



Intellectual Property Attorneys

INDIA IP UPDATE



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IP News at a glance!

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CASE LAW UPDATE

TRADEMARKS

Bombay High Court comes down heavy on trademark infringer of Nippon Steels

“There is a sufficiency in the world for man’s need but not for man’s greed”. Quoting Mahatma Gandhi in the beginning of its order, the Bombay High Court came down heavily on the defendants (Jain) in Nippon Steel & Sumitomo Metal Corporation v. Kishor D Jain & Anr., who were dealing in spurious seamless steel pipes, and imposed a whopping cost of Rs.5,00,00,000/- (US\$ 730,225 approx.) on them. With the consent of the plaintiff (Nippon), the costs awarded by the Court were directed to be donated to the Tata Memorial Hospital in Mumbai.

Jain used to source seamless steel pipes locally, affix Nippon’s logo on them and supply these pipes internationally along with fabricated inspection certificates. Nippon came to know about the illegal activities of Jain when one of the entities to whom such pipes were supplied, approached Nippon upon realizing that it was being cheated by Jain.

Noting that the pipes in question were used in sensitive areas, such as oil plants, the Court observed that the use of spurious pipes was bound to lead to disastrous consequences. Further, the Court felt that this called for a serious measure where a message should be sent to unscrupulous parties, including Jain, to cease such illegal activities and that the courts would no longer tolerate such activities.

The Court also remarked that the instant case was the quintessential illustration of the extent to which a few unscrupulous persons, such as Jain, could go, in order to make a quick buck. The Court was also concerned about the irreparable dent made by such unscrupulous parties to the reputation of India.

While passing a decree of permanent injunction against Jain, the Court also directed them *inter alia* to send letters/emails to all the parties to whom they had supplied the spurious pipes and fabricated certificates informing them that the products and the certificates lying with them do not belong to Nippon and that Jain had no connection with Nippon. Jain also gave an undertaking to the Court that henceforth it would conduct its business in strict conformance of the law.

COPYRIGHTS

Who owns the rights in a sound recording forming part of cinematograph films?

In *M/s.Agi Music Sdn Bhd v. Ilaiyaraja*, the High Court of Madras was adjudicating a dispute over the ownership of the sound recordings forming part of cinematograph films. The Court observed that sound recordings are distinct from the musical works and that the copyright in such sound recordings, which vests with the producer of the film, does not affect the separate copyright of the author (being the composer in this case) of the musical

compositions. The Court observed that the producer of a cinematograph film is the brain behind the film who undertakes the risk and responsibility for the venture. It is in recognition of the enormous risk taken by the producer that the law vests in him, by default, the copyright in the entire film, including the sound recordings that constitute an intrinsic and integral part of the film. This, however, in the Court's view, does not entitle the producer to exploit the musical composition independently of the sound recording forming part of the film.

The Court further observed that the producer's right in the sound recording does not preclude the author's right to exploit his musical compositions independently in any other manner, except in the form of a sound recording forming part of the film. The Court also noted that the producer's copyright does not affect or mitigate the author's moral rights of paternity and integrity in the musical works composed by him.

The Court also clarified that Section 19(5) of the Copyright Act, 1957 (which states that if the period of assignment is not stated in a copyright assignment agreement, it shall be deemed to be five years from the date of the assignment) is mandatory in nature and must be followed as a norm. Having said that, the Court also added a caveat to this and observed that the said Section must not be interpreted mechanically but should be examined in the context of the transaction in its entirety.

Compulsory license is not applicable to internet streaming: High Court of Bombay

In this significant judgment, *Tips Industries Ltd Versus Wynk Music Ltd. & Anr.*, the Bombay High Court has ruled that the Compulsory License ("CL") provisions under the (Indian) Copyright Act, 1957 ("the Act") could not be extended to content streaming services over the internet.

The Act provides for a CL regime in works withheld from the public, among others, in a situation where the copyright owner has refused to allow publication or communication of any work to a complainant on reasonable terms. The Intellectual Property Appellate Board (the IPAB) can hear and dispose of such complaints. If satisfied on merits, IPAB may direct the

Registrar of Copyrights to grant a licence to the complainant subject to such terms and conditions.

In 2012, the Act was amended to bring it in line with the digital developments affecting the rights of copyright owners. Specific to the issue of CL, the amendments introduced a statutory regime (Sec. 31 C) for cover versions or sound-alike versions and broadcasting of literary and musical works and sound recordings. The statutory regime provided for a broadcasting organisation to notify the copyright owner of its intention to broadcast the work concerned and pay to the copyright owner royalties in the manner and at the rate fixed by the IPAB. The statutory provisions provided for separate rates for radio broadcasting and television broadcasting.

On September 05, 2016, the Government of India through its then Department of Industrial Policy & Promotion issued an Office Memorandum (OM), clarifying that the definition of any broadcasting organisation under the Act, would include internet broadcasting as well. The OM generated a good amount of debate among IP scholars and practitioners as to its enforceability and legal stature.

Internet content streaming services relied on the OM to argue that they also qualify as broadcasters entitled to the statutory CL provisions under the Act. The on-going legal spat between Spotify and Warner Music demonstrates how a recourse to the statutory CL regime can be used to escape and scuttle negotiations for a voluntary contractual arrangement with the copyright owner.

In this case, the plaintiff, Tips Industries ("Tips"), a major content owner in India owning 25000 sound recordings, licensed its content (through Phonographic Performance Ltd) to Wynk Music Ltd (WYNK), an Over the Top ["OTT"] service available on the internet, smart phones and smart media. WYNK's application is subscription-based and includes download and purchase features.

The current dispute arose between the parties when they were unable to agree on licence terms including payments for renewal of the license. Tips sued WYNK for copyright infringement before the Bombay High Court. WYNK raised a defence that it had already filed an application for a CL before IPAB for a license to communicate the work

to the public by way of broadcast and, if the conditions for such statutory license are met, it would be free to broadcast the published sound recordings without first obtaining the Tips' licence.

Rejecting WYNK's arguments, the Court held that:

- (i) A copyright owner in a sound recording under the Act enjoys three separate rights, namely, (a) reproduction right including storage by any means including electronic means; (b) sale or commercial rental right; and (c) communication right.
- (ii) The statutory CL for broadcasting under the Act is restricted only to the communication right and does not extend to the sale or commercial rental right.
- (iii) Though "communication to the public" is defined under the Act to cover all means of communication including internet communication, the CL statutory provisions for broadcasters thereunder are expressly restricted to traditional radio and television broadcasters and not "internet broadcaster".
- (iv) Enabling download and access to sound recordings offline for a subscription fee amounts to a sale whereby the subscriber has unhindered rights to permanently download, play and share the content with others outside of the WYNK application.
- (v) Enabling customers to download, access and store the sound recordings off-line on their devices for a subscription fee would amount to "commercial rental".
- (vi) WYNK's unauthorized acts of making the content available through download, providing storage features and communication to the public through on demand streaming services constituted infringement of Tips' exclusive rights under the Act.
- (vii) Since the Parliamentary sub-committee deliberations, India's position during the WPPT negotiations and the specific statutory provisions did not intend that the CL scheme be extended to internet broadcasting, WYNK's reliance on the

statutory CL was completely misplaced especially since internet broadcasting is not specifically included in the statutory scheme.

- (viii) The OM lacks a "statutory flavour" and cannot prevail over the specific statutory provisions.

Delhi High Court on Moral Rights of an Architect in a work of architecture

Can an architect, as an author of a work of architecture, which qualifies as an artistic work under the (Indian) Copyright Act, 1957 (the Act), object to the demolition of a building constructed on the basis of his work by the owner of the land on which such building is constructed, and further demand compensation and reconstruction by asserting his moral rights in his work of architecture? This peculiar question fell for determination before the Delhi High Court in *Raj Reval v. Union of India & Ors.*

The plaintiff, Raj Reval (Reval), an acclaimed architect and a distinguished doyen of architecture from India recognized internationally, had filed a suit seeking mandatory injunction against the defendants [the Union of India (UOI)], who had demolished certain buildings based on Reval's works of architecture, seeking recreation of his works of architecture under his supervision.

Reval rested his claim on Section 57 of the Act which confers certain special rights (moral rights) on the authors of the copyrightable works, as listed below:

- (a) The right to claim authorship of the work (right of paternity); and
- (b) The right to restrain or claim damages in respect of any distortion, mutilation, modification or other act in relation to the said work if such distortion, mutilation, modification or other act would be prejudicial to the author's honour or reputation (right of integrity).

Dismissing Reval's claim, the Court observed that the laws relating to works of architecture and the copyright therein, expressed on land belonging to another, cannot be interpreted without regard to laws relating to land. Unless a right to exclude the owner of such land from using his land as he may desire including by removing the said work of architecture, is expressly provided, the owner cannot be so excluded in the garb of copyright.

In the Court's view, the words distortion, mutilation and modification in Section 57(1)(b) of the Act must be understood as making the work look, appear or be seen, as something different from what the author had created and in which creation the honour and reputation of the author vests. Referring to the explanation to Section 57, which clarifies that the failure to display a work or to display it to the satisfaction of the author does not infringe author's special rights, the Court observed that while distortion or mutilation or modification of one of the embodiments of the work renders the work imperfect destruction of the work in its entirety i.e., making it disappear, cannot be, prejudicial to the honour or reputation of the author as no imperfections can be found in what cannot be seen, heard or felt.

The Court further observed that special rights of the author of an architectural work cannot be interpreted as being a restriction on the right to property of the owner of the land and building and entitling the author to restrain the owner of the land and building in which the architectural work has been expressed, from better utilizing his land or building by removing the existing building and constructing new building on the land. The Court found that the rights conferred on the author of a copyright conferred by the Act have to be necessarily read harmoniously with rights of others in whom the property or the medium in which the right of the author or owner of the copyright is expressed and that Section 57(b) has to be necessarily interpreted as entitling the author of a copyright to only restrain the owner or occupier of the building from dealing with the work of architecture in the building to make the building look otherwise than as designed by the author. Thus, the embargo is only on making the copyrighted work look something other than as created and not against effacing the copyright work.

The Court further went on to observe that the requirements of urban planning outweigh the moral rights of an architect. Similarly, technical reasons to modify the building, economic reasons justifying modifications to the building and the necessity to obtain an authorisation to build, all prevail over the moral rights.

Referring to the fair dealing provision in Section 52(1)(x) of the Act, wherein the reconstruction of a building or structure in accordance with the architectural drawings or

plans by reference to which the building or structure was originally constructed does not constitute infringement of copyright, the Court opined that the question of reconstruction therein would arise only if the demolition of the building constructed in accordance with the architectural drawings or plans were to be not prohibited by the Act. To hold that such demolition is prohibited by Section 57(1)(b) of the Act would render otiose Section 52(1)(x) permitting such reconstruction.

The Court, nevertheless, fully appreciated the feelings of Reval in instituting the suit and his love for his works and found that the UOI owed him a duty to inform him the reason for demolition of the building in advance and give him an opportunity to do whatsoever he desired with the building structure, before demolishing the same and that they had erred in not caring for his sentiments.

UTV Software Communication Ltd. & Ors. V. 1337X.TO and Ors.

Coming down heavily on the "rogue websites" hosting pirated content, and in particular the "hydra headed" ones, who despite an injunction multiply and resurface as alphanumeric or mirror websites, the Delhi High Court passed a one of its kind "dynamic injunction" in this judgment in *UTV Software Communication Ltd., v. 1337X.TO and Ors.* As part hereof, the Court permitted the plaintiffs, UTV Software Communication Ltd and other similarly placed parties (UTV and others) to implead the mirror websites involved instead of filing fresh suits against them and observed that while impleading such websites, UTV and others must file an affidavit confirming that the newly impleaded website is a mirror website with sufficient supporting evidence. On being satisfied, the Court would direct the Internet Service Providers (ISPs) to disable access in India to such websites.

UTV and others were companies engaged in the business of creating content, producing and distributing cinematographic films around the world including in India. The defendants' websites were providing access to a large library of films, including films of UTV and others without their authorization. They did not provide any legitimate contact details and listed measures to circumvent blocking orders passed against them.

Terming them as “Rogue Websites”, the Court passed a decree of permanent injunction against them and further directed all the ISPs to block access to the said websites in India. The following observations of the Court are noteworthy here:

- Website blocking has emerged as one of the most successful, cost effective and proportionate means to address the issue of piracy.
 - The extent of website blocking should be proportionate and must commensurate with the extent and nature of the infringement;
 - A court should pass a website blocking order only if it is satisfied that the same is necessary and proportionate;
 - There is a serious concern associated with blocking orders that it may prevent access to legitimate content, and accordingly, there is need for a balance in approach and policies to avoid unnecessary cost or impact on other interests and rights.
 - While passing a website blocking injunction order, a court may also consider whether disabling access to the online location is in the public interest and a proportionate response in the circumstances and the impact on any person or class of persons likely to be affected by the grant of injunction.
- The blocking order must be effective, proportionate and dissuasive, but must not create barriers to legitimate trade;
 - Website blocking in the case of rogue websites strikes a balance between preserving the benefits of a free and open Internet and efforts to stop crimes such as digital piracy.
 - Since the majority of the viewers / subscribers who access, view and download infringing content are youngsters who do not have knowledge that the said content is infringing and / or pirated, the Ministry of Electronics and Information Technology /Department of Technology must explore the possibility of framing a policy under which a warning is issued to the viewers of the infringing content, if technologically feasible, in the form of e-mails, or pop-ups or such other modes cautioning the viewers to cease viewing/downloading the infringing material.
 - If the warning is not heeded to and the viewers / subscribers continue to view, access or download the infringing/pirated content, then imposition of a fine on the viewers/subscribers could be considered.

This newsletter is intended to provide only information and updates of intellectual property law in India. No part of this newsletter shall be construed as legal advice. Any queries that readers may have on any of the information published herein should be directed to postmaster@knspartners.com or to K&S Partners, 109, Sector 44, Gurgaon 122 003 National Capital Region, India

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