

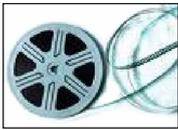
IP UPDATE

Vol. VII, Issue 3
July - September, 2009

Quarterly Newsletter from K&S Partners
For private circulation only

INSIGHT

Exhaustion of copyright in cinematograph films in India



In *Warner Brothers Entertainment Inc. v. Santosh V G*, the issue that arose for consideration before the High Court of Delhi was whether a cinematograph film, in which copyright subsisted in India, once put in the market by the owner of the copyright was subject to the principle of exhaustion of rights. The brief facts that led to the filing of the said case were that certain cinematograph films in which the plaintiff owned copyright were being imported to India and thereafter rented out in India by the defendant who was running a video library. The defendant neither had a license from the plaintiff for doing so nor did it obtain the required censor certificate under Section 52A (2) (a) of the Copyright Act, 1957 (hereinafter, 'the Act').

The plaintiff claimed that such acts of the defendant in renting out the films without license from the plaintiff amounted to violation of its rights under the Act in respect of such films. In defense, the defendant raised the following main arguments:-

- ◆ Providing entertainment was a part of the fundamental right of freedom of speech and expression and when a business entity sought to exercise its fundamental right to provide entertainment as part of its freedom of speech and expression, limitations should be restricted to those based on societal needs and benefits;
- ◆ The defendant was stocking only genuine and legally procured original copies of films and as such, there was no infringement of the plaintiff's copyright as these were purchased from authorized sources;
- ◆ Once the plaintiff placed its films in the market by way of sale, it could not exercise any further control over the copies so sold and could not thereafter claim any right to impose conditions on the further utilization of the work for the purpose it was made and sold.



The main provisions under the Act which were considered while deciding the issues raised in the case were Sections 14 (a) to (d) and 51 of the Act.

Section 14 of the Act defines the rights conferred on a copyright owner in respect of each category of work. The rights conferred on the owner of copyright in respect of literary, dramatic and musical works and cinematographs films under the section is reproduced below:

Meaning of copyright. – For the purposes of this Act, "copyright" means the exclusive right subject to the provisions of this Act, to do or authorize the doing of any of the following acts in respect of a work or any substantial part thereof, namely:-

- (a) in the case of a literary, dramatic or musical work, not being a computer programme, -
 - (i) to reproduce the work in any material form including the storing of it in any medium by electronic means;
 - (ii) to issue copies of the work to the public not being copies already in circulation;
 - (iii) to perform the work in public, or communicate it to the public;
 - (iv) to make any cinematograph film or sound recording in respect of the work;
 - (v) to make any translation of the work;
 - (vi) to make any adaptation of the work;
 - (vii) to do, in relation to a translation or an adaptation of the work, any of the acts specified in relation to the work in sub-clauses (i) to (vi);
- (b) in the case of a cinematograph film, -
 - (i) to make a copy of the film including a photograph of any image forming part thereof;
 - (ii) to sell or give on hire or offer for sale or hire, any copy of the film, regardless of whether such copy has been sold or given on hire on earlier occasions;
 - (iii) to communicate the film to the public.

[Explanation- For the purpose of this section, a copy which has been sold once shall be deemed to be a copy already in circulation.]

Section 51 of the Act deals with infringement of copyright and, in particular, sub-clause (b) thereof is relevant to the facts of this case. The section is reproduced below:

Copyright in a work shall be deemed to be infringed –

- (a)
- (b) when any person –
- (i) makes for sale or hire, or sells or lets for hire, or by way of trade displays or offers for sale or hire, or
- (ii) distributes either for the purpose of trade or to such an extent as to affect prejudicially the owner of the copyright, or
- (iii) by way of trade exhibits in public, or
- (iv) imports into India,
any infringing copies of the work:

[Provided that nothing in sub-clause (iv) shall apply to the import of one copy of any work, for the private and domestic use of the importer.]

Relying on the specific language in Section 14(d)(ii) of the Act that deals with the exclusive rights in respect of cinematograph films, i.e., “regardless of whether such copy has been sold or given on hire on earlier occasions”, the plaintiff argued that giving a film for hire or offering a film for hire without the copyright owner’s license was an infringement of such exclusive right.

While accepting the contentions of the plaintiff above and finding infringement on the part of the defendant, the court held as follows:

“63. The defendant in this case, accepts that the renting/hiring of films carried on by it is without the plaintiffs’ license. The Plaintiffs urge that since the importation, for the purpose of renting of these cinematographic films has not been authorized by them in India, the copies are infringing copies. Hence their import would be barred under Section 51(b)(iv). The defendant’s argument, however, is that the copies were legitimately purchased in the course of trade; they are rental copies, and can be used for purpose of renting, in India. He says that the device of zoning, whereby the plaintiffs restrict the licensee owner to use it in territories other than what is indicated by them, is artificial, and unenforceable. Such “long arm” conditions are inapplicable. Particular reference is made to the explanation to Section 14, which describes the content of copyright; it clarifies that “For the purposes of this section, a copy which has been sold once shall be deemed to be a copy already in circulation.” Though attractive, this contention is unfeasible for more than one reason. The reference to copies in circulation is in the context of copyright in literary, artistic, dramatic or musical work, - not computer programme (Section 14 (a); the statute enables the copyright owner to “issue copies of the work to the public not being copies already in circulation”. But for the explanation, it could arguably be said that the copyright owner lost his domain, or right to control the manner of further dealing in copies which were in circulation. Yet, a careful reading of Section 14 would reveal that the content of copyrights in respect of each nature of work (literary, dramatic, or musical work,

on the one hand, computer programme, artistic work, cinematograph film, etc on the other) are distinct - evident from the listing out of such rights, separately, in Clauses (a) to (f) of the section. The reference to “copies in circulation” has to be therefore, in the context; the phrase is used to limit the copyright owner’s right to dictate further use of a literary, musical and dramatic work (Section 14(a) (ii)). None of the owners of other classes of work are subject to that limitation. The restriction of one class of copyright owner, structured in the statute serves a dual purpose- it limits the owner of that class of copyright; and at the same time leaves it open to the copyright owner of other kinds of work, to place such restrictions.

64. The second reason is that Section 14(1)(d) provides that the copyright owner has, in case of cinematographic films, the exclusive right to sell or give on hire or offer for sale or hire, any copy of the film, regardless of whether such copy has been sold or given on hire on earlier occasion. The copyright owner, therefore continues to be entitled to exercise rights in a particular copy of the film regardless of whether it has been sold previously- in express contrast to literary works, which are “already in circulation”. This is reinforced by Section 51(b)(i), which unambiguously provides that copyright in a work shall be infringed if a person does anything the exclusive right do which is by the Act, conferred upon the owner of the copyright; it is also emphasized by Section 51(b) (i) which makes for sale or hire, or sells or lets for hire, or by way of trade displays or offers for sale or hire, any infringing copies of the work. The proviso, crucially, exempts from the importation of a single infringing copy for “the private and domestic use of the importer”. As noted earlier, importation of a copy into India, in contravention of the Act - for instance, without the license, or authorization of the copyright owner, is an infringement; such copy is an infringing copy under Section 2(m).

86. Copyright law, and the protections afforded to owners and those entitled to it, under Section 14, is a balance struck between the need to protect expression of an idea, in a given form to promote creativity, on the one hand, and ensure that such protection does not stifle the objective, i.e., creativity itself. Copyrights are part of intellectual property law, which are but a species of property law. Unlike in the case of material or tangible objects, these laws protect specific concepts - in the case of trademark, distinctiveness, in copyrights, originality of an expression and in the case of patent, inventiveness. Just as the owner of real property, or a material object is entitled to legitimately assert his domain over it, and protect it from unfair appropriation by another, the intellectual property owner is, by these laws, enabled to protect unwarranted exploitation or unauthorized use of what are his property rights. So viewed, the provisions of law, particularly Sections 14, 53 and 51, to the extent they prohibit the sale or hiring of copies - for commerce or

profit, by anyone, even the buyer of a copy, without the authority or permission of the copyright owner, amounts to protection of that property right. There is no public interest in insisting that such copies should be permitted, on the ground that the cinematograph films are not made available in the country. If that is the position, the defendant is always free to negotiate the terms of a license, in such of the films as are not available, for the purpose of their publication or performance in India. In these circumstances, it is held that the defendant's argument that the interpretation adopted by the court, defeats its right to carry on trade, business or profession, has no force; it accordingly fails."

This is perhaps the first time an Indian court has attempted an interpretation of scope of the copyrights granted in respect of various works under Section 14 and with particular reference to exhaustion of copyrights.

CASE LAW UPDATE

Patent war between Indian motorbike giants

In a hotly contested patent litigation between two leading Indian manufacturers of motor bikes, the issue that arose for consideration was whether TVS Motor Company Limited (TVS), infringed the patent of Bajaj Auto limited (Bajaj) in respect of an improved internal combustion engine working on four-stroke principle.

The dispute was sparked off by an announcement by TVS in August 2007 of the launch of its motorbike under the trademark FLAME powered with an internal combustion engine with a twin spark plug configuration. In September 2007, TVS became aware of an allegation by Bajaj that their product proposed to be launched was an infringement of Bajaj's patent. The invention in the said patent of Bajaj was understood to relate to the use of twin spark plugs for efficient combustion of lean air fuel mixture in small bore ranging from 45 mm to 70 mm internal combustion engines working on four stroke principle.

Immediately thereafter, TVS filed for a rectification of the said patent before the Intellectual Property Appellate Tribunal (IPAB) and also filed a declaratory suit and groundless threats action under Section 105 and 106 of the Patents Act, 1970 before the High Court of Chennai. The motorbikes were launched in the market in December 2007 upon which Bajaj also filed a suit against TVS for infringement of its patent before the High Court of Chennai.

In the suit filed by TVS, the Single Judge, while rejecting the injunction, allowed the delivery of the motorbikes of TVS which had already been booked. An appeal was filed against the said order by TVS before the Division Bench of the High Court of Chennai which granted the injunction in favour of TVS. Bajaj appealed the said order of the Division Bench to the Supreme Court which set aside the order of the Division Bench and directed the Single Judge to hear and dispose of the interim applications filed in both the suits together.

The Single Judge of the Chennai High Court, accordingly,

passed an order on February 16, 2008 by which the application of TVS for an order of interim injunction restraining Bajaj from interfering with the manufacturing and marketing of TVS products using internal combustion engine with three-valve and two spark plugs pending the disposal of the case was rejected. Further, the Single Judge also issued an order of injunction against TVS from infringing Bajaj's patent. The instant appeal was filed by TVS before the Division Bench of the High Court of Chennai against the said order.

According to TVS, the appellant, Bajaj in its initial specification in the patent application filed in July, 2002 and the amended specifications filed in 2003 did not refer to a patent granted to Honda in the United States in 1985 (Honda Patent). However, after the International Search Report dated August 13, 2004 was made available, Bajaj made a statement that the Honda Patent related to large bore size and not with reference to a small bore size. TVS alleged that Bajaj resorted to a deceptive method by introducing a limitation of bore size to the US Honda patent which did not have any such limitation and that this required a detailed investigation.

It was alleged by TVS that the claim of Bajaj in the amended specification filed in 2004 after the International Search Report relied heavily on the features of two-valve engine with improved combustion characteristics. However, in the pleadings in these proceedings, Bajaj had chosen to highlight the aspect of the twin spark plugs which was alleged to be a common feature with that of the TVS product. TVS also relied on the fact that it had filed an application for revocation of Bajaj's patent before the IPAB on the ground of obviousness among others.

Noting the arguments of TVS, the court found that when an application for revocation of a patent was pending before the IPAB on the ground of existence of a prior art, the court should not grant an injunction. Further, the court applied the concept of pith and marrow and found that the novel features of the invention of Bajaj varied in many respects from the novel features of the products of the TVS. While the claim of novel features of Bajaj's products was the twin plug operation resulting in improved internal combustion, the acclaimed novel features in the TVS product was in the operation of the two-intake valves with one exhaust valve providing a combination of swirl and tumble operations of lean and rich air fuel mixture in its internal combustion process with the aid of twin plugs. Accordingly, the court found that the pith and marrow of the respective claims were distinctively identifiable and that there was no scope for grant of injunction. Further, the court found that the fact that TVS was the licensee of a patent from AVL Austria, and that the specifications of the said patent sufficiently demonstrated that the internal combustion process in the TVS' product was not exclusively dependent on the twin plug operation but was based on the three valve configuration, and, that the third valve was not, therefore, merely a cosmetic one.

Further, the court held that merely because a patent was existing in the name of Bajaj, that by itself could not be held to make out a strong prima facie case of infringement against TVS because there was a distinctive feature of a different

operation in TVS' technology with three valve provision with twin plugs operation and the said three valve operation of the engine produced distinctively different result in its operation. In other words, while the twin plug operation in Bajaj's internal combustion engine may have resulted in improved internal combustion, the three-valve technology of TVS also with a twin plug provision produced a distinctive product of its own, different from the claimed invention of Bajaj. Accordingly, the court held as follows:

"85. Such a distinction as between the patented claim and the infringed product is well protected under the provisions of the Patents Act, as has been set out in the various decisions we have no hesitation in holding that in the case on hand, even while holding that the claim of valid patent at the instance of the Respondent can be prima facie accepted, the alleged infringement as against the Appellant cannot be held to have been made out at the instance of the Respondent. Therefore, there is no case made out for grant of interim injunction. However, taking into account of our observation that the controversy can well be decided in the Suit or in the Revocation Application, we only state that if the Respondent seeks for an early hearing of the Suit or the Revocation Application, the learned Judge or the Tribunal, as the case may be, may decide the Suit or the Revocation Application on its own merits uninfluenced by whatever stated in this Judgment and may decide the case at an early date.

86. In the light of our above conclusion, the question of balance of convenience or irreparable loss does not come into play. Having regard to our above conclusion, we hold that the Respondent is not entitled for an injunction as applied for and the injunction granted by the learned Single Judge cannot therefore be continued."

Design v. Copyright: Division Bench of High Court of Delhi upholds the order in Microfibres v. Giridhar & Co.

In Volume V Issue 2 of *India IP Update* (April-June 2006), we had reported a landmark judgment of the High Court of Delhi in *Microfibres v. Giridhar & Co* wherein a Single Judge of the High Court of Delhi dismissed *Microfibres'* suit for injunction which raised an issue whether the copyright in the fabric designs of the plaintiff, *Microfibres*, which were not registered as designs under the Designs Act, 1911, were being infringed by the Defendants' use of the same on its upholstery fabric. The main defense of the defendant therein was that the plaintiff had failed to register these artistic works under the

Designs Act, 1911 and, therefore, by virtue of Section 15(2) of the Copyright Act, 1957, the plaintiff exhausted its copyright in the said artistic works as admittedly there were more than 50 reproductions. The Single Judge upheld the defense of the defendant and clarified that the intent and purpose of design protection is different in substance and form from that of copyright protection.

The said order of the Single Judge was appealed by *Microfibres* and was recently decided along with two other appeals (*Mattel Inc & Ors v. Jayant Agarwala & Ors* and *Dart Industries v. Techno Plast & Ors*) which raised common issues. While dismissing all the appeals and upholding the order of the Single Judge, the Division Bench found that the Single Judge had "felicitously summed up the legislative intent that limited monopoly should be granted to fuel industrial inventiveness in the field of commerce". A copy of the order is available at the website of K&S Partners in the UPDATES section for those interested.

SNIPPETS

Louis Vuitton wins damages against counterfeit importer

Louis Vuitton Malletier was granted an interim injunction by the High Court of Delhi against a defendant who imported various leather items bearing the famous mark 'LOUIS VUITTON'. The import of the said items was intercepted by the plaintiff through the border enforcement measures available for trade mark owners under Indian law. Subsequently, in a suit for infringement filed before the High Court of Delhi, the importer was proceeded ex-parte. Although the plaintiff could not prove the length of time for which the defendant was carrying on the said business to quantify the damages, the Court granted nominal damages of INR 200,000 (approximately USD 4000) to the plaintiff.

Registrar's suo moto power to correct the Register is independent of the right of parties for rectification

A Division Bench of the High Court of Delhi has recently held that the power of the Registrar of Trademarks to correct his own mistakes is wholly independent of the right of a party to make an application for rectification of the Register under the Trade Marks Act, 1999. The court pointed out that the Registrar was the custodian of the Register and that it was his bounded duty to correct his mistake whether or not an aggrieved person makes an application for rectification.

Phones: +91 (124) 4708 700, Fax: +91 (124) 4708 760/780

E-mail: postmaster@knspartners.com Website: www.knspartners.com

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, BK House, Plot No. 109, Sector 44, Gurgaon 122 002 Haryana, India