2015] FCA 1086; *Scandinavian Tobacco Group Eersel BV v Trojan Trading Company Pty Ltd* [2016] FCAFC 91.
[10] See eg, Tania Voon, Andrew D Mitchell and Jonathan Liberman (eds), *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar Publishing, 2012); Daniel Gervais, 'Plain Packaging and the TRIPS Agreement: A Response to Professors Davison, Mitchell and Voon' (2013) 23 *Australian Intellectual Property Journal* 96; Mark Davison, 'Plain Packaging and the TRIPS Agreement: A Response to Professor Gervais' (2013) 23 *Australian Intellectual Property Journal* 160; Enrico Bonadio, 'Bans and Restrictions on the Use of Trademarks and Consumers' Health' [2014] 4 *Intellectual Property Quarterly* 326; Jonathan Griffiths, '"On the Back of a Cigarette Packet": Standardised Packaging Legislation and the Tobacco Industry's Fundamental Right to (Intellectual) Property' [2015] 4 *Intellectual Property Quarterly* 343; Mark Davison, 'The Various Legal Challenges to Tobacco Packaging Regulations' (2016) 26 *Australian Intellectual Property Journal* 141; Sharon Givoni, 'Plain Packaging Laws in Australia' (2016) 29 *Australian Intellectual Property Law Bulletin* 167.

examination of the constitutional issues raised during the drafting and enactment of the legislation and the arguments that the plaintiff tobacco companies and the Commonwealth as defendant made before the High Court. Part III explores each of the judgments made by the High Court — the separate findings of French CJ, Gummow, Hayne and Bell JJ, Crennan and Kiefel JJ and the dissenting opinion of Heydon J.

In Part IV, the article moves its analysis of plain packaging beyond *JTI*. It examines the operation of the regime over the past five years, including the recent post-implementation review evaluating its effectiveness in meeting the objects of plain packaging, and recent legal issues raised in the Federal Court of Australia over trade mark infringement for tobacco products repackaged in plain packaging. Part V concludes this article with a brief reflection on the relationship between the *Constitution* and IP in Australia and the potential for a broader plain packaging regime.

II THE *TOBACCO PLAIN PACKAGING ACT 2011* (CTH) AND THE *AUSTRALIAN CONSTITUTION*

A *The Introduction and Operation of the Act*

In the early 21st century, brands and branding have a more substantial impact on the daily lives of the Australian community than many would care to admit. Every day decisions from what bottled water to buy to what type of car to drive are affected by branding. The same can be said of tobacco products, though this may be surprising to those who either do not smoke or do not engage in frequent smoking. As Freeman, Chapman and Rimmer commented in an oft-cited 2008 article, '[j]ust as designer clothing, accessories and cars serve as social cues to style, status and character so too can cigarette packs signify a range of user attributes.'[11]

The packaging of tobacco products and the appearance of the product themselves, whether cigarettes, cigars, rolling tobacco or another form, have gained increasing significance as, since the late 1980s, stricter rules have been placed on the prevalence and position of tobacco advertising.[12] A 2016 review into the *Tobacco Plain Packaging Act* and regime noted that, as a result of these restrictions, '[t]he tobacco pack was therefore, one of the last remaining key sources of marketing that the tobacco industry could use to influence current and potential consumers.'[13] The space available on that packaging was limited, however, when graphic health warnings, providing confronting photographs of the health effects of smoking, were mandated by the government.[14]

Many tobacco companies, long before such restrictions were introduced, had sought IP protection for their logos, in plain and stylised formats, primarily through trade mark registration. In Australia, for example, British American Tobacco Australia has held the trade mark registration for the word mark 'LUCKY STRIKE', in Class 34 for 'Manufactured tobacco', since 1958.[15] It also has registered trade marks for a series of stylised trade marks, including registration for a mark featuring the words 'LUCKY STRIKE "IT'S TOASTED"'

[11] Becky Freeman, Simon Chapman and Matthew Rimmer, 'The Case for the Plain Packaging of Tobacco Products' (2008) 103 *Addiction* 580, 580.
[12] Sam Ricketson, 'Plain Packaging Legislation for Tobacco Products and Trade Marks in the High Court of Australia' (2013) 3 *Queen Mary Journal of Intellectual Property* 224, 225.
[13] Department of Health, above n 3, 10.
[14] See eg, *Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations 2004* (Cth).
[15] Australian TM Number 151409. See IP Australia, *Trade Marks* <https://www.ipaustralia.gov.au/trade-marks>.

since 1944.[16] While trade marks have traditionally been viewed as a 'badge of origin',[17] it has also been recognised that users may derive 'association' benefits from aligning themselves with certain brands, a point noted above and recognised by tobacco companies.

In the late 1980s to early 1990s the idea of plain or generic packaging of tobacco products began to circulate within academic and government research,[18] the idea being that standard or visually unpleasant packaging would dissuade members of the community from starting smoking, or motivate them to make the decision to quit. A number of parliamentary committees investigated but rejected the option, but the idea continued to gain traction.[19] In 2007, when Kevin Rudd took office as the first Labor Prime Minister of Australia since 1996, a National Preventative Health Taskforce was created to, among other matters, establish a 'National Preventative Health Strategy' and to make recommendations for tackling the three biggest preventative health issues affecting the Australian community: obesity, tobacco consumption and alcohol consumption.[20]

Recommendations made by the National Preventative Health Taskforce were one of the motivating factors behind the government's subsequent decision to introduce plain packaging.[21] As noted in the 2016 report of the *Post-implementation Review: Tobacco Plain Packaging*, these factors also included '[n]ational and international evidence on the effectiveness of plain packaging' and a series of recommendations made 'by two separate parliamentary inquiries'.[22]

One of those parliamentary inquiries was into a Private Member's Bill, the Plain Tobacco Packaging (Removing Branding from Cigarette Packs) Bill 2009 (Cth), introduced into the federal Parliament by then Family First Senator Steven Fielding. The Bill was referred to the Senate Community Affairs Legislation Committee[23] and it was this consultation that generated the first significant, concentrated wave of discussion on the constitutional elements that might be raised by any legislation creating plain tobacco packaging, as will be considered below. However, before the Committee was even due to report, the government (with Kevin Rudd still in the position of Prime Minister and Nicola Roxon as Minister for Health and Ageing) announced its decision to introduce plain packaging and the inquiry was suspended following the dissolution of the federal Parliament, pending an election in mid-2010.[24]

The Labor government, now led by Julia Gillard, was returned to power and the push to introduce plain packaging legislation resumed. The Department of Health and Ageing released an exposure draft of the proposed legislation and sought submissions on its provisions.[25] The

[16] Australian TM Number 81899.
[17] See eg, *Campomar Sociedad, Limitada v Nike International Ltd* (2000) 202 CLR 45, 65.
[18] Matthew Thomas, Department of Parliamentary Services (Cth), 'Tobacco Plain Packaging Bill', *Bills Digest*, No 35 of 2011–12, 24 August 2011, 7–8.
[19] Ibid 8.
[20] National Preventative Health Taskforce (Aust), *Australia: The Healthiest Country by 2020: National Health Strategy: Overview* (2009) 7 <http://www.health.gov.au/internet/preventativehealth/publishing.nsf/Content/AEC223A781D64FF0CA2575FD00075DD0/$File/nphs-overview.pdf>.
[21] Department of Health, above n 3, 13.
[22] Ibid 13–14.
[23] Thomas, above n 18, 9.
[24] Ibid 9, 10.
[25] See generally, Department of Health and Ageing (Aust), Submission No 54 to House of Representatives Standing Committee on Health and Ageing, Parliament of Australia, *Inquiry into Tobacco Plain Packaging*, 26 July 2011, 4

formal legislation, comprising the Tobacco Plain Packaging Bill 2011 (Cth) and Trade Marks Amendment (Tobacco Plain Packaging Bill) 2011 (Cth) were introduced into the House of Representatives on 6 July 2011. Despite a protracted passage, both Bills were approved by Parliament and received Royal Assent on 1 December 2011. Section 3 provided:

> (1) The objects of this Act are:
> (a) to improve public health by:
> (i) discouraging people from taking up smoking, or using tobacco products; and
> (ii) encouraging people to give up smoking, and to stop using tobacco products; and
> (iii) discouraging people who have given up smoking, or who have stopped using tobacco products, from relapsing; and
> (iv) reducing people's exposure to smoke from tobacco products; and
> (b) to give effect to certain obligations that Australia has as a party to the Convention on Tobacco Control.
> (2) It is the intention of the Parliament to contribute to achieving the objects in subsection (1) by regulating the retail packaging and appearance of tobacco products in order to:
> (a) reduce the appeal of tobacco products to consumers; and
> (b) increase the effectiveness of health warnings on the retail packaging of tobacco products; and
> (c) reduce the ability of the retail packaging of tobacco products to mislead consumers about the harmful effects of smoking or using tobacco products.

These objects take on greater significance in the arguments of the Commonwealth in *JTI*, and the five year post-implementation review of the regime, discussed below.

The *Tobacco Plain Packaging Act*, already quite extensive at 103 pages as passed, was supplemented by the *Tobacco Plain Packaging Regulations 2011* (Cth) and designed to work in conjunction with what became the *Competition and Consumer (Tobacco) Information Standard 2011* (Cth) (the '*Information Standard*').[26] While only the Act and Regulations were the subject of the constitutional challenge in *JTI*, it is important to consider the effect of the *Information Standard*, as the requirements imposed therein were relevant to the challenge.

Table 1 summarises the effect of these different enactments on the physical features of tobacco products, providing a holistic picture of the regime itself. It focuses specifically on retail packaging for cigarettes;[27] these account for 'the largest segment of the tobacco product market in Australia'.[28]

<http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=haa/./billtobaccopackage/subs.htm>.

[26] This Standard was enacted pursuant to the *Competition and Consumer Act 2010* (Cth) sch 2 (*The Australian Consumer Law*) s 134. See also *JT International v Cth* (2012) 250 CLR 1, 22 (French CJ); 36 (Gummow J); 118 (Kiefel J).

[27] The terms 'retail packaging of a tobacco product' and 'tobacco product' are defined in the *Tobacco Plain Packaging Act* s 4.

[28] Explanatory Statement, Select Legislative Instrument 2011, No 263, *Tobacco Plain Packaging Act 2011* and *Tobacco Plain Packaging Regulations 2011*, 3 (Attachment A).

Table 1: Main requirements imposed by the *Tobacco Plain Packaging Act, Tobacco Plain Packaging Regulations* and the *Information Standard* for retail packaging for cigarettes.

Physical Feature	Requirement	Enacting Measure
Shape	Rectangle, with a flip top lid Height — between 85mm and 125mm Width — between 55mm and 82mm Depth — between 20mm and 42mm	*Tobacco Plain Packaging Act* subss 18(2), (3) *Tobacco Plain Packaging Regulations* reg 2.1.1
Colour and finish of packaging	Matt finish; must be a 'drab dark brown', specifically Pantone 448C.[29] Inner surface must be white; lining of foil must be silver with white backing Made only of cardboard	*Tobacco Plain Packaging Act* subss 18(2), 19(2) *Tobacco Plain Packaging Regulations* reg 2.2.1(2), (3), 4
Inner and outer surfaces	No 'decorative ridges, embossing, bulges or other irregularities of shape or texture, or any other embellishments'	*Tobacco Plain Packaging Act* subs 18(1)(a)
Material not permitted to appear on retail packaging	No trade mark or mark may appear	*Tobacco Plain Packaging Act* subss 20(1), (2)
Material that may appear on retail packaging	The 'brand, business or company name for the tobacco products, and any variant name for the tobacco products', in Lucida Sans font; 'in [a] normal weighted regular font'; and no larger than 10-point size	*Tobacco Plain Packaging Act* ss 20(3), 21 *Tobacco Plain Packaging Regulations* regs 2.3.1–2.3.4
Material mandated to appear on retail packaging	Front of pack must feature a warning statement in Helvetica font, in upper case lettering and in bold; and a graphic. These items 'must cover *at least* 75% of the total area' [emphasis added] Back of pack must feature a warning statement in Helvetica font, in upper case lettering and in bold; a graphic 'with an overlay of the Quitline logo'; an explanatory message in Helvetica font, lower and upper case in bold and normal. These items 'must cover *at least* 90% of the total area' [emphasis added] Longest side must feature an information message, in Helvetica font, in black lettering over a yellow background, including the word 'WARNING'. This 'must cover *at least* 25% of the total area' [emphasis added]	*Information Standard* s 2.2 Item 1; pts 3 and 4 (which contain combinations of the warning statements, graphics, explanatory messages and information messages to be applied to retail packaging for cigarettes); pt 9 divs 3 and 4

[29] Pantone 448C was 'found in market research to be optimal in terms of decreasing the appeal and attractiveness of tobacco packaging': Explanatory Statement, Select Legislative Instrument 2011, No 263, *Tobacco Plain Packaging Act 2011* and *Tobacco Plain Packaging Regulations 2011*, 8 (Attachment B).

Chapter 3 of the Act created a range of criminal offences and civil penalties for failing to meet the requirements, for example, in the sale or supply of tobacco products where 'the retail packaging does not comply';[30] or by packaging tobacco in material not complying with the requirements of the Act and Regulations;[31] or by '[m]anufacturing non-compliant retail packaging',[32] among others. Special provision was made for failure to comply by a constitutional corporation.[33] The Act also provided authorities with broad powers of investigation[34] and, pursuant to section 108, mandated yearly reporting of the infringement notices and warning letters issued by virtue of the Act.

If tobacco companies had their way, however, the High Court would find the *Tobacco Plain Packaging Act* invalid before any of these elements came into effect.

B *Constitutional Issues*

The introduction of the Plain Tobacco Packaging (Removing Branding from Cigarette Packs) Bill 2009 into the federal Parliament sparked tobacco companies into action. As noted above, the Bill was referred to the Senate Community Affairs Legislation Committee, which called for submissions, and received 58 responses.[35] Philip Morris Ltd and Imperial Tobacco Australia Ltd made submissions and, while this Bill was not as extensive as the eventual *Tobacco Plain Packaging Act*, in its submission Philip Morris argued that:

> In Australia, Senator Fielding's plain packaging proposal represents an unconstitutional property acquisition for which compensation would be due. PML is the owner and licensee of highly valuable intellectual property used in the course of its business, including registered trade marks, registered designs, brand goodwill and cigarette packaging. These are exactly the elements of the pack Senator Fielding's Bill seeks to control. PML's property rights, including the exclusive right to use its registered trade marks, registered designs, brand goodwill, cigarette packaging and cigarette packaging not yet in existence, are all species of property protected by section 51(xxxi) of the Commonwealth Constitution.[36]

This was one of the first of many appearances that section 51(xxxi) would make in the plain packaging debate.[37] As noted briefly above, that section operates as both a power of the

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[30] *Tobacco Plain Packaging Act* s 31.
[31] Ibid s 33.
[32] Ibid s 34.
[33] Ibid ch 3 pt 3.
[34] Ibid ch 4.
[35] A full list of submissions received by the Committee is at: Senate Standing Committee on Community Affairs, Parliament of Australia, *Inquiry into Plain Tobacco Packaging (Removing Branding from Cigarette Packs) Bill 2009* (7 June 2010) <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Completed_inquiries/2008-10/plain_tobacco_packaging_09/submissions/sublist>.
[36] See Philip Morris Ltd, Submission No 45 to the Senate Standing Committee on Community Affairs, *Inquiry into Plain Tobacco Packaging (Removing Branding from Cigarette Packs) Bill 2009*, 30 April 2010, 3–4 (citation omitted) <http://www.aph.gov.au/~/media/wopapub/senate/committee/clac_ctte/completed_inquiries/2008_10/plain_tobacco_packaging_09/submissions/sub45_pdf.ashx>.
[37] In addition, for a law to be valid under the *Constitution* it needs to be supported by one of the heads of power contained in s 51. The *Tobacco Plain Packaging Act* was said to be supported by s 51(i) (the 'trade and commerce' power); s 51(xviii) (the 'intellectual property' power); s 51(xx) (the corporations power); and s 51 (xxix) (the 'external affairs' power). See *JT International v Cth* (2012) 250 CLR 1, 113 (Kiefel J).

Commonwealth Parliament and guarantees remuneration on 'just terms' where the Commonwealth exercises that power to acquire property. It reads:

> The Parliament shall, subject to this Constitution, have power to make laws for the peace, order, and good government of the Commonwealth with respect to: …
>
> (xxxi) the acquisition of property on just terms from any State or person for any purpose in respect of which the Parliament has power to make laws[.]

Thus, tobacco companies argued that in regulating what could appear on their cigarette packets, including restricting the use of trade marks on those packets, the Commonwealth had acquired their property (a proposition discussed in greater detail below). As a result, it was posited, the Commonwealth would be liable to compensate the tobacco companies for this acquisition with the requisite 'just terms' — with the unpopular idea of taxpayer funds directed towards tobacco companies cited often over the next two years.[38] Indeed, Tim Wilson, then of the Institute of Public Affairs and now federal parliamentarian, contended that the 'just terms' the government may be required to pay would amount to a 'gift from taxpayers to tobacco companies … [ranging] from $378m to $3,027m per year'.[39] These arguments — and those figures — continued, as the Gillard government released an exposure draft of its planned plain packaging legislation and, later, when the Bill that would eventually become the *Tobacco Plain Packaging Act* was introduced into Parliament.[40]

What was questionable, however, was what 'property' the Commonwealth acquired and how it had done this under the Act. The *Trade Marks Act 1995* (Cth) does provide that trade marks are personal property,[41] and the High Court had previously confirmed IP could be acquired under section 51(xxxi) of the *Constitution*.[42] Under the *Trade Marks Act* the owner of a trade mark, once registered, acquires the following rights pursuant to section 20:

> (1) If a trade mark is registered, the registered owner of the trade mark has, subject to this Part, the exclusive rights:
>
> (a) to use the trade mark; and
>
> (b) to authorise other persons to use the trade mark;
>
> in relation to the goods and/or services in respect of which the trade mark is registered.

Section 20 has been interpreted as creating a *negative* rather than a positive right — that is, the exclusive right under *Trade Marks Act* does not give the trade mark owner the right to use the

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[38] See eg, Tim Wilson, 'Plain Packaging Ploy Likely to Go Up in Smoke', *The Australian* (online), 30 April 2010 <http://www.theaustralian.com.au/opinion/plain-packaging-ploy-likely-to-go-up-in-smoke/news-story/d435ddb79355a3891913b7788833d4e2>; Tim Wilson, 'Trademark Rights to Extinguish Plain Packaging Bill?', *ABC News* (online), 11 April 2011 <http://www.abc.net.au/news/2011-04-11/plain-packaging-bill-extinguished-by-trademark-rights3f/55680>; Christian Kerr, 'Cigarettes May be Too Hot to Handle', *The Australian* (online), 28 May 2011 <http://www.theaustralian.com.au/national-affairs/opinion/cigarettes-may-be-too-hot-to-handle/news-story/6dbe20e3a3c427e9a6e04372eac4393e>.

[39] Tim Wilson, *Governing in Ignorance: Australian Governments Legislating, Without Understanding, Intellectual Property* (Institute of Public Affairs, 2010) 3 (on file with the author).

[40] See eg, British American Tobacco Australia, *Submission on the Tobacco Plain Packaging Bill*, 6 June 2011 <http://www.bata.com.au/group/sites/bat_9rnflh.nsf/vwPagesWebLive/DOA3CLZS/$FILE/medMD8HP7TT.pdf?openelement> ; Imperial Tobacco Australia Ltd, Submission No 51 to the House of Representatives Standing Committee on Health and Ageing, *Inquiry into Tobacco Plain Packaging*, 22 July 2011 <http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=haa/./billtobaccopackage/subs.htm>.

[41] *Trade Marks Act 1995* (Cth) s 21(1).

[42] See eg, *Nintendo Co Ltd v Centronics Systems Pty Ltd* (1994) 181 CLR 134, 160–61 (Mason CJ, Brennan, Deane, Toohey, Gaudron and McHugh JJ).

registered mark, but to exclude others from doing so[43] — a point that French CJ suggested caused difficulties for the arguments of the plaintiffs in *JTI*.[44] Under the *Tobacco Plain Packaging Act*, the Commonwealth did not gain any right to use the trade marks themselves. Also, and significantly, the Act provided that affected marks could not be refused registration for being contrary to law or revoked on account of non-use.[45] However, the plaintiffs argued that something less could amount to an acquisition of property. For example, Philip Morris posited that '[t]he extinguishment of these property rights would afford the Commonwealth the benefit of having full control of the cigarette packaging, freed from competing rights of PML to control the cigarette packaging'.[46] Similarly, in an oft-cited 2011 article, Stern and Draudins commented that:

> While the concept of 'acquisition' may require a corresponding or related benefit to be conferred on the Commonwealth or some other person, 'there does not need to be correspondence either in appearance, value or characterisation between what has been lost and what may have been acquired'.
>
> An example of a 'corresponding benefit' acquired by the federal government is, in the view of health advocates and indeed as set out in the Bill, the increased prominence of the health messages.[47]

Both IP and constitutional law scholars dismissed the constitutional claims.[48] Nonetheless, these arguments were taken seriously enough by the government that the eventual *Tobacco Plain Packaging Act* included a special section dealing with acquisition of property 'out of an abundance of caution',[49] seeking to ensure that even with an effective constitutional challenge, no 'gift' would ever be payable to a tobacco company. This provision, section 15, stated in part that the Act would 'not apply … [where] its operation would result in an acquisition of property … otherwise than on just terms'[50] and if the restrictions on 'use of a trade mark' constituted an acquisition of property, then that 'trade mark … may be used on or in relation to the retail packaging of tobacco products'.[51]

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[43] See eg, *JT International v Cth* (2012) 250 CLR 1, 31 (French CJ); 125 (Kiefel J). But see Evans and Bosland, who consider that section 20 confers negative and positive rights: Simon Evans and Jason Bosland, 'Plain Packaging of Cigarettes and Constitutional Property Rights' in Tania Voon, Andrew D Mitchell and Jonathan Liberman (eds), *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar Publishing, 2012) 48, 51–6. Heydon J in dissent took a similar view: see *JT International v Cth* (2012) 250 CLR 1, 79 (Heydon J).

[44] *JT International v Cth* (2012) 250 CLR 1, 34 (French CJ).

[45] *Tobacco Plain Packaging Act* s 28.

[46] Philip Morris Limited, above n 36, 4.

[47] 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, 149, quoting *Smith v ANL Ltd* (2000) 204 CLR 493, 542 (Callinan J) (citations omitted).

[48] See Mark Davison, 'Plain Packaging Bill to Extinguish Some Tobacco Trade Marks', *ABC News* (online), 15 April 2011 <http://www.abc.net.au/news/2011-04-15/plain-packaging-bill-to-extinguish-some-tobacco-trade-marks/56666>; George Williams, 'Plain Packaging Challenge Could Go Up in Smoke, But You Never Know', *Sydney Morning Herald*, 7 June 2011, 9; Catherine Bond, 'Big Tobacco, Smaller Print: The Constitutional Validity of Plain Packaging on Tobacco Products' (2011) 22 *Public Law Review* 251; Evans and Bosland, above n 43, 48–80.

[49] Explanatory Memorandum, Tobacco Plain Packaging Bill 2011, 11.

[50] *Tobacco Plain Packaging Act* s 15(1).

[51] Ibid s 15(2).

C *Before the High Court: Arguments of the Plaintiffs*

As noted above, in early to mid-December 2011 two tobacco companies brought separate actions before the High Court challenging the validity of the *Tobacco Plain Packaging Act.* One company, JT International SA, was the owner of the trade mark for 'Old Holborn' rolling tobacco and the exclusive licensee of four registered trade marks relating to 'Camel' cigarettes.[52] It was these trade marks, in addition to its product get-up, that JTI argued constituted property, and that the Commonwealth had subsequently acquired that property, under the Act.[53] The other group of companies, collectively referred to here and in the judgments as BAT, was the producer and distributor of a range of cigarettes including Winfield and Dunhill.[54] BAT contended that a far broader range of its IP had been acquired under the *Tobacco Plain Packaging Act*, including registered and unregistered trade marks; get-up; goodwill and reputation; design rights; patent rights; copyright protection for certain artistic and literary works; and packaging rights, among others.[55]

Gavan Griffith QC, a former Commonwealth Solicitor General, appeared for JTI. Griffith argued that JTI's trade marks and get-up had been acquired by the Commonwealth; as a result of the *Tobacco Plain Packaging Act* these 'rights … [were] reduced to a "bare husk"'.[56] That 'extinguishment … [gave] rise to a measurable and identifiable advantage to the Commonwealth' — namely, the fact that the Commonwealth was able to use the space on cigarette packets freed up by the Act to impose the requirements of the *Information Standard.*[57] In support of this argument, Griffith noted the High Court had previously found '[t]he property acquired does not have to correspond exactly with what is taken'.[58] It was also argued that the Commonwealth's ability to meet the objects of the statute, namely 'improving public health and … the effectiveness of the health warnings' was also 'a measurable and identifiable advantage'.[59] But for the existence of section 15, extracted above, the Act would be unconstitutional.[60]

Counsel for BAT made similar arguments, stating that:

> The Act deprives the trade marks of any value and it places material in the place on the packaging where BAT would have used its trade marks. … The Commonwealth's advantage is control of the use of, and of using, the space on the packaging which would be used by the mark. The Commonwealth is relieved of the cost of acquiring that space. The owner of the 'Quitline' mark obtains the benefit of increased prominence by reason of the prohibition of BAT's intellectual property.[61]

This idea of 'control' was also put forward by counsel for Philip Morris, as an intervener; it was argued that the *Tobacco Plain Packaging Act* 'confer[red] on the Commonwealth complete

[52] *JT International v Cth* (2012) 250 CLR 1, 36–7 (Gummow J).
[53] Ibid 6 (G Griffith QC) (during argument).
[54] Ibid 37 (Gummow J), 90 (Crennan J).
[55] Ibid 7 (AJ Myers QC) (during argument), 25 (French CJ).
[56] Ibid 6 (G Griffith QC) (during argument).
[57] Ibid.
[58] Ibid (citation omitted).
[59] Ibid.
[60] Ibid 23–4 (French CJ).
[61] Ibid 8 (AJ Myers QC) (during argument) (citation omitted).

control over exploitation of the packaging and over how and where the intellectual property rights may be exploited'.[62] This 'change of control' was the acquisition requiring just terms.[63]

Nonetheless, it was noted that the plaintiffs and interveners experienced 'difficulties' in presenting their arguments to the Court.[64] Rimmer, who attended all three days of the hearings later commented that 'as an expert in IP, the arguments of the tobacco companies about acquisition of property often seemed synthetic and unreal to me'.[65]

D *Before the High Court: Arguments of the Defendant*

Stephen Gageler SC, the Commonwealth Solicitor-General who would, later in 2012, be appointed a Justice of the High Court, represented the government. The primary arguments disputed the characterisation of the property (while it accepted that the trade marks were property, it was claimed that 'get-up' did not constitute property)[66] and any alleged acquisition of property affected by the Act. In order to effect an acquisition, the Commonwealth contended, the government needed to '[acquire] an interest in property, however slight or insubstantial'.[67] What had occurred here was simply 'a diminution of use or value of a thing in which some right of the property exists'.[68]

The Commonwealth also made a number of arguments that were more difficult to establish. It was claimed that, even if an acquisition of property had occurred, no compensation was payable as this was 'no more than a necessary consequence or incident of a restriction on a commercial trading activity where that restriction is reasonably necessary to prevent or reduce harm caused by that trading activity to members of the public or to public health'.[69] As will now be explored, the members of the High Court placed different emphases on the arguments made by the plaintiffs and defendants in their judgments.

III THE FINDINGS OF THE HIGH COURT OF AUSTRALIA

In reaching an outcome, the Justices of the High Court essentially had to answer the following questions:

1. What constituted property in this case, for section 51(xxxi) to apply?
2. Was that property acquired by the Commonwealth, or another person, pursuant to the provisions of the *Tobacco Plain Packaging Act*?
3. If there was an acquisition, did the *Tobacco Plain Packaging Act* provide just terms in those circumstances; or
   Regardless, did the argument of the Commonwealth as to 'reasonable necessity' apply, thereby negating the payment of 'just terms'; or

[62] Ibid 9 (AC Archibald QC) (during argument).
[63] Ibid 10.
[64] Liberman, above n 8, 374.
[65] Matthew Rimmer, 'Cigarettes Will Kill You: The High Court of Australia and Plain Packaging of Tobacco Products', *WIPO Magazine* (February 2013) <http://www.wipo.int/wipo_magazine/en/2013/01/article_0005.html>.
[66] *JT International v Cth* (2012) 250 CLR 1, 14 (SJ Gageler SC) (during argument); 24 (French CJ).
[67] Ibid 13 (SJ Gageler SC) (during argument) (citation omitted).
[68] Ibid 14.
[69] Ibid 15 (citation omitted).

Did section 15 apply, to sever the invalid provisions?[70]

The majority of the judgments focused on the first two questions, with some remarks as to the final question made in obiter, and in the dissenting opinion of Heydon J.

A *French CJ*

While, as Liberman has noted, *JTI* 'did not involve consideration of the merits of plain packaging as a policy intervention',[71] in his judgment French CJ placed great emphasis on the 'purposive elements reflecting public policy considerations' that have always been present in 'the statutory creation of [IP] rights'.[72] This 'statutory purpose', his Honour considered, 'may be relevant to the question whether and in what circumstances restriction or regulation of their enjoyment by a law of the Commonwealth amounts to acquisition of property for the purposes of s 51(xxxi)'.[73] Although French CJ was not as precise in his reference to the different types of IP and property potentially affected by the Act, his Honour spent part of his judgment examining the nature of IP rights and how this affected the issues of the case. As with other members of the Court, it was considered that these were negative rights — that as BAT proposed, were 'rights to exclude others', which would have 'no substance' if use of the rights is restricted.[74] In the present circumstances, this posed difficulties for the plaintiffs, given that 'the negative character of the plaintiffs' property rights leaves something of a logical gap between the restrictions on their enjoyment and the accrual of any benefit to the Commonwealth or any other person'.[75] This factor was considered important as, while French CJ considered that 'space' (on packets) was created by the regime, the Commonwealth did not acquire any property.[76]

His Honour was also careful in making the distinction between a 'taking' of property as opposed to an acquisition, as required by section 51(xxix), stating that '[t]aking involves deprivation of property seen from the perspective of its owner. Acquisition involves receipt of something seen from the perspective of the acquirer'.[77] In establishing what constitutes an acquisition under section 51(xxxi), the Chief Justice cited the findings of Mason J in *Commonwealth v Tasmania* ('the *Tasmanian Dam Case*') noting that 'there must be an acquisition whereby the Commonwealth or another acquires an interest in property, however slight or insubstantial it may be'.[78] The comments of Justice Deane in that case, in relation to the relevant 'proprietary rights' acquired, would play a significant role in the judgments of Gummow J and Hayne and Bell JJ, and the dissenting view of Heydon J.

In *JTI*, no proprietary right, 'interest[,] or benefit' in relation to the IP of the plaintiffs was acquired by the Commonwealth.[79] French CJ similarly rejected the 'space' and 'control' arguments, finding 'that the public purposes to be advanced and the public benefits to be derived from the regulatory scheme outweigh those public purposes and public benefits which

[70] Fletcher provides a similar list: see Daniel Fletcher, '*JT International SA v Commonwealth:* Tobacco Plain Packaging' (2013) 35 *Sydney Law Review* 827, 830.
[71] Liberman, above n 8, 377.
[72] *JT International v Cth* (2012) 250 CLR 1, 27 (French CJ).
[73] Ibid 28.
[74] Ibid 32; see also 31.
[75] Ibid 34.
[76] Ibid.
[77] Ibid 33 (citation omitted).
[78] Ibid 34, citing *Commonwealth v Tasmania* (1983) 158 CLR 1, 145 (Mason J).
[79] Ibid.

underpin the statutory intellectual property rights and the common law rights enjoyed by the plaintiffs. The scheme does that without effecting an acquisition.'[80]

B *Gummow J*

Gummow J was also sensitive to the specific issues posed by the nature of IP rights and the repercussions of these for the plaintiffs' case,[81] but was critical of the arguments of the plaintiffs regarding the 'cardboard boxes' as property as 'both unreal and synthetic'.[82] His Honour also focused on the distinction between a 'taking' as opposed to an acquisition, finding that the former had actually occurred in this case on account of the 'sufficient impairment' of the rights of the plaintiff.[83] In reaching this conclusion, his Honour took time to compare section 51(xxxi) with the Fifth Amendment of the *United States Constitution*, which only requires the lesser action of 'taking', rather than acquisition, in order to be invoked successfully.[84]

The judgment of Gummow J was similarly precise in its unpacking of arguments regarding the nature of the benefit or interest that must accrue to the Commonwealth or another person under the alleged impugned legislation. As noted above, for section 51(xxxi) to apply, the Commonwealth does not need to receive the exact rights that it is said to have acquired (for example, here it did not need to receive ownership of the tobacco company trade marks for the constitutional provision to be infringed). In *JTI* the plaintiffs sought to rely on a comment made by Deane J in obiter in the *Tasmanian Dam Case* that, in some circumstances, section 51(xxxi) can be invoked in the absence of a 'corresponding benefit of a proprietary nature'.[85] Gummow J rejected this (although Heydon J, in dissent, explored the 'proprietary' aspect of this comment in greater detail, as outlined below).

Thus, although there was a 'taking', there was 'no acquisition of any property'.[86] Similarly, although Gummow J agreed that the rights were 'denuded of their value', that did not amount to an acquisition.[87] His Honour was also particularly dismissive of the argument that fulfilment of a legislative goal or a treaty obligation could amount to an acquisition:

> JTI submits (i) there can be an 'acquisition' within s 51(xxxi) which is not proprietary in nature and (ii) the pursuit of the legislative purposes in s 3 of the Packaging Act confers the requisite advantage upon the Commonwealth to satisfy the requirement of an 'acquisition'. Proposition (i) should be rejected as inconsistent with the authorities discussed above. As to (ii), pursuit of the legislative objectives stated in s 3 of the Packaging Act does not yield a benefit or advantage to the Commonwealth which is proprietary in nature.
>
> No doubt the implementation in municipal law of a treaty obligation of sufficient specificity may be a 'purpose in respect of which the Parliament has power to make laws' within the meaning of s 51(xxxi). However, the reasoning and outcome in the *Tasmanian Dam Case* indicates, as is apparent from the passage in the reasons of Mason J set out above, that the

[80] Ibid (citation omitted).
[81] Ibid 39.
[82] Ibid 55 (citation omitted).
[83] Ibid 47.
[84] Ibid 51–2.
[85] Ibid 57.
[86] Ibid 47.
[87] Ibid 59.

> mere discharge by the Commonwealth of a treaty obligation itself is insufficient to provide an 'acquisition' by the Commonwealth.[88]

His Honour further rejected the 'control' argument, agreeing with the finding of the joint judgment of Hayne and Bell JJ, discussed below, that 'compliance with federal law' does not amount to control or acquisition.[89]

C *Hayne and Bell JJ*

The decision of Hayne and Bell JJ is significant for several reasons, including their reiteration of the 'bedrock principle' to be applied in section 51(xxxi) cases[90] and their Honours' criticisms of the characterisation of the 'Commonwealth' for the present proceedings.[91] In the first section of the joint judgment, Hayne and Bell JJ sought to dismiss a number of the different interpretations that had been accorded to section 51(xxxi) during argument. It was noted the Court had consistently found 'that s 51(xxxi) does not give protection to "the general commercial and economic position occupied by traders"',[92] and that:

> There can be no acquisition of property without 'the Commonwealth or another acquir[ing] an interest in property, however slight or insubstantial it may be'. Giving a liberal construction to 'acquisition' and 'property' does not, and must not, erode the bedrock established by the text of s 51(xxxi): there must be an *acquisition of property*.
>
> The arguments advanced by the tobacco companies sought to depart from this bedrock principle. … They said that there need be no acquisition of 'property', or of a benefit or advantage of a proprietary nature, to engage s 51(xxxi). But that submission must run aground on the bedrock that has been identified.[93]

As to what the Commonwealth was said to acquire in the case, Hayne and Bell JJ summarised this list as follows:

> 'use' or 'control' of the (surface of) tobacco packaging; free advertising space; 'control' over what appears on retail packaging and thus 'control' over the 'exploitation' of that packaging; the removal from packaging of what the Commonwealth wanted removed and its replacement by what the Commonwealth wanted put there.[94]

However, none of these circumstances could be said to create any acquisition of property: '[c]ompliance with the … [*Tobacco Plain Packaging Act*] creates no proprietary interest'.[95]

D *Crennan J*

The findings of Crennan J are noteworthy on account of her Honour's recognition of how the plaintiffs were still able to use their trade marks under the *Tobacco Plain Packaging Act*. After

[88] Ibid 62 (citations omitted).
[89] Ibid 63.
[90] Ibid 68.
[91] Ibid 72.
[92] Ibid 67, citing *Federal Council of the British Medical Association in Australia v Commonwealth* (1949) 79 CLR 201, 270 (Dixon J).
[93] Ibid 68 (emphasis in original), citing the *Tasmanian Dam Case* (1983) 158 CLR 1, 145 (Mason J).
[94] Ibid 70.
[95] Ibid 71.

reviewing the rights accruing to trade mark owners,[96] her Honour summarised the issues for consideration simply in the following way:

> Whether subsequent legislative prohibitions or restrictions on the use of incorporeal property created by statute will amount to an acquisition of property for the purposes of s 51(xxxi) must depend on the nature of the rights attaching to the incorporeal property, and whether, for the purposes of the Commonwealth, the prohibitions or restrictions: (a) give, or effectively give, the Commonwealth or another a right to use the incorporeal property wholly or partly to the exclusion of the owner; or (b) bestow some other identifiable benefit or advantage upon the Commonwealth or another which can be characterised as proprietary.[97]

Rather than examining the discussion purely from the perspective of what benefit accrued to the plaintiff, Crennan J considered what benefits in the trade marks remained with trade mark owners and licensees, both through registration and in the get-up and goodwill still associated with their brands.[98] Her Honour found that while the *Tobacco Plain Packaging Act* 'restricted' how JTI, BAT and the other plaintiffs could use their trade marks, what was still permitted by the Act, namely the appearance of the company name and cigarette or tobacco brand on the package itself was 'capable of discharging the core function of a trade mark — distinguishing the registered owner's goods from those of another, thereby attracting and maintaining goodwill'.[99] As in other majority judgments, her Honour was also critical of the 'control' argument[100] and rejected the proposition that fulfilment of the objects of the Act plus the additional requirements imposed by the *Information Standard* created any benefit.[101] Therefore, while recognising that the Act imposed significant restrictions on the plaintiff's IP, Crennan J found that the requirements of section 51(xxxi) were not fulfilled.

E *Kiefel J*

The decision of Kiefel J provided the most extensive discussion of the historical regulation of cigarette and tobacco packaging and advertising in Australia.[102] Her Honour agreed that under the *Tobacco Plain Packaging Act* 'some or much of the value of … [the plaintiff's] intellectual property has been lost', but this was not enough to effect an acquisition of property.[103] As with the other judgments, Kiefel J also recognised the failure of the plaintiffs to state precisely what 'proprietary interest' or benefit the Commonwealth had gained to create the acquisition, beyond the 'control of … space' issue advanced in the course of the proceedings.[104] Responding to the argument of BAT that the Commonwealth had 'saved the cost of acquiring the space for its own advertising', her Honour considered that 'the plaintiffs' businesses may be harmed, but the Commonwealth does not thereby acquire something in the nature of property'.[105]

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[96] Ibid 97–9 (Crennan J).
[97] Ibid 99.
[98] Ibid 104–5.
[99] Ibid 105 (citation omitted).
[100] Ibid 106–7.
[101] Ibid 108.
[102] Ibid 114–18 (Kiefel J).
[103] Ibid 128.
[104] Ibid 129.
[105] Ibid 132.

Kiefel J also considered the argument of the Commonwealth that any acquisition created by the Act could avoid the application of the 'just terms' requirement where it was 'no more than a consequence or incident of a restriction on a commercial trading activity, where that restriction is reasonably necessary to prevent or reduce the harm that activity causes to public health'.[106] However, her Honour rejected this argument, noting that, as drafted and interpreted by the High Court, the constitutional provision in question 'contains its own limits and conditions' — as appeared in this case — and found that the proposed 'test of proportionality' was not appropriate.[107]

F *Heydon J in Dissent*

In contrast to his fellow Justices, Heydon J did find that the Commonwealth was in breach of section 51(xxxi). His Honour relied on comments made by Deane J in the *Tasmanian Dam Case*, invoked by the plaintiffs but dismissed by other members of the Court, quoting the following paragraph in his decision:

> .... The range of the prohibited acts is such that the practical effect of the benefit obtained by the Commonwealth is that the Commonwealth can ensure, by proceedings for penalties and injunctive relief if necessary, that the land remains in *the condition which the Commonwealth, for its own purposes, desires to have conserved*. In these circumstances, the obtaining by the Commonwealth of the benefit acquired under the Regulations is properly to be seen as a purported acquisition of property for a purpose in respect of which the Parliament has power to make laws. ….[108]

In applying this reasoning to the current case, Heydon J found that while the rights granted by the *Trade Marks Act* remained with their owners, the *Tobacco Plain Packaging Act* 'deprived them of control of their property, and of the benefits of control. The [*Tobacco Plain Packaging Act*] gave that control and the benefits of that control to the Commonwealth'.[109] Thus, in opposition to the conclusions reached by other members of the Court, his Honour considered the effect on the plaintiffs' rights and the 'control' gained by the Commonwealth was enough to trigger section 51(xxxi).

These findings were even extended to the space on the cigarette packets, filled by the *Information Standard*, arguments also rejected in the other judgments. Heydon J phrased how this constituted an acquisition in the following terms:

> The legislation deprives the proprietors of their statutory and common law intellectual property rights and their rights to use the surfaces of their own chattels. It gives new, related rights to the Commonwealth. One is the right to command how what survived of the intellectual property (the brand, business or company name) should be used. Another is the right to command how the surfaces of the proprietors' chattels should be employed. The proprietors called this conscripting, commandeering or dominating the space. To put it more neutrally, these new rights are rights of control.[110]

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[106] Ibid 122.
[107] Ibid 123.
[108] *Tasmanian Dam Case* (1983) 158 CLR 1, 287 (Deane J) quoted by Heydon J in *JT International v Cth* (2012) 250 CLR 1, 76 (emphasis in original).
[109] *JT International v Cth* (2012) 250 CLR 1, 80.
[110] Ibid 82–3. His Honour also rejected the argument of the Commonwealth that s 51(xxxi) did not apply where there was '[t]he existence of a regulatory goal': see 85.

In concluding his judgment, Heydon J was particularly critical of the defendant, going so far as to describe the Commonwealth as having a 'hatred' for section 51(xxxi), considering it akin to a 'flame' and it being the duty of the High Court to 'ensure that that flame does not start a destructive blaze'.[111] The possibility of that 'destructive blaze' manifesting itself in other forms of plain packaging is considered in the conclusion to this article.

IV BEYOND *JTI*

With the constitutional proceedings concluded, the Commonwealth was free to focus on the daily implementation of the plain packaging regime, overseen by the Department of Health. For the most part, it appears that over the last five years the regime has been successful in two respects. First, tobacco manufacturers, suppliers and retailers appear to be taking their obligations under the *Tobacco Plain Packaging Act* seriously. Second, it also appears that the regime is meeting the objective detailed in section 3 of the Act. Still, plain packaging has led to some unanticipated legal consequences that resulted in Federal Court action. Each of these aspects is examined in greater detail below.

During the first five years of tobacco plain packaging in Australia, there have been no prosecutions or civil penalties for breach of the regime. While specific information on investigations and the circumstances leading to the issue of warning letters and infringement notices is not publicly available, the Annual Reports for the Department of Health do provide some basic data, as required by section 108 of the Act. As a result, it is possible to summarise the number of matters investigated; the number of warning letters issued; and the number of infringement notices (Table 2).

Table 2: Matters Investigated and Issuances Under the *Tobacco Plain Packaging Act*, 2012 to 2016[112]

Period	Investigations	Warning Letters Issued	Infringement Notices Issued
2012–2013	59	8	3
2013–2014	59	19	
2014–2015	226		
2015–2016	210	60	1

If one measure of success is the level of compliance with a statute, then it appears from this data that the Act has been successful. There has been no need to reach the full level of investigatory powers provided by the statute, no prosecutions and no civil penalties. Having said that, these figures are quite different from those presented in other outlets, including media coverage. In early March 2017 the *Sydney Morning Herald* reported that '[t]he Department of Health has received 1054 individual complaints involving 746 cases' following the

[111] Ibid 89.

[112] Data collated from Department of Health and Ageing and Department of Health Annual Reports: Department of Health and Ageing (Aust), *Annual Report 2012–2013 Vol 2* (2013), 240; Department of Health (Aust), *Annual Report 2013–2014 Vol 2* (2014), 191; Department of Health (Aust), *Annual Report 2014–2015* (2015), 156; Department of Health (Aust), *Annual Report 2015–2016* (2016), 241. For the 2015–16 figure, it is noted in the report that '[t]he majority of these matters were continuing investigations from the previous year'. Reports available at <http://www.health.gov.au/internet/main/publishing.nsf/Content/Annual+Reports-3>.

introduction of the *Tobacco Plain Packaging Act*.[113] While such figures could be reconciled with the table above — for example, a complaint does not automatically lead to an investigation — it was further stated that '[o]f those cases, 459 were cleared and 135 warning letters were issued',[114] the latter figure being considerably larger than the number of warning letters listed in Table 2. The report, based in part on evidence presented to a Senate Estimates Committee, also noted that one $2000 fine for breach of the Act had been issued to date, and that there was evidence that tobacco companies had been experimenting with alternative methods of packaging that could be in breach.[115]

More generally, the effectiveness of the regime in meeting its objects was also highlighted in the recent post-implementation review into the Act. In late 2014 the Department of Health commissioned Siggins Miller Consultants to undertake a broad review into the operation and effectiveness of the Act.[116] The review consulted with and sought submissions from the community, including health organisations, industry representatives and retailers. Perhaps unsurprisingly, those who advocated the measures argued that tobacco plain packaging was succeeding in lowering smoking rates in Australia, and those who disagreed with the legislation believed there was no discernible drop in smoking uptake and rates.[117] In its submission, for example, the Institute of Public Affairs argued that not only was there evidence to suggest national smoking rates had risen since 2012, plain packaging had caused an increase in the importation of illegal tobacco into Australia.[118] Despite those submissions, however, the *Post-implementation Review: Tobacco Plain Packaging* report referred to multiple data sources indicating that the objectives of the regime were being met and smoking levels in Australia were decreasing. These included data as diverse as:

- an increase in calls to Quitline (a staggering 78 per cent increase in New South Wales, for example);[119]
- a decrease in 'daily smoking prevalence' in Australia, 'from 15.1% in 2010 to 12.8% in 2013' in data collected as part of the National Drug Strategy Household Survey;[120] and,
- data released by the Australian Bureau of Statistics 2014–2015 *National Health Survey* that 'daily smoking prevalence' had, on their figures, dropped from 16.1 per cent in 2011–12 (the time of introduction of plain packaging) to 14.5 per cent in 2014–15.[121]

In its Executive Summary, the report states that:

> While the full effect of the tobacco plain packaging measure is expected to be realised over time, the evidence examined in this PIR suggests that the measure is achieving its aims. This evidence shows that tobacco plain packaging is having a positive impact on its specific mechanisms as envisaged in the [*Tobacco Plain Packaging Act*]. All of the major datasets examined also showed on-going drops in the national smoking prevalence in Australia. These

[113] Amy Remeikis, 'Just One $2000 Fine Issued Since Tough New Plain Packaging Laws Introduced', *Sydney Morning Herald* (online), 5 March 2017 <http://www.smh.com.au/national/health/just-one-2000-fine-issued-since-tough-new-plain-packaging-laws-introduced-20170301-guoiu4.html>.
[114] Ibid.
[115] Ibid.
[116] Department of Health, above n 3, 19.
[117] Ibid 20–1.
[118] See generally Simon Breheny, Institute of Public Affairs, 'Plain packaging exposed[.] Submission to the Siggins Miller Post-implementation Review — Mandatory Plain Packaging of Tobacco Products' (March 2015) (on file with the author).
[119] Department of Health, above n 3, 30.
[120] Ibid 38.
[121] Ibid 41.

> decreases cannot be entirely attributed to plain packaging given the range of tobacco control measures in place in Australia, including media campaigns and Australia's tobacco excise regime. However, analysis of Roy Morgan Single Source Survey Data shows that the 2012 packaging changes (plain packaging combined with enhanced graphic health warnings) have contributed to declines in smoking prevalence, even at this early time after implementation.[122]

In litigation before the Federal Court in 2015 and 2016, however, some unanticipated legal consequences of the operation of the *Tobacco Plain Packaging Act* were revealed. In 2014, Scandinavian Tobacco Group Eersel BC ('STG'), which produces Henri Wintermans, Café Crème and La Paz cigars in Holland and Belgium,[123] along with its Australian subsidiary, commenced action against Trojan Trading Company Pty Ltd ('Trojan') for trade mark infringement. Trojan legally acquired and packaged STG cigars and, in order to sell these into Australia, would '[remove] the cigars from the original packaging and [transfer] them individually to compliant retail plain packaging' that met the packaging requirements of the Act.[124] Trojan would re-apply the relevant STG trade mark, also within the confines of what was permitted under the Act.[125] The practicalities of the plain packaging regime, in Trojan's circumstances, were summarised as follows:

> … if the Australian Parliament had not passed the plain packaging legislation, Trojan could have sold the cigars in the boxes or packets with packaging placed on them by STG Eersel. But Trojan could not do so because of the plain packaging legislation. Thus, it replaced the packaging in order to conform with the law and in doing so placed the trade marks on the packets to disclose the connection between the goods and the registered owner (not it).[126]

That action, however, was argued to amount to trade mark infringement pursuant to section 120(1) of the *Trade Marks Act*, in addition to passing off and a breach of Australian consumer protection provisions.[127] Before Allsop CJ, the matter came down to two issues: had Trojan used the trade marks of STG as trade marks and, if so, whether section 123 of the *Trade Marks Act*, which permits use of a registered trade mark that has previously been applied to 'goods by, or with the consent of, the registered owner' applied in the circumstances. His Honour answered in the affirmative to both questions. In reapplying the trade mark, Trojan has used it within the requirements of section 120(1);[128] that reapplication was a consequence of the operation of the *Tobacco Plain Packaging Act* (though not a defence to what Trojan had done). However, it was found that section 123 applied in the circumstances: Allsop CJ commented that the provision itself was designed to '[protect] … non-infringing use … which does no more than draw a connection between the goods and the registered owner'.[129]

On appeal, the Full Federal Court examined the same issues but, in a joint judgment, agreed with the findings of Allsop CJ.[130] Thus, while the *Tobacco Plain Packaging Act* has generated

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[122] Ibid 4.
[123] *Scandinavian Tobacco Group Eersel BV v Trojan Trading Company Pty Ltd* [2015] FCA 1086 (9 October 2015) [11].
[124] Ibid [18].
[125] Ibid [18], [43].
[126] Ibid [81].
[127] Ibid [2], [5].
[128] Ibid [72].
[129] Ibid [85]. The additional actions were similarly dismissed: see [97]–[99] and [101]–[102].
[130] *Scandinavian Tobacco Group Eersel BV v Trojan Trading Company Pty Ltd* [2016] FCAFC 91 (24 June 2016) [56], [67], [77]. The additional actions were similarly dismissed: see [85] and [88].

some unique, and complicated, issues, the existing provisions of the *Trade Marks Act* appear to be meeting those challenges.

V CONCLUSION

In examining the findings and effect of *JTI*, Rimmer argued that 'the ruling of the High Court … will spark an "Olive Revolution" — in which other countries will follow the lead of Australia and mandate the plain packaging of tobacco products'.[131] While this may be overemphasising the significance of the High Court decision (Ricketson has commented that the case 'may have limited relevance for other countries'),[132] Rimmer was correct in his prediction that other countries would be inspired by the Australian experience.

Perhaps surprisingly, what has not come to pass in Australia is an 'Olive Revolution' for other products that may interfere with a healthy lifestyle — for example alcohol, soft drinks and junk food.[133] During the passage of the *Tobacco Plain Packaging Act*, there was speculation that these types of products would be next to receive the plain packaging treatment and, since the enactment of the legislation, there have been increased calls to extend the regime to these products. Ricketson has argued that *JTI* 'provides a clear basis for confidence at the national level that analogous restrictions … would be constitutional'.[134] As illustrated in this article, the Commonwealth government arguably felt initially cautious about the legal consequences of plain packaging laws, particularly given the continued lobbying of tobacco companies over the two years it took to introduce the regime in Australia. However, its successful defence of the legislation in the High Court, in addition to the findings of the post-implementation review that the regime is meeting its objectives, may motivate the government to consider creating a broader plain packaging regime. This space may be very different when Australian reaches the 10th anniversary of tobacco plain packaging.

[131] Matthew Rimmer, 'The High Court of Australia and the Marlboro Man: The Battle over the Plain Packaging of Tobacco Products' in Tania Voon, Andrew D Mitchell and Jonathan Liberman (eds), *Regulating Tobacco, Alcohol and Unhealthy Foods: The Legal Issues* (Routledge, 2014) 337, 339.
[132] Ricketson, above n 12, 226.
[133] Ibid 239.
[134] Ibid.