JTI's submission to the Senate Legal and Constitutional Affairs Committee's inquiry into the Trade Marks Amendment (Tobacco Plain Packaging) Bill 2011

1 September 2011

JTI is part of the Japan Tobacco Group of Companies, a leading international tobacco product manufacturer. It markets world-renowned brands such as Winston, Mild Seven and Camel. Its other international brands sold outside Australia include Benson & Hedges, Silk Cut, Sobranie of London, Glamour and LD. With headquarters in Geneva, Switzerland, and net sales of USD 10.2 billion in the fiscal year ended December 31, 2010, JTI has about 25,000 employees and operations in 120 countries. For more information, visit www.jti.com.

JTI currently manufactures three different brands of tobacco product sold in Australia: two brands of cigarettes (Camel and More) and one brand of other tobacco product, Old Holborn.

1. EXECUTIVE SUMMARY

1.1 It is among JTI's core beliefs that minors should not smoke and should not be able to obtain tobacco products and that adult smokers should be appropriately informed about the risks of smoking before they make the decision to smoke. These beliefs are central to our Code of Conduct, marketing practices, operational policies and the way JTI does business. JTI also supports the continued provision of information to reaffirm the health risks of smoking. However, JTI will question, and where necessary challenge, regulation that is flawed, unreasonable, disproportionate or without evidential foundation.

1.2 Reflecting this viewpoint, JTI has been, and remains, categorically opposed to the current proposal of the Australian government to mandate plain packaging for tobacco products. JTI set out in detail its concerns in its submission dated 2 June 2011 in response to the consultation paper issued by the Australian Government on 7 April 2011 (the ***June Submission***). It reiterated its concerns by way of a letter dated 20 July 2011 to the House of Representatives Committee on Health and Ageing when that Committee conducted its enquiry into "*Tobacco Plain Packaging*".[1] A copy of both the June Submission and the letter to the House of Representatives Committee on Health and Ageing are enclosed as Annex One.

1.3 In this submission, JTI reaffirms its key objections to plain packaging and the latest proposal contained within the *Tobacco Plain Packaging Bill 2011* (the ***Plain Packaging Bill***) which is still undergoing scrutiny and Parliamentary debate. Given the terms of reference of the Senate Legal and Constitutional Affairs Committee's inquiry into the Trade Marks Amendment (Tobacco Plain Packaging) Bill 2011 (Cth) (the ***TM Amendment Bill***), this submission draws attention to the fact that the TM Amendment Bill includes clauses which are unjustified and offend the constitutional principles of separation of powers between the Executive, the Judiciary and the Legislature and the guarantee against the acquisition of property on unjust terms.

1.4 JTI considers that the enactment of the TM Amendment Bill would not remedy the fundamental constitutional flaw in the Government's proposed plain packaging laws, which provide for an acquisition of property in a way that ensures that tobacco product manufacturers are denied all access to the guarantee of "*just terms*" in section 51(xxxi) of the Australian Constitution. Furthermore, the TM Amendment Bill implicitly recognises that the Plain Packaging Bill is inconsistent with Australia's trade marks regime and is therefore at risk of causing unintended consequences.

1.5 In addition, this submission highlights a serious legal issue which the TM Amendment Bill fails to address adequately or at all; namely, the failure of the Plain Packaging Bill, were it to be enacted, to meet Australia's World Trade Organisation (***WTO***) and Paris Convention obligations.

1.6 In accordance with these views, this submission addresses the following:

Part 2: JTI's key objections to plain packaging;

Part 3: Constitutionally inappropriate use of Henry VIII clauses;

Part 4: A breach of constitutional guarantees;

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[1] http://www.aph.gov.au/house/committee/haa/billtobaccopackage/report.htm.

Part 5: Australia's WTO and Paris Convention obligations; and

Part 6: Conclusion.

2. JTI'S KEY OBJECTIONS TO PLAIN PACKAGING

2.1 When conducting its inquiry into the TM Amendment Bill, JTI considers it important that the Senate Legal and Constitutional Affairs Committee is mindful of JTI's more general objections to plain packaging not otherwise set out in this submission. It must be recognised that the TM Amendment Bill proposes to facilitate the making of regulations in relation to "*the effect of the operation of the Tobacco Plain Packaging [Bill] 2011*", meaning that the legality and the appropriateness of the TM Amendment Bill cannot be properly assessed in isolation: any constitutional flaw in the Plain Packaging Bill would necessarily infect any regulations made under the TM Amendment Bill, were they each to be enacted.

2.2 JTI's concerns with respect to plain packaging in general are set out in detail in the June Submission, and are summarised below along with further concerns raised by the additions to the Plain Packaging Bill presented to Parliament after the formal consultation period:

(a) *An unjustified expropriation of property*: Plain packaging would, if implemented, prevent JTI from using its brands, which are – as with any consumer product manufacturer – JTI's most valuable assets. In our view, the measures proposed are not only an unconstitutional acquisition of property on unjust terms, they are also an unjustified expropriation of our property.

(b) *A disproportionate measure without an appropriate evidential basis*: There is no credible evidence to demonstrate that plain packaging is capable of achieving the Government's stated objectives. The Government appears to have previously accepted this. It was reported on 24 May 2011 that Federal Health Minister Nicola Roxon had said, in response to a call for such evidence, that: "[t]*he sort of proof they are looking for doesn't exist when this hasn't been introduced around the world*".[2] Against this backdrop, the Australian plain packaging proposal seeks to dictate arbitrarily the appearance of product packaging on the basis of a fundamental mischaracterisation of the role of packaging.

(c) *An unreasonable interference with lawful market activity*: Packaging plays an important role in the consumer goods market. It conveys guarantees of a product's origin and quality, and the investment in it. Plain packaging frustrates the provision of these guarantees, thereby impeding lawful competitive market activity. This is compounded by the ability of plain packaging to facilitate unlawful market activity through illicit trade and counterfeit products. Given its leading international position and modest Australian presence, JTI's market share has significant potential for growth, through competition with well-established brands. JTI is therefore also concerned about the market crystallisation effects of plain packaging, which will deprive it of any meaningful ability to introduce new brands to the market for existing Australian adult smokers.

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[2] See http://www.news.com.au/breaking-news/no-proof-plain-packs-will-cut-smoking-roxon/story-e6frfku0-1226061939855#ixzz1NNYBf29Z.

(d) *A failure to meet international and Australia's own Better Regulation principles*: Tobacco products carry risks to health and we believe that appropriate and proportionate regulation of our industry is both necessary and right. JTI supports legislative measures on tobacco control that meet the Better Regulation principles defined by the OECD[3] and endorsed in the Handbook of the Australian Office of Best Practice Regulation.[4] However, when measured against this benchmark and that of the Australian Constitution, the proposed plain packaging measure falls short of these fundamental requirements in a number of ways. For example, it is concerning that no compliant Regulatory Impact Statement has been produced for this very significant and unprecedented regulatory measure, and that that no formal consultation has been undertaken on the new provisions in the Plain Packaging Bill which detail the precise packaging requirements.

3. CONSTITUTIONALLY INAPPROPRIATE USE OF HENRY VIII CLAUSES

3.1 Section 1 of the Australian Constitution grants legislative power to the Parliament. It reads:

> *The legislative power of the Commonwealth shall be vested in a Federal Parliament, which shall consist of the Queen, a Senate, and a House of Representatives, and which is herein-after called "The Parliament," or "The Parliament of the Commonwealth."*

3.2 The delegation of legislative power to the Executive is not expressly provided for in the Constitution, but has been accepted as valid by the High Court.[5]

3.3 The Senate Scrutiny of Bills Committee has previously noted that the Macquarie Dictionary of Modern Law defines a 'Henry VIII' clause as "*a clause in an enabling Act providing that the delegated legislation under it overrides earlier Acts or the enabling Act itself; so named because of its autocratic flavour*".[6] Thus, a Henry VIII clause is a provision in an Act which enables the Act, or another Act of the Parliament, to be amended by subordinate or delegated legislation such as regulations. It is not merely a delegation of legislative function from the legislature to the Executive – but the delegation of this power in a manner that permits the Executive to actually over-ride the legislation of the Parliament.

3.4 JTI considers that Henry VIII clauses manifestly contravene the principle of the separation of powers between the Legislature and the Executive. Criticism of their use is abundant. For example:

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[3] See page 3 of the OECD Guiding Principles for Regulatory Quality and Performance, 2005, available at http://www.oecd.org/dataoecd/19/51/37318586.pdf (*the* ***OECD Guiding Principles***).

[4] Page 5 of the Handbook of the Australian Office of Best Practice Regulation (June 2010), http://www.finance.gov.au/obpr/proposal/gov-requirements.html#handbook.

[5] See for example: *The Capital Duplicators Pty Ltd v Australian Capital Territory (No 1)* (1992) 177 CLR 248; *Plaintiff S157/2002 v Commonwealth* (2003) 211 CLR 47; *Victorian Stevedoring & General Contracting Co Pty Ltd v Dignan* (1931) 46 CLR 73 at 86 (Rich J), 101 (Dixon J), 119-120 (Evatt J).

[6] http://www.aph.gov.au/Senate/committee/scrutiny/work41/c05.htm.

(a) The Queensland Legislative Assembly, Scrutiny of Legislation Committee explains that:

> *It is the power of the Executive by means of subordinate legislation to override the intention of Parliament as expressed in an Act that causes consternation over "Henry VIII clauses". These clauses are sometimes regarded as having insufficient regard for the doctrine of separation of powers and ultimately, for the institution of Parliament.*[7]

(b) An earlier British Committee on Ministers' Powers chaired by Lord Donoughmore is more direct:

> *It cannot but be regarded as inconsistent with the principles of parliamentary government that the subordinate law-making authority should be given by the superior lawmaking authority power to amend a Statute which has been passed by the superior authority ... Even with safeguards, ... it is clearly a power which in theory at any rate may be unscrupulously used ... If it does prove necessary in the public interest to amend an Act of Parliament, and the matter is of sufficient political urgency, parliamentary time can be found, particularly with the aids available under Standing Orders to curtail debate ... It has been found possible to bring certain important and complicated legislative schemes into operation without such a power, relying upon the ordinary method of an amending Bill in Parliament to meet unexpected emergencies ....*[8]

(c) In 1990, the Queensland Law Reform Commission carried out a review of Henry VIII clauses and concluded that:

> *...with certain exceptions, "Henry VIII clauses" should be generally removed from the statute book.*[9]

(d) The Western Australia Uniform Legislation and Statutes Review Committee, states that:

> *Henry VIII clauses ... are objectionable as they:*
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> - *offend the theory of the separation of powers; and*
> - *give insufficient regard to the institution of Parliament as the supreme Legislature by eroding the sovereign function of Parliament to legislate. This means that the capacity of the Parliament to scrutinise Henry VIII clauses is limited.*
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> *In the case of Henry VIII clauses, basic separation of powers breaks down as between the Executive and the Legislature. The object of subsidiary legislation is to complement and carry out the objects and purposes of an*

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[7] Queensland, Legislative Assembly, Scrutiny of Legislation Committee, *The Use of "Henry VIII" clauses in Queensland Legislation*, January 1997, 24.

[8] Committee on Ministers' Powers 1929, Cmd, 4060, 293-294 as quoted in Queensland Law Reform Commission, *Henry VIII Clauses, Working Paper 33*, February 1990, 9.

[9] Queensland Law Reform Commission, *Henry VIII Clauses, Working Paper 33*, February 1990, 11.

> *Act; to fill in the detail. Henry VIII clauses go beyond this by enabling Acts to be amended by subsidiary legislation.*
>
> *The use of Henry VIII clauses is not desirable and should be restricted to only those situations when they are absolutely necessary and not merely to guard against possible inadequate drafting or omissions.*[10]

(e) Professor Dennis Pearce, in the first edition of *Delegated Legislation in Australia and New Zealand*, concludes:

> *If "Henry VIII" clauses are allowed to pass by default, the parliamentary institution is placed in jeopardy.*[11]

(f) The current edition of that work describes the common use of such clauses in Australian jurisdictions as regrettable.[12]

3.5 The issue goes beyond the undesirability of Henry VIII clauses and their inconsistency with the proper role of the legislature. While the point has never been decided by the High Court, JTI submits that there are limits on the power of the Parliament to delegate its legislative function. One such limit is that the power to make laws cannot be delegated except so as to permit delegated legislation that is "*incidental*" or "*ancillary*" to, or at least "*consistent with*", the scheme put in place by the primary legislation.[13] Provisions which do not properly answer that description are vulnerable to challenge.

3.6 Section 231A, which it is proposed be added to the *Trade Marks Act 1995* (Cth) by the TM Amendment Bill, is a very explicit example of a Henry VIII clause. In particular, sub-section (3) provides that regulations made under the proposed section 231A:

(a) may be inconsistent with the *Trade Marks Act 1995* (Cth); and

(b) will prevail over the *Trade Marks Act 1995* (Cth) (and any other regulations or other instruments made under it, to the extent of any inconsistency).

3.7 The Senate Scrutiny of Bills Committee consistently draws attention to Henry VIII clauses in its reports. In relation to the TM Amendment Bill, the Committee has noted:

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[10] Western Australia, Legislative Council Standing Committee on Uniform Legislation and Statutes Review, Report 59, *Personal Property Securities (Commonwealth Laws) Bill 2011 and Personal Property Securities (Consequential Repeals and Amendments) Bill 2011*, March 2011.

[11] 1977, at paragraph 15 (quoted in Western Australia, Legislative Council Standing Committee on Uniform Legislation and Statutes Review, Report 55, *Trade Measurement (Amendment and Expiry) Bill 2010,* 11 November 2010, page 11).

[12] 3rd edition, 2005, at 14-15.

[13] See for example *Plaintiff S157/2002 v Commonwealth* (2003) 211 CLR 47; *New South Wales v Commonwealth* (2006) 229 CLR 1; and discussion in Gerald Ng "*Slaying the Ghost of Henry VIII: A Reconsideration of the Limits upon the Delegation of Commonwealth Legislative Power*" (2010) Federal Law Review, Volume 38, 205; and Charles Lawson, *Regulating Executive Power under the Australian Commonwealth Framework* (2011) 142 -144.

Section 231A

A 'Henry VIII' clause is an express provision which authorises the amendment of either the empowering legislation, or any other primary legislation, by means of delegated legislation. Since its establishment, the Committee has consistently drawn attention to so-called 'Henry VIII' clauses as such provisions clearly involve a delegation of legislative power and can be a matter of concern to the Committee.

The main purpose of this bill is to enable regulations to be made under the Trade Marks Act in relation to the operation of the Tobacco Plain Packaging Bill 2011. .... The proposed section 231A clearly enables regulations to be made which are inconsistent with the Trade Marks Act. ...[14]

Particular concerns with the Henry VIII clause proposed in the TM Amendment Bill

3.8 JTI regards the provisions of the proposed section 231A as highly objectionable and to be avoided, as they:

(a) represent an extreme grant of regulatory power;

(b) are not justified by circumstances of urgency, requirements of transitional periods or technical complexity; and

(c) expressly provide for regulations which are inconsistent with the legislative scheme of the *Trade Marks Act 1995* (Cth) and which are expected to impact on valuable and fundamental property rights.

(a) Extreme grant of regulatory power

3.9 JTI notes that the proposed section 231A does not simply:

(a) allow specified sections of an Act to operate subject to modifications prescribed in the regulations;[15]

(b) provide that regulations may exempt a person or class of person from the operation of a particular part of an Act;[16] or

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[14] Senate Standing Committee for the Scrutiny of Bills, Alert Digest No. 8 of 2011, 39.

[15] See for example *National Consumer Protection Act* 2009 (Cth) section 123(5): "*The regulations may prescribe particular situations in which a credit contract is taken not to be unsuitable for a consumer, despite subsection (2)* [sub-section (2) sets out circumstances where a credit contract would ordinarily be unsuitable]".

[16] See for example *Corporations Act 2001* (Cth), ss1020F(1)(a)-(c). Section s1020F(1)(a) permits the Australian Securities and Investments Commission (ASIC) to "*exempt a person or class of persons from all or specified provisions of this Part* [Part 7.9, which concerns financial product disclosure and other provisions relating to the issue, sale and purchase of financial products]". Section 1020F(1)(b) permits ASIC to "*exempt a financial product or a class of financial products from all or specified provisions of* ... [Part 7.9]." Section s1020F(1)(c) permits ASIC to "*declare that* ...[Part 7.9] *applies in relation to a person or a financial product, or a class of persons or financial products, as if specified provisions were omitted, modified or varied as specified in the declaration*." For the exemption of a geographic area from the application of an act, see for example, *Fair Work Act* 2009 (Cth) s35A:

(c) apply only to transitional periods.[17]

Rather, the proposed section 231A expressly contemplates and allows wide ranging regulations to be made which are inconsistent with the *Trade Marks Act 1995* (Cth) *as a whole*, or any sections of it, for *an unlimited period of time*.

3.10 JTI acknowledges that the *Trade Marks Act 1995* (Cth) already contains a broadly expressed Henry VIII clause in section 189A in respect of regulations implementing the Madrid Protocol. However, under section 189A, the regulations permitted are confined by the terms of the Madrid Protocol. Further, the justification for this provision is different; the Madrid Protocol is a document involving numerous signatories, it is liable to change outside of the Parliament's control and is far more detailed and complex than the Plain Packaging Bill. The need for regulations to be flexible enough to meet changes in the Madrid Protocol is a justification absent in respect of the TM Amendment Bill.

(b) Not justified by circumstances of urgency, requirements of transitional periods or technical complexity

3.11 The obvious and serious constitutional objections to Henry VIII clauses are at times sought to be justified by the needs of urgency, the requirement of transitional periods and technical complexity, which is ill suited to legislation.[18] JTI considers that these justifications do not exist in respect of the TM Amendment Bill as:

(a) there is no external time pressure on the implementation of the plain packaging legislation. The commencement dates set out in clause 2 of the Plain Packaging Bill have been selected purely on the Government's own initiative. The TM Amendment Bill implicitly recognises that the Plain Packaging Bill is inconsistent with Australia's trade marks regime and is therefore at risk of causing unintended consequences.[19] This is a serious issue which, if the bill were enacted, would

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"*Regulations made for the purposes of section 32* [concerning waters, the sea bed and islands] *or subsection 33(4)* [concerning the exclusive economic zone and continental shelf] *or 34(4)* [also concerning the exclusive economic zone and continental shelf] *may exclude the application of the whole of this Act in relation to all or a part of an area referred to in section 32 or subsection 33(4) or 34(4) (as the case may be)*."

17 For example, the *Corporations (Ancillary Provisions) Bill 2001* (Qld) contained several Henry VIII clauses subject to a sunset clause. For example, s12(1) ensured that references between acts, instruments made under acts and laws applying as State laws would be preserved and apply to the new national corporations law scheme sought to be created by the bill. Section 12(2) enabled regulations to be made providing for the non-application of sub-clause 12(1) where necessary. Section 28 of the bill as passed provided that "*any regulations made under the provisions [of which s12(2) formed a part], expire at the end of 30 June 2003*." The Explanatory Memorandum to the bill confirms that "[a]*s the primary aim of the clauses is to ensure a smooth transition from the current Corporations Law to the new Commonwealth corporations legislation, each of the Henry VIII clauses is to be subject to a 2-year sunset clause. The Parliament, in its scrutiny of the Bill, is fully apprised of the parameters of its operation*."

18 See C Forsyth and E King, *The Constitution and Prospective Henry VIII Clauses* [2004] JR 17; Legislative Assembly of Queensland, Scrutiny of Bills Committee, *The Use of Henry VIII Clauses in Queensland Legislation*, January 1997, 59.

19 This implication is supported by the Explanatory Memorandum to the TM Amendment Bill, which states that it "*is being introduced so, if necessary, the government can* ***quickly*** *remedy any unintended interaction between the* Tobacco Plain Packaging Act 2011*... and the* Trade Marks Act 1995*... The objective of any such exercise of power under the Bill will be to ensure that applicants for trade mark*

impact negatively on valuable property rights. JTI considers that using Henry VIII clauses as a 'quick' method of addressing these problems is entirely inappropriate. JTI considers that the Government should carefully reconsider the appropriateness of the Plain Packaging Bill in light of these issues, and cautiously consider legislative solutions and open them to debate. The property rights involved are too important to be subject to 'rushed' responses.

(b) Henry VIII clauses limited to transitional timeframes are less problematic,[20] as the power thereby granted to the Executive is confined, and regulations tend to address temporary issues brought up by the change of rules. This justification is not present in the TM Amendment Bill. Proposed section 231A contains no time limit, and the problems contemplated as requiring a regulatory response will not be temporary. JTI considers that the issues potentially involved in the operation of the Plain Packaging Bill, should it be enacted, with respect to trade marks are enduring and serious as they affect property rights. JTI considers that any potential impacts on trade mark rights should be properly considered as part of the fundamental question of whether to mandate plain packaging, and that it is inappropriate for Henry VIII clauses to be used to 'clean up the mess' if such impacts are not properly provided for.

(c) the regulations will not concern areas of technical complexity. Implementing the Plain Packaging Bill while amending the *Trade Marks Act 1995* (Cth) as proposed will likely cause numerous issues. However, the issues raised will not be so technical in nature as to justify Henry VIII clauses.

(c) Express provision for regulations which are inconsistent with the legislative scheme of the Trade Marks Act 1995 (Cth)

3.12 It is at least arguable that the legislative power of the Parliament does not include the capacity to grant delegated legislative power otherwise than for purposes incidental or ancillary to, or consistent with, primary legislation enacted by the Parliament itself. JTI considers that proposed section 231A allows for regulations to be made which were inconsistent with the legislative scheme established by the *Trade Marks Act 1995* (Cth). The trade marks regime set up by the *Trade Marks Act 1995* (Cth) and its validity would therefore be questionable.

3.13 The trade marks regime set up by the *Trade Marks Act 1995* (Cth) and *Trade Marks Regulations 1995* (Cth) is based on "*usage*". It is actual or intended usage which is required in order to register a mark,[21] and it is "*exclusive usage*" of the mark which is the main right afforded by registration.[22] Irrespective of clause 28 of the Plain Packaging Bill, it is difficult to see how a regime premised on "*usage*" can properly apply to marks which are essentially prohibited from being used in the function for which they are designed. In JTI's view, this means that the regulations empowered to be made by the TM Amendment Bill, were it to be enacted, are likely to be inconsistent with the

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registration and registered owners of trade marks are not disadvantaged by the practical operation of the Plain Packaging Act" [emphasis added].

20 See Senate Scrutiny of Bills Committee, Alert Digest 5 of 2010, 18.

21 *Trade Marks Act 1995* (Cth) section 27.

22 *Trade Marks Act 1995* (Cth) section 20.

legislative scheme established by the *Trade Marks Act 1995* (Cth). JTI considers this of particular concern when fundamental property rights are at risk.

3.14 Further, JTI is concerned that the basic inconsistency between the trade mark regime and the Plain Packaging Bill creates a risk that regulations under the proposed section 231A could in effect set up an alternative sub-set of trade mark laws, applicable only to the tobacco industry. JTI considers that the trade mark system will simply have to work differently in respect of tobacco products, and much of the details will be found in regulations. This would result in an entirely unsatisfactory situation where the trade mark law for one group in the community (namely manufacturers, wholesalers and retailers of tobacco products) was governed by a set of rules not made by the Parliament, and thus not subject to the safeguards of parliamentary debate and scrutiny.

Further separation of powers issues: the Judiciary

3.15 In addition to the inconsistency of the proposed section 231A with the constitutional principles requiring separation of executive and legislative functions, further concern arises with respect to the wide scope of proposed subsection 231A(2), which proposes to usurp judicial and well as legislative functions. This proposed section allows the Minister to make regulations which:

> "*clarify or state the effect of the operation of the* [Plain Packaging Bill and subsidiary legislation]… *including by taking or deeming:*
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> *(a) something to have (or not to have) happened; or*
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> *(b) something to be (or not to be) the case; or*
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> *(c) something to have (or not to have) a particular effect.*"

3.16 This proposed "deeming provision" would allow for an executive prescription of findings of fact, the construction of the law, and the application of that law to such facts. This approach is inconsistent with the established principle that these actions are a "*unique and essential function of the judicial power.*"[23] This principle was very clearly summarised by Sir Anthony Mason, writing extra-judicially in the Sydney Law Review:

> "*Generally speaking, a law which directs a court as to the facts which it shall find, the law it will ascertain or the end result of its exercise of discretion is an impermissible law because it interferes with the exercise of judicial power.*"[24]

3.17 Furthermore, the High Court has consistently recognised that the Australian Constitution's placement of judicial functions exclusively in the courts ensures that a

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[23] This principle has been consistently recognised by the High Court including, for example, in *R v Kirby; Ex Parte Boilermakers Society of Australia* (1956) 94 CLR 254; *Fencott v Muller* (1983) 152 CLR 570 at 608; and *Nicholas v The Queen* (1998) 193 CLR 173 at 187.

[24] Mason, A, "*Comment on Peter A Gerangelos, 'Legislative Intervention in Pending Cases*'" (2008) 30 Sydney Law Review 61. The High Court expressed the same principle in *Harris v Caladine* (1991) 172 CLR 84 at 150; and *Nicholas v The Queen* (1998) 193 CLR 173 at 208.

range of procedural protections are afforded to those affected by the exercise of those functions, not least the ability to be heard and to appeal incorrect decisions.[25]

3.18 It is accordingly inappropriate for the proposed subsection 231A(2) to allow the Executive to make regulations containing findings of fact and the construction and application of laws to those facts, effectively preventing the judicial system's proper consideration and application of the Plain Packaging Bill in accordance with due process.

4. A BREACH OF CONSTITUTIONAL GUARANTEES

4.1 JTI considers that the introduction of the TM Amendment Bill, like the inclusion of clause 28 of the Plain Packaging Bill, is an explicit recognition by the Government that the operation of the Plain Packaging Bill will be inconsistent with the Australian trade mark regime and will interfere with the constitutional and legislative rights of trade mark owners and licensees under that regime. Further, the operation of the Plain Packaging Bill would involve the expropriation and acquisition of highly valuable intellectual property rights. This problem is not cured by the TM Amendment Bill or the regulations which may be made under proposed section 231A. The inclusion in the Plain Packaging Bill of a provision allowing regulations to be made permitting the limited use of some trade marks on tobacco product packaging in specific ways[26] is clearly insufficient.

4.2 Furthermore, the wide scope of this provision is not limited to the remedying of "*unintended*" negative consequences of the Plain Packaging Bill on the *Trade Marks Act 1995* (Cth), as the Explanatory Memorandum suggests. The wording of the proposed new section 231A(1) allows regulations to be made in relation to *any* effect of the Plain Packaging Bill on the *Trade Marks Act 1995* (Cth) – positive or negative. If the provision were enacted as currently worded, it would be possible for regulations to be made *further* impinging on trade mark owners' rights, and even effecting an additional unjust acquisition of property.

4.3 The protection of property is one of the very few fundamental guarantees entrenched in the Constitution. Under section 51(xxxi) of the Constitution, the Parliament may make laws with respect to the acquisition of property only if such an acquisition is on "*just terms*".[27] There are no "*terms*" (just or otherwise) proposed in the Plain Packaging Bill. Thus, this Bill engages this guarantee not accidentally, but knowingly, and in a way that ensures that the industry is denied all access to the guarantee of "*just terms*" in section 51(xxxi) of the Constitution.

4.4 Intellectual property is expressly recognised as a proprietary right by Australian law.[28] The main provisions of the Plain Packaging Bill, if effective, would prevent the

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[25] See, for example, *Chu Kheng Lim v Minister for Immigration* (1992) 176 CLR 1 at 27 per Brennan, Deane and Dawson JJ. Further, Gaudron J noted in *Re Nolan; Ex parte Young* (1991) 172 CLR 460 at 496 that the placing of judicial functions in the courts ensures that such functions are subject to "*open and public inquiry (subject to limited exceptions), the application of the rules of natural justice, the ascertainment of the facts as they are and as they bear on the right or liability in issue and the identification of the applicable law, followed by an application of that law to those facts*".

[26] See Plain Packaging Bill, clauses 15(2) and 20(3)(c).

[27] See *Mutual Pools and Staff Pty Ltd v Commonwealth* (1994) 176 CLR 155, 185–186.

[28] Section 21 of the *Trade Marks Act 1995* (Cth), section 196 of the *Copyright Act 1968* (Cth) and section 13 of the *Patents Act 1990* (Cth) provide that registered trade marks, copyright and patents

use of trade marks on tobacco products. Trade marks owned by JTI and other manufacturers would be prevented from being used on the very products for which they have been developed, applied and protected, should the bill be enacted. The effect would be that:

(a) the trade marks were deprived of all of their practical utility - the relevant rights might still exist in law but would be stripped of their value and function;[29] and

(b) the Government would gain the substance of rights previously held by the owner of a trade mark.

Prejudicing these rights through the prevention of their use on the very products for which they have been developed, applied and protected, without adequate justification or compensation, is inherently wrong.

4.5 Accordingly, the property rights of trade mark holders would be acquired and no "*just terms*" offered in compensation. JTI submits that the requirements to be imposed by the Plain Packaging Bill are thus unconstitutional. It is noted that, by clause 15, the Plain Packaging Bill would not operate to the extent that it effected an acquisition of property other than on just terms.[30] On that basis, JTI submits, the Plain Packaging Bill would not have any operation.

4.6 The TM Amendment Bill, were it to be enacted, would not save the operation of the plain packaging legislation. If otherwise effective, it may permit regulations to be made that would prevent trade marks from expiring or being refused registration as a consequence of their use on products being rendered unlawful. It would not address the negative effect of the plain packaging legislation on the utility and value of trade mark rights, referred to above.

Packaging uses important and valuable property

4.7 JTI has invested very substantially in its IP rights, brands and products, and this is reflected in the strong equity of its brands internationally. Extensive efforts are taken to protect such rights by way of a rolling programme of trade mark applications, registrations, oppositions, renewals and enforcement actions. Internationally, those enforcement efforts include registered trade mark infringement actions and actions to protect its unregistered proprietary rights by JTI, in addition to actions taken by regulatory enforcement agencies.

(respectively) are personal property. See also the discussion in *Commonwealth v WMC Resources Limited* (1998) 194 CLR 1, 70.

29 See by analogy *Newcrest Mining (WA) Ltd v Commonwealth* (1997) 190 CLR 513.

30 Further, as noted above, it appears that the new section 231A of the *Trade Marks Act 1995* (Cth) proposed by the TM Amendment Bill would arguably empower the Minister to make regulations that could further impinge on trade mark owners' property rights. If such rights were encroached upon in such a way as to effect an acquisition, it should be noted that neither the TM Amendment Bill nor the *Trade Marks Act 1995* (Cth) provide any protections similar to clause 15 of the Plain Packaging Bill, nor do they include a mechanism for the provision of "*just terms*" compensation. This proposed regulation-making power is therefore potentially even more constitutionally offensive that the Plain Packaging Bill itself.

4.8 Registered trade marks, unregistered copyright and registered patents are recognised as forms of personal property in Australia.[31] Registered trade marks confer on the trade mark owner the exclusive proprietary right to use the trade mark and authorise others to use the trade mark.[32] Analogous provisions exist in the relevant legislation in respect of copyright and patents.[33]

4.9 JTI owns a broad range of sophisticated IP rights in relation to its tobacco products (including both unregistered and registered trade marks, patents and inventions, copyright works and other rights). Its portfolio of Australian trade marks includes a number of applications and registrations in respect of tobacco products in Australia.[34]

4.10 By way of example, the following image illustrates some of the trade marks which are registered in Australia for one of JTI's products:

4.11 Under the Plain Packaging Bill, JTI would, for example, only be able to use the word "*Camel*" in a standard font on tobacco packaging. It could no longer use its 21 other Camel-related trade marks registered in Australia on tobacco packaging, the earliest of which has a registration date of 30 December 1926.

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31 See footnote 28 above.

32 Section 20 of the *Trade Marks Act 1995* (Cth).

33 Section 13 and 31 of the *Copyright Act 1968* (Cth) and section 13 of the *Patents Act 1990* (Cth).

34 In this context, trade marks may take a variety of forms including word marks (such as for characters comprising an unstylised brand name), and non-word marks (such as device or figurative marks, including for logos, designs, stylised characters and combinations of both logos and stylised characters, colour marks (whether alone or claimed as an element of another type of mark), and the shape of goods or their packaging).

4.12 A prohibition on the use of JTI's trade mark portfolio in Australia would involve the suppression of the function of the registered trade marks to guarantee the origin of goods and services to a degree that undermines the commercial rationale for trade marks as recognised by Australian courts, and protected under Australian trade mark legislation.

4.13 JTI would be left unable to exploit key parts of its IP rights commercially, which would render them, for all practical purposes, valueless in Australia. At the very least, requiring JTI to comply with tobacco product requirements that only allow the use of word trade marks in a standard font would prevent JTI from making the paradigm use of its logos, image and stylised trade marks (on the packaging of the product itself) thereby depriving JTI of the benefit and economic value of the specific subject matter of such marks. Forcing brand names to be written in a standard font, colour and size is also an intolerable restriction on the normal and fair use of JTI's word trade marks.

4.14 The destruction of the substance of certain IP rights would have a direct impact on the value of JTI's assets. According to international standard ISO 10668:2010[35] on brand valuation, the appraisal of a brand's value "*shall include an assessment of the legal protection afforded to the brand, identifying…the legal parameters influencing negatively or positively the value of the brand*". This standard states that those legal parameters include "*distinctiveness…scope of use…extent of use…notoriety/extent to which* [the] *brand is well-known…*[and] *ability of the owner to enforce legal rights*". Plain packaging adversely affects each of those parameters, thereby effectively destroying the value of the relevant trade marks.

5. AUSTRALIA'S WTO AND PARIS CONVENTION OBLIGATIONS

5.1 In addition to the very serious constitutional concerns outlined above, the TM Amendment Bill does not address the failure of the Plain Packaging Bill to meet Australia's obligations under the WTO agreement on *Trade Related Aspects of International Property Rights 1994* (***TRIPS***) and other international law obligations on intellectual property rights, such as the *Paris Convention for the Protection of Industrial Property Rights* (the ***Paris Convention***).

5.2 As noted above, the proposed introduction of TM Amendment Bill is an implicit recognition by the Government that the operation of the Plain Packaging Bill will be inconsistent not only with Australia's trade mark regime, but will also be in violation of international obligations under TRIPS and the Paris Convention, and could give rise to disputes under the WTO Dispute Settlement Understanding (both of which are likely to cause harm to Australia's reputation with international investors). JTI's view in this regard is based on the opinion of Professor Gervais on the interpretation of TRIPS and the Paris Convention.[36]

5.3 In particular, Article 20 of TRIPS requires that:

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[35] Available at: www.iso.org.

[36] Professor Daniel Gervais is a Professor of Law at Vanderbilt University Law School, United States of America. He is a leading expert on international intellectual property law and author of "The TRIPS Agreement: Drafting History and Analysis". His report, prepared for JTI and entitled "Analysis of the Compatibility of certain Tobacco Product Packaging Rules with the TRIPS Agreement and the Paris Convention" (***Professor Gervais' Report***), is available at: http://www.jti.com/documents/corp_reponsibility/16e56b87d2814d84acdd3a75e9d7e689/Gervais.pdf.

"*The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings.*"

5.4 The proposed tobacco product requirements constitute a special requirement encumbering the ability of JTI (and other manufacturers) to distinguish its goods through trade marks from those of other entities. The requirements prohibit the use of non-word marks on packaging and require JTI to use word marks "*in a special form*".

5.5 JTI acknowledges that WTO members may, in certain limited circumstances, take advantage of flexibilities within TRIPS to address public health concerns.[37] Indeed, Article 8.1 of TRIPS states that: "*Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development,* ***provided that such measures are consistent with the provisions of this Agreement***" (emphasis added). Article 8.1 does not avoid the need for WTO members to comply with Article 20 of TRIPS.

5.6 JTI believes that the Government would be unable to demonstrate that plain packaging is "*justified*" (Article 20) or "*necessary*" (Article 8) to achieve a legitimate public policy objective. Having regard to, first, the lack of reliable evidence that the Plain Packaging Bill's stated objectives would be achieved by plain packaging[38] and, second, to the availability of less trade restrictive alternative measures,[39] JTI considers that plain packaging will breach TRIPS.

5.7 In addition to Professor Gervais' Report, the international law issues raised by plain packaging have been expressly recognised by both governments and expert bodies:

(a) IP Australia has advised the Government that "*plain packaging may not be consistent with Australia's intellectual property treaty obligations*".[40] IP Australia acknowledges that "*requiring plain packaging would be regarded as encumbering* [within Article 20 of TRIPS] *the ability of an entity to distinguish its goods through its trade marks from those of other entities. IP Australia's understanding is that this Article* [20] *was drafted with the intention of restricting mechanisms like plain packaging.*" Further, on Article 8.1 of TRIPS, IP Australia notes that "*it seems unlikely that this Article could be used to avoid Article 20*";[41]

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37 *Thailand – Restrictions on Importation and Internal Taxes on Cigarettes*, Panel Report, DS10/R-375/200, 7 November 1990.

38 There is, without doubt, no prevailing scientific consensus (or sufficient evidence) that plain packaging would bring about a material contribution to the EU's public health objectives (see *Brazil-Tyres*, Appellate Body Report, WT/DS332/AB/R, 3 December 2007, paragraph 151).

39 *Thailand-Cigarettes* Panel Report, referenced above at footnote 37, at paragraphs 73-74.

40 Parliamentary Secretary briefing B09/4084, 22 September 2009, authored by Ian Goss, IP Australia; document released under Freedom of Information requests (FOI 138 of 1660).

41 Parliamentary Secretary briefing B09/4084, 22 September 2009, authored by Ian Goss, IP Australia; document released under Freedom of Information requests (FOI 138 of 1660).

(b) the International Trademark Association (***INTA***) has submitted its opinions opposing plain packaging to various governments since 1994.[42] INTA has reviewed the Plain Packaging Bill. In a forceful response, INTA concluded that "*... we strongly believe that the Tobacco Plain Packaging Bill 2011 is a serious encroachment on the rights of trademark owners and frustrates the ability of trademarks to function properly as a part of free and effective commerce*";[43]

(c) the US Chamber of Commerce wrote to the Government to express its position that plain packaging would "*significantly infringe upon global IP and trademark protections*";[44]

(d) the International Chamber of Commerce has written to the Australian Minister for Trade to confirm the view that the measure proposed would "*restrain trade, hamper consumer choice and safety, subvert trademark and IP laws and increase counterfeiting*", "*cause significant collateral damage to brand value generally*", and would "*frustrat*[e] *the very purpose of* [trade marks]";[45]

(e) the International Association for the Protection of Intellectual Property (Australia) considers the bill to be: "*... in clear breach of Australia's international obligations under the TRIPS agreement and the Paris Convention*." Moreover, "*The procedural attempts to limit the most direct effects under the Trade Marks Act 1995, contained in section 29 of the Bill, do not resolve these issues*";[46] and

(f) the Brazilian Intellectual Property Association has concluded that the bill "*seriously jeopardizes the international protection system of Intellectual Property...*" and the imposition of this type of restriction to trade marks in "*a specific field of industry should be viewed as discriminatory, in clear breach of Article 15 (4) of the TRIPS.*"[47]

6. CONCLUSION

6.1 JTI considers that the proposed introduction of the TM Amendment Bill is an explicit recognition by the Government that the Plain Packaging Bill would cause unacceptable practical results in the context of the Australian trade marks regime. For the reasons stated in this submission, JTI considers that the TM Amendment Bill, if enacted, is not a constitutionally valid or effective solution to this problem. Accordingly, JTI submits that it is unacceptable for the Parliament to enact either Bill.

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[42] See notably INTA's letter to the Canadian Standing Committee on Health, 27 April 1994, and to the Department of Health and Ageing, Australia, 24 February 2004.

[43] International Trade Mark Association submission to the House of Representatives Standing Committee on Health and Aging, 22 July 2011, page 1.

[44] Letter from Myron Brilliant, Senior Vice President, Chamber of Commerce of the United State of America, to the Senate Standing Committee on Community Affairs, Australia, 26 February 2010.

[45] See the International Chamber of Commerce's letter to the Australian Minister for Trade, 20 April 2011, available at http://www.iccwbo.org/uploadedFiles/BASCAP/Statements/Letter%20-%20Australian%20Trade%20Minister_plain_packaging.pdf.

[46] The International Association for the Protection of Intellectual Property (Australia), submission to the House of Representatives Standing Committee on Health and Aging, 26 July 2011, 1.

[47] Brazilian Intellectual Property Association submission to the House of Representatives Standing Committee on Health and Aging, 21 July 2011, 1-2.

6.2 In light of the serious objections outlined in this submission and in the June Submission, JTI requests that the Senate Committee on Legal Constitutional Affairs should make the following recommendations:

(a) that the Senate *not pass* the TM Amendment Bill; and

(b) that the Senate *not pass* the Plain Packaging Bill.