

SUNITHA NATH BOUTIQUES: INTELLECTUAL PROPERTY RIGHTS (A)

Nithyananda KV wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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It was early December 2015 in Bengaluru, and the weather was very cold due to an onslaught of heavy rains after a hot summer. Contrasting the weather outside, the atmosphere inside the office of Sunitha Somanath (Sunitha)¹ was tense and heating up by the moment. Sunitha paced restlessly in her office on the 12th floor of UB City, a luxury commercial complex in the central business district of Bengaluru. She was waiting for her friend and schoolmate Rajashri Menon, who was also the legal advisor for Sunitha Nath Fashions & Boutiques Pvt. Ltd. (SNB).

Sunitha tried having a cup of coffee to calm her nerves, but to no avail. She could not digest the fact that her most trusted employee had abandoned and deceived her. Sunitha had recruited the employee as an intern and mentored him during his growth within the organization, eventually promoting him to the post of studio manager with complete power to run the business in Sunitha's absence. But the employee had quit his job without giving any notice; stolen confidential information, designs, and documents relating to Sunitha's business; and started his own competing design firm in Bengaluru. One of SNB's important projects had been terminated by email a little while earlier, and the rumour was that her ex-employee was continuing to work on that project under his new design firm.

Sunitha felt queasy thinking that one person had destroyed the business she had built over 15 years. She was also worried that she might have to rebuild her business afresh.

SUNITHA NATH FASHIONS & BOUTIQUES

Founder's Background

Sunitha was born in Bengaluru as the second daughter of Somanath, an employee of Bharat Earth Movers Limited, Bengaluru, India. Sunitha had been interested in fine arts since childhood and had pursued it as her career. She completed her bachelor's degree in fine arts from a reputed school of fine arts in Bengaluru. It was during her visit to a friend's boutique that Sunitha realized she could create a niche for herself in

¹ In India, the naming convention varied. People belonging to certain regions and communities had surnames, while others did not. Surnames could either be family names, community names, or the father's or husband's name. Sunitha had adopted her father's name as her surname. Instead of addressing her as Ms. Somanath, she would be addressed by her first name, which was also a common practice in India.

fashion art. She started doing freelance jobs in fashion art to test the waters and realized there was tremendous opportunity in the field for a person with her skill, abilities, and interest. Sunitha felt that having a formal education in fashion design would strengthen her understanding of the field, and would also help to leverage her skills in fine arts and create a solid niche for herself. She joined the National Institute of Fashion Technology (NIFT) in Bengaluru to pursue her bachelor's degree in fashion design and, later, a master's degree in fashion management. After six years of effort and dedication, Sunitha graduated from NIFT with honours.

During her course at NIFT, Sunitha interned with Praveen Manu, a noted fashion designer based in New Delhi. Sunitha worked on apparel design and assisted Manu in his association with the Khadi project—a marketing effort backed by the Government of India to promote the use of traditional cotton apparel. After completing her course, Sunitha took a job as a trainee with Joydeep Bhonsle, another famous fashion designer from India, based in Mumbai. Sunitha trained there in the business of fashion designing. She was enterprising and worked on experimenting with colours and designs while integrating traditional art with modern designs. Bhonsle appreciated Sunitha's designs and gave her an excellent letter of commendation on completion of her training. He even offered her a job as an assistant fashion designer, which Sunitha immediately accepted.

In her new role, Sunitha started working on the Antony Deka–Joydeep Bhonsle brand. She developed a strong interest in infusing Indian craftsmanship and textile heritage into Western apparel. She experimented with a variety of textiles and developed an interest in the traditional handloom and cotton fabrics. Sunitha worked with the Deka–Bhonsle brand for three years, after which she started looking for more challenging work at an international level.

Skill Development

In 1993, Sunitha secured a position as a fashion designer with Preeti Maurya and worked with her for about four years, during which time she helped to develop the Vinyasa brand. She was introduced to computer designing and its use in European silhouette. Noticing her talent and skill, Maurya nurtured Sunitha's interests and encouraged her to experiment with textile and designs. Sunitha also worked on a couple of international fashion shows with Maurya, which helped Sunitha to gain experience with the culture, skill, network, publicity, glamour, artistry, politics, and rewards involved with an international fashion show.

By this time, Sunitha was nurturing her dream of becoming independent and setting up her own boutique. In order to achieve that dream, she felt she needed to have a complete understanding of the fashion design industry. One area where Sunitha had not used her knowledge of fashion management was in the procurement and merchandising department. While scouting for an opportunity in that field, she stumbled upon an opportunity to be a merchandising manager at Vikram Takiya Design Studio (VTDS) in Mumbai. In 1997, with a strong recommendation from Maurya, Sunitha secured the job. She learned how to manage the stock and the procurement processes efficiently. She was also exposed to merchandising and branding activities. While working at VTDS, Sunitha used her skill and experience to introduce certain efficient practices, which resulted in significant improvement in the procurement process at VTDS.

Fulfilment of a Dream

When Sunitha had worked at VTDS for about three years, her father died and she had to relocate to Bengaluru to stay with her mother. In 2000, once Sunitha had her family's affairs in order, she opened a boutique in the posh area of Jayanagar 4th Block, Bengaluru. Sunitha provided designs to many apparel

manufacturers while also teaching at her alma mater, NIFT, on a part-time basis. She also designed bridal wear for wealthy clients, along with party wear for socialites and film celebrities. This activity helped Sunitha create a niche while establishing herself as a well-known fashion designer in Bengaluru.

Sunitha created her own brand, Sunitha Nath, and rebranded her boutique as Sunitha Nath Boutiques. She started promoting both the brand and her business aggressively. She also expanded to other posh locations in Bengaluru, including Brigade Road, Indiranagar, and Sadashivanagar. Sunitha registered her business as a private limited company in 2001, under the name of Sunitha Nath Fashions and Boutiques Pvt. Ltd. and with a registered office on the 12th Floor of UB City in Bengaluru, India.

To be distinctive, Sunitha worked with craftspeople in villages from Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, and Kerala to integrate their designs into mainstream fashion. She also experimented with integrating these traditional designs with modern and Western apparel. Sunitha's clients appreciated both her efforts and her designs.

Sunitha soon developed a passion for designing jewellery and launched an aesthetically traditional line of jewellery, called Arka, in association with a well-known jewellery house based in Chennai. This line of jewellery became popular, generating buzz not only in the local media but also in the national and international media. Sunitha showed her jewellery collection during the Jewels of India 2004 exhibition, where her designs received critical acclaim and appreciation from reviewers and visitors to the exhibition. The jeweller received orders worth about ₹20 million² for Sunitha's Arka series of jewellery.

Entering the International Market

Having established herself in both apparel and jewellery designing, Sunitha decided to take the plunge into the mainstream fashion arena. She made her debut at the Lakme Fashion Week in 2006 with her Arka jewellery and a collection of apparel made from traditional silk from the Mysore region in Karnataka and cotton handloom from the Ilkal region in Karnataka, India. Sunitha's designs won critical acclaim during the show.

At the international level, Sunitha showcased her spring–summer collection during the 2011 Wills Lifestyle India Fashion Week with the theme “Chateau de Versailles.” Sunitha's designs integrated the traditional Mysore silk with European designs. Many reviewers appreciated her designs and composition. She was also featured in *Vogue* as one of the top 100 upcoming fashion designers to watch in the coming years. Many international celebrities had chosen Sunitha's designs for celebrity nights.

Sunitha had made it into the international fashion league within 15 years of completing her education. She was confident that she would achieve even greater success in building an international brand. She also had plans to open boutiques at international locations. Sunitha was hopeful that she would continue enjoying success in this field.

RAGHU AND THE INCIDENT

A Growing Need for Staff

As business began to grow after the Lakme Fashion week in 2006, Sunitha felt the need to recruit people who could manage the business operations on a day-to-day basis. She was worried about hiring an unknown

² ₹ = INR = Indian rupee; all dollar amounts are in U.S. dollars unless otherwise specified; US\$1 = ₹62.13 on April 1, 2015.

person who was not good in his subject or did not have the right attitude and passion. But Sunitha desperately needed someone to manage the studio while she was busy with client engagement and the creative work of the business.

Sunitha was passionate about mentoring budding fashion designers, having herself been mentored by fashion industry legends. She offered guest lectures at various schools of design and art. With her dual specialization, Sunitha was also able to provide paid internship assignments to students who were pursuing either fashion or art. As her need to recruit talent for managing the office work became desperate, Sunitha decided to offer a couple of internship projects for students at SNB.

By the end of 2011, there were five interns working with Sunitha, two from her alma mater, NIFT Bengaluru, and three from NIFT Bhubaneswar. One intern from NIFT Bengaluru, Raghuveer Urs (Raghu), and one from NIFT Bhubaneswar, Samarth Bishnoy, appeared to be promising. Their work seemed to be different from that of others, and they were willing to go further to achieve perfection in their work. Sunitha also found them both to be enterprising and dedicated to the field. At the end of their internship, Sunitha offered both of them a job at SNB as trainee fashion designers. Raghu and Samarth were elated with the offer, which they happily accepted. Sunitha issued each a one-page appointment letter, which was duly signed by Raghu and Samarth.

A Valuable Employee

During the first year of their appointment, Sunitha keenly observed the trainees' work. She found that Raghu showed potential for achieving greatness in his work and designs. He was also more enterprising and hardworking than Samarth, and he was willing to take on more responsibilities and fulfill them successfully to Sunitha's satisfaction, which she fully appreciated. At the end of 2012, after the first year of his appointment, Sunitha promoted Raghu to assistant fashion designer. She issued a two-page appointment letter to Raghu, outlining his expanded roles and responsibilities and providing him with a 25 per cent increase in his salary. Raghu accepted the offer after two days of review.

True to his potential and to Sunitha's expectations, Raghu became more enterprising and ambitious. He took more initiative in his job, which helped Sunitha offload more responsibilities on him. Sunitha was able to focus more on developing new product lines and concentrate on client engagement. By mid-2013, Sunitha was exploring opportunities with the film industry in Bengaluru and Mumbai to provide costume designing services for movies. Raghu started making independent decisions in the day-to-day operations and began focusing on procurement, designing, and sales for the Sunitha Nath brand. Soon Raghu was indispensable in SNB's business operations. He also started taking initiatives to improve the operational processes, and negotiated with the vendors and clients for terms of supply and service.

While this was going on, the Government of India launched the "Make in India" campaign, inaugurated by Prime Minister Shri Narendra Modi on September 25, 2014, at the Vigyan Bhavan, New Delhi. Many designers, including Ritu Kumar, Anita Dongre, and Rakesh Thakore, began reviving traditional fabrics and designs by integrating them into mainstream fashion design.³ These initiatives re-energized Sunitha, who was already working with the artisans and weavers dealing in Mysore silk from the Ilkal region. She decided to launch designer products in the global market using the Sunitha Nath brand.

³ Tasmayee Laha Roy, "Heres How the 'Make in India' Campaign is Reviving Indigenous Fabrics," *Economic Times*, July 6, 2015, accessed July 26, 2015, http://articles.economictimes.indiatimes.com/2015-07-04/news/64090789_1_ritu-kumar-weavers-anita-dongre.

To achieve success in the global market, Sunitha had to travel extensively—nationally to where the artisans and weavers were based and internationally to locations where the apparel could be exhibited and marketed. Sunitha became very busy with her travel, client engagement, and marketing activities. She promoted Raghu to studio manager and he began working as the de facto manager of the SNB offices and boutiques in Sunitha's absence. Although his salary was increased by 20 per cent, Raghu did not sign a new employment contract or letter of appointment for this new position.

As Raghu interacted with the clients and vendors, most of them noticed his efficiency and dedication to the work. A couple of apparel manufacturers invited Raghu to join them as an in-house designer, with a substantial raise in pay. He also received offers from established fashion boutiques and design houses based in Bengaluru and Chennai for positions in senior management, along with promises of a substantial increase in salary.

Raghu did not consider any of these offers seriously. He knew that by going independent, he had greater opportunities to earn substantial income, reputation, and fame. Being independent would also suit his enterprising and hardworking personality.

An Unexpected Turn of Events

Raghu was waiting for an opportunity to separate from Sunitha and start something on his own. The opportunity came in 2015 in the form of a big-budget movie launched by StoneStar Santosh Production House Pvt. Ltd. (SSP). All notable actors in the Kannada⁴ film industry were involved in this movie, either as lead actors or as supporting characters. It was estimated that the budget for making this movie was close to ₹1.5 billion (about US\$22.5 million), an amount that was considered to be the highest budget for a movie in the Kannada film industry.

Sunitha was asked to design costumes for the movie. The storyline was set in 17th century Karnataka and involved hundreds of costumes with traditional themes. Sunitha decided to extensively use traditional Ilakal fabrics (a traditional handmade cotton fabric) for the costumes, both for male and female characters. She visited Bijapur in the Karnataka state many times to negotiate with the weavers' association for the right variety of fabric, which she could then convert into the costumes required for the movie. She also worked on multiple designs to be presented to the movie director and the producer. She was working day and night to make this project a success.

Because Sunitha was busy travelling, participating in negotiations, and designing the costumes, she made Raghu the coordinator for the movie, representing SNB. She also authorized him to interact with vendors and with the movie's production team so that deadlines would be met to the full satisfaction of all groups. During this process, Raghu was introduced to Zakir, who was SSP's production manager for the movie. Raghu was working very hard to make the project a success.

One day, while Sunitha was in Bijapur, she got a call from Samarth, who, by then, had been promoted to fashion designer at SNB. He informed Sunitha that Raghu had not turned up at the office, that his phone was switched off, and that he was unavailable at his residence. Sunitha thought there might have been a personal emergency and that Raghu would return or call soon. She tried calling him herself but received no response. She left a message on Raghu's mobile phone, asking him to call her back once he received the

⁴ Kannada is one of the regional languages of India and the official language spoken in the southern state of Karnataka, the capital of which is Bengaluru city.

message. She waited until the end of the day but, once again, she received no response. When Sunitha did not receive any response for more than 20 hours, she started to panic.

Sunitha travelled back to Bengaluru the next day and went directly to the office, where she met Samarth. He told her, “Ma’am, I found this letter for you in the postbox today morning. It appears that it has been put inside the box and not posted.” Sunitha took the envelope, tore it open, and began reading (see Exhibit 1). Sunitha immediately called her legal advisor, Rajashri.

LEGAL COUNSEL

Rajashri and Sunitha had been classmates and best friends during their high school days. While Sunitha pursued the fields of art and fashion, Rajashri pursued law as a career. Rajashri completed her bachelor degree in law from the National Law School of India University, Bengaluru, specializing in the area of intellectual property rights. After graduation, Rajashri joined one of the top law firms of India, working in their Mumbai office, practising intellectual property law.

Sunitha and Rajashri had remained good friends and met with each other whenever they were in town. But when Sunitha started her new venture, Rajashri had been unavailable, busy with her work in Mumbai. Sunitha took the help of a lawyer who had an independent practice in Bengaluru. This lawyer had provided the basic services of business registration and the preliminary legal and statutory compliance formalities to set up Sunitha’s business.

Rajashri relocated to Bengaluru in late 2013 and set up her own independent practice. Rajashri then began helping Sunitha with all legal compliance matters and acting as legal advisor to the company.

Sunitha called Rajashri and briefed her about the incident and Raghu’s letter. Sensing the panic in Sunitha’s voice, Rajashri told her that she would come to Sunitha’s office right away. She asked Sunitha in the meanwhile to find out more about what had happened while Sunitha was away in Bijapur. She also asked Sunitha not to touch or disturb anything in the office.

ENQUIRY ABOUT THE INCIDENT

Sunitha asked Samarth what had happened while she was away and whether he had noticed Raghu behaving in an unusual manner. Samarth reported:

On the day you went to Bijapur, Raghu went to meet someone from SSP to discuss the movie project. After returning from the meeting, he started behaving in an unusual manner. He was saying that his future is going to change forever. When I asked him what he meant, he asked me, “Why are we working for someone when we can work for ourselves? We can earn a lot of money and become famous if we work for ourselves, isn’t it?” I told him I did not understand. He then told me that he had a word with someone at the film production place, and that they had informed him that the project of costume designing for the movie would be cancelled with SNB.

Samarth hesitated, but when prompted by Sunitha, he continued:

Somebody at the movie project had informed Raghu that the designs prepared by you were not up to the satisfaction of the director. Also, he was informed that you were not available on call whenever there was an issue with the design or stitching or colour or pattern, and it was only Raghu who was

available to sort out those issues. Apparently the movie production team felt that when Raghu is the one who is doing the work, then why should they be paying you the top price?

Sunitha was visibly disturbed by what she heard and wanted to confirm whether SSP had cancelled the movie project or just the relationship with SNB. Samarth indicated that to the best of his knowledge, the movie project was still on, but SSP did not want SNB to do the work. Samarth shared:

Someone at the movie project who spoke to Raghu informed him that he would invest in Raghu's venture, if he goes on his own. That day, [Raghu] took me to a pub where he started discussing a lot of stuff. He mentioned that the investment offer had really shaken him. He was really perturbed and was seriously considering going independent. But he wanted to speak out his mind before he could take the decision. So he started mentioning that the processes at SNB's offices are very robust and that he had understood most of it during his work here. He said that he was also confident that if he went alone, then he could replicate the processes at his new fashion boutique and become successful. Then he mentioned someone by the name Zakir. He was the one who sowed the idea in the head of Raghu, and he was also investing in his venture.

Sunitha was shocked to hear Samarth mention Zakir's name. Zakir had created problems for SNB with the movie project. He was not accepting any designs Sunitha sent and was acting as a barrier between Sunitha and the movie director and producer. Whenever Sunitha tried to speak to them directly, they would direct her to Zakir, saying that Zakir was the production manager and he should be approving the designs, fabrics, and costumes. If Zakir was okay with them, then the director and producer would be okay with them as well. This, Sunitha felt, was in breach of the contract that she had signed with SSP. Despite this difficulty, at the insistence of the producer and the director, Sunitha had continued working with Zakir, and now, it appeared that he was the person who had stolen Raghu from SNB.

Sunitha immediately tried to call Zakir, but he was unavailable, so she sent him a message to call her back as soon as possible. Then she tried to speak with the movie director; his secretary answered the call and informed Sunitha that the director was in a meeting, and she would ask him to call Sunitha back once he became free. Meanwhile, Sunitha received an alert that she had an email from SSP. She immediately opened her computer and found that the email was from Zakir; it was a contract termination letter (see Exhibit 2).

Sunitha became increasingly and visibly disturbed as she read this email. She discreetly checked with her contacts on the movie team and learned that Raghu was still working on the project as an independent costume designer. That was when it struck Sunitha that Raghu had cheated her.

While waiting for Rajashri to arrive, Sunitha paced nervously in her office, her mind racing as she thought about how her most trusted employee, whom she had groomed to become independent, had stolen critical information and processes relating to her business to set up his own independent fashion designing business. Not only that, he had taken one of her important clients with him, which would tarnish her reputation in the industry.

Perturbed, Sunitha wondered where she had erred in running her business. Did she fail in judging people? Did she fail in creating the right processes at SNB? Did she err in empowering the right talent for the right job? Or did she fail to monitor her business closely enough, which had led to this debacle? What else could she have done to avert this situation?

MITIGATING MEASURES

As soon as Rajashri arrived, Sunitha narrated the entire incident in greater detail and updated Rajashri with the information Samarth had provided. Sunitha also provided Rajashri with copies of Raghu's resignation letter and the contract termination letter received from Zakir. Rajashri read the letters and then asked Sunitha to evaluate the totality of the damage that had been done to Sunitha and to SNB.

Reviewing Financial Control

The two colleagues first reviewed the company's financial management. Sunitha reported that she had authorized Raghu to manage the company's bank accounts, including the Internet banking facility. Rajashri advised Sunitha to review the bank statements and payments register to determine whether there were any unauthorized, suspicious, or unusual transactions. She also directed Sunitha to immediately change the password for the Internet banking facility.

Review of the financial records revealed one suspicious transaction. The previous week, a cash payment of ₹400,000 (about US\$6,000) had been made to SNB's regular interior designer, M/s Innovative Interior Design (M/s Innovative). Querying the chief executive officer of M/s Innovative, Shyam Kumar, revealed that the payment was for professional charges associated with doing the interior design work for a new office. Kumar reported that the office was located in Fraser Town, Bengaluru, and that Raghu had authorized the work. Kumar also reported that Raghu had requested that the designer improvise on SNB's regular office design.

Sunitha had no plans to open an office at Fraser Town, but she knew that Raghu lived nearby and Zakir even closer. With this information, Rajashri concluded that Sunitha was dealing with theft, for which Raghu could be arrested and criminally prosecuted. With more information about the details of the incident, Sunitha could lodge a police complaint against Raghu. Rajashri directed Sunitha to gather more information from Kumar about the transaction for interior design: who had authorized the interior designing contract, under whose name was the property leased, when the lease agreement had been executed, who owned the building, and details about the design work. Copies of the associated documents, if Sunitha could obtain them (perhaps from Kumar), would also be helpful.

Reviewing the Contract for Costume Design

The next task was to review SNB's contract with SSP for the movie costumes (see Exhibit 3). Rajashri concluded that SNB could salvage some benefits from the contract as a consequence of SSP terminating it without notice. Determination of what was owed would be based on Sunitha's understanding that the movie had gone into production about 15 days earlier. Sunitha provided more information about the status of the project, as she understood it:

The designs were finalized during the pre-production review stage. Based on the acceptance of the designs and models, we had immediately started the work on the costumes and delivered all the costumes one week before the start of the production date. But Zakir had rejected a couple of units, stating that the director did not like them. This was communicated to us only one week back. Technically speaking, they don't have an option to reject the costumes, as they had accepted the designs, models, fabrics, stitching, and every other minute detail that went into those costumes, and they have been designed according to the specifications provided and approved by the director and

Zakir. But despite that, they sent a rejection notice, and today they have issued a contract termination letter.

Of the ₹12 million (US\$178,000) that was to be paid over the term of the complete contract, SSP had paid SNB ₹3 million (US\$44,500) upon signing the contract and another ₹3 million at the end of the pre-production stage. SNB had yet to pay Sunitha the third instalment, which was due at the beginning of the production stage.

Sunitha's bigger concern, however, was her reputation. Sunitha was incensed that SSP had simply terminated the contract without giving SNB an opportunity to respond. The contract stated that SNB's work should be to the satisfaction of the director and SSP's termination notice stated, "The work has not been as per the requirements of the director of the movie." However, the termination notice was sent by Zakir, the production manager (see Exhibit 2). Rajashri was not certain whether that information would be relevant; Sunitha wondered whether the process of rejection was part of a plan to terminate the contract with SNB and give the work to Raghu.

Stabilizing Relationships with Vendors and Customers

Rajashri directed Sunitha to speak directly with her vendors and customers to evaluate the status of SNB's relationships with them:

Check with your vendors and customers for anything unusual. You should be checking on the orders that were placed and the arrangements that would have been authorized by you or regularly by your firm. Also, check for any unusual conversation that Raghu would have had with them recently. It might also be good to review all the contracts that have been executed with your vendors and customers and see if the terms were all right from SNB's point of view. This might take some time, but check with all your prominent vendors and customers.

Rajashri also directed Sunitha to inform all of her vendors and customers right away—email would suffice—that Raghu was not working with SNB anymore. Vendors and customers were also to be advised that any transactions not unauthorized by Sunitha would not be ratified nor executed, in terms of either delivery of goods, drawings, designs, or payment of money.

EPILOGUE

Rajashri instructed Sunitha to determine what had transpired and to take steps to contain any further damage; however, those were just the first steps. With an incident like the one SNB had just experienced, there were other matters to also consider.

It appeared that Raghu planned to use processes and possibly designs developed at SNB. Were there steps that Sunitha could take to limit those possibilities? What steps needed to be taken to mitigate the impact of the theft of trade secrets and confidential information?

What was the role of M/s Innovative in this entire affair? M/s Innovative helped Raghu set up his office while still being the authorized interior designer for SNB. Could the designer's actions be excused? Did M/s Innovative and Kumar face any legal repercussions?

There were also questions related to the contract with SSP. Could SNB extract compensation from SSP due to unlawful breach of the contract and failing to follow due process? And how would Sunitha's action of sending out letters about this incident to her other vendors and suppliers affect her business?

Raghu's sudden departure and breach of his employer's trust had completely shaken Sunitha. Rajashri's directions were helpful, but Sunitha was left with more questions than answers. She was growing increasingly restless and very concerned about how this incident might affect her business, both currently and after she resolved the issues emerging from this incident.

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EXHIBIT 1: RAGHU'S RESIGNATION LETTER

Dear Sunitha Ma'am,

There's no easy way to do this, so here it goes. I've decided to leave the boutique. There's really no choice. I have wanted to start something on my own for a long time now. I have now got an opportunity to live my dream. An investor is willing to invest in the venture for setting up a new design boutique. Also given your reputation and stature, I won't be able to grow under your shadow and your brand. I need to be doing things for myself rather than doing it for you.

Zakir told me that the designs that you have submitted to the SSP have not been good and there is a very high likely chance that it would be rejected. At the same time, I have got another project, which I am interested in accepting and running it independently, with all the benefits accruing only to me for the efforts that I would be investing towards the project.

You might feel that it is hollow, but I sincerely thank you from the bottom of my heart, for all the opportunity that you gave me. Thank you for training me, and also reposing trust in me, by making me understand the entire process of running an independent boutique. I could not tell my decision to you personally, so I am writing this letter to you. I know that I am doing the right thing for my career and myself, but I still couldn't tell this to you personally.

I've organized all the documents relating to the work that I had been doing in the folder, on my desk. I have also prepared a report on everything I was doing and you'll see that nothing is missing. If you have any questions, call me. But I presume that you would not be interested to speak with me.

Thank you for all the support and guidance. Will remain indebted to you forever.

Yours truly,
Raghu

Source: Company files

EXHIBIT 2: TERMINATION NOTICE SENT BY SSP TO SNB, EXCERPT

The designs supplied by SNB have not been as per our satisfaction; there have been excessive delays, both in coming up with new designs and supplying the approved material for the shooting and rehearsals. Also the costumes supplied by SNB have not been as per the requirements and satisfaction of the Director of the movie. . . . Due to these problems, we are hereby terminating the contract with SNB for costume design. As per the terms of the agreement, please consider the monies paid to SNB towards this project till date as the full and final consideration for the time, effort and money spent by you and your team on this movie project.

Source: Company files

EXHIBIT 3: COSTUME DESIGN CONTRACT BETWEEN SNB AND SSP, EXCERPT**1. Engagement**

The StoneStar Santosh Production House Pvt. Ltd. (referred to as “SSP” hereinafter) hereby engages the Sunitha Nath Fashions & Boutiques Pvt. Ltd. and Mrs. Sunitha Somanath in her individual capacity (referred to collectively as “SNB” hereinafter) as the costume designer for the upcoming movie project planned by SSP. The engagement would commence with the start of pre-production and would continue till the premiere of the movie in theaters. During the period of this engagement, SNB would not be accepting any other movie project to work as a costume designer and would be available exclusively during the pre-production, production, edits, previews, and opening night, as well as [during] the official premiere of the movie. Furthermore, SNB would provide and adhere to the schedule provided and finalized between SSP and SNB for this engagement.

2. Services Under the Contract

SNB undertakes to complete the costume designing work as per the concept finalized between SSP and SNB. As the movie is set in the 17th century Karnataka region, the costumes designed by SNB should depict the costumes of that period. The apparel should be in cotton and silk with traditional designs made into outfits fitting the 17th century era Karnataka. The units of costumes to be delivered are listed in the annexure to this contract.

SNB undertakes to render its services as a costume designer willingly and to the best of its abilities. The engagement however has to be to the full satisfaction of the director providing due regard to the efficient production of the movie.

SNB also warrants that the designs, apparel, fabrics, and the costumes provided to the movie project would be original and would not infringe on the copyrights, designs, or any other intellectual property of any third party. SNB also warrants that, in case the rights belong to someone else, then it would take/acquire licences of such rights from such rights holders, at the cost of SSP, to be billed separately.

3. Guaranteed Compensation

Subject to providing the services as listed in Clause 2 above and all the obligations under this contract unless otherwise excluded, SNB would be paid a professional fee of [₹12 million (about US\$178,000)] excluding applicable taxes and other reimbursement of expenses related to the execution of this contract. This would be paid in four equal instalments: first instalment on signing the contract, the second instalment at the end of the pre-production stage, the third instalment at the beginning of the production date, and the fourth instalment on the night of the premiere.

SNB would be eligible to seek reimbursement of expenses related to travel including flight travel for Mrs. Sunitha, out-of-pocket expenses, model-making and prototyping including hire charges of models, and expenses incurred for securing intellectual property rights. In addition to this, SSP would reimburse the actual cost of the costumes made ready for the movie project (including cost of fabrics, and its transportation cost, but excluding the cost of designing, modelling, and stitching and tailoring costs) to SNB.

EXHIBIT 3 (CONTINUED)**4. Delivery**

The preliminary drawings and designs including the fabrics for the costumes would be provided 10 days before the starting of the pre-production date (specified in the annexure to this contract). These designs would be finalized before 45 days of the beginning of the production date (specified in the annexure to this contract) and all the final costumes would be delivered five days before the beginning of the production date.

5. Abandonment

If, for any reason whatsoever, SSP abandons the movie project after signing this contract, SNB is under no obligation to refund the monies paid to it under Clause 2 above. Also SNB would be entitled to be paid up to and including the next stage of payment due on the date of communicating such abandonment to SNB by SSP.

6. Termination

If for any reason whatsoever, SSP decides to terminate the contract with SNB, then SNB would be entitled to be paid up to and including one half of the next stage of payment due, on the date of communicating such termination of the contract with SNB by SSP.

7. Credit

SNB would provide the biographical material about the firm in the format requested by SSP along with a photograph of Mrs. Sunitha Somanath. It would also permit SSP to use such material in any modified format in the publicity material and campaigns of the movie. In this connection, no other consideration would be exchanged between SNB and SSP. In case the contract is terminated, then SSP agrees that the material so provided by SNB would not be used in any publicity material and campaigns of the movie. However, SSP would credit SNB for the works so executed prior to such termination as part of the regular credits section in the movie.

8. Publicity and Photo Shoots

SNB would use its best efforts to assist SSP in all publicity activities including press interviews and photo shoots. Dates for the interviews and photo shoots would be organized in consultation with SNB, who shall not unreasonably delay providing such schedule. SNB provides SSP the right to record such publicity interviews and photo shoots for archival purposes, while simultaneously acknowledging SSP's right to do so. SNB also agrees SSP may use such recordings for publicity and movie promotion in television, radio, cinemas, CDs/DVDs, Internet podcasts, webcasts, internet streaming, etc., as long as each recording is not more than 15 minutes long.

9. Production Budget

SNB would work with the director and the production manager of SSP to strive to complete the costume designing aspect of the movie project to the best of its capabilities while keeping the cost of the project within the design budget specified in the annexure.

EXHIBIT 3 (CONTINUED)**10. Health and Safety**

SSP acknowledges that SNB is responsible only for delivering the costumes required for the movie to enhance the visual appeal of the actors. However, SNB also warrants that while executing its duty under this contract, it would not breach any laws (specifically including but not restricted to intellectual property laws, environmental laws, tax laws, labour laws, and municipal laws, among others) and would provide due regard to the health, safety and well-being of all the stakeholders involved with the project.

11. Complimentary Tickets

SNB would be entitled to receive five complimentary tickets for the official premiere show of the movie on its release.

12. Copyright

SSP acknowledges that SNB would be the owner of all the designs, art, graphics, models, prototypes, and structures used in the costumes made exclusively for the movie project. SSP also acknowledges and warrants that it would not make any changes in the apparel, fabrics, designs, art, etc. that are identified as the property of SNB, without SNB's written consent, unless there is a technical emergency and the representatives of SNB cannot be contacted.

However, it is mutually agreed between SSP and SNB that the latter would grant a perpetual, irrevocable, and exclusive license of such rights to SSP and its licensee(s), to be used in future presentation of the movie, publicity and promotions, usage and exhibition of such costumes in the movie including extensions, tours, transfers, and revivals of the movie including sequels/prequels as per the decisions of SSP. SNB, in exchange for the guaranteed compensation as outlined in Clause 3 of this contract, would license the rights for future presentation of the movie, publicity and promotions, usage and exhibition of such costumes in this current movie. The license of such rights for extensions, tours, transfers, and revivals of the movie including sequels/prequels and the consideration therefor would be governed under Clause 13 of this contract.

13. Extensions, Tours, Transfers, or Revivals

SSP would have the sole and exclusive right to extend, tour, transfer, or revive the rights in the movie including sequels/prequels of the current movie in production.

If the extension, tour, transfer, or revival is part of the schedule identified in Clause 1 of this contract, then no additional consideration would become payable to SNB.

But if it extends beyond the schedule of calendar finalized under this contract, then both SSP and SNB would negotiate in good faith to arrive at a mutually convenient schedule and for a consideration agreed under this Clause of the contract.

EXHIBIT 3 (CONTINUED)

If SSP decides to extend, transfer, or revive the movie including sequels/prequels, and if it decides to use the original designs of SNB, then it would provide SNB the right of first refusal to execute such additional work. SSP and SNB shall negotiate in good faith for a fair compensation for such future assignment. If, due to unforeseen circumstances, SNB becomes unable to take up the project, then SSP may employ another costume designer, at its own cost, chosen in consultation with SNB. SSP acknowledges and agrees to enforce in case of a breach, that such new costume designer would maintain the integrity of the designs created by SNB.

14. Assignment

If for any reason whatsoever, SSP decides to shelve this movie project or decides to assign its rights therein to another company or producer, then SSP would honour its obligations under this contract and ensure that SNB would be retained as the costume designer for the movie project with such assignee(s). SSP would also ensure that SNB would be intimated in writing within 15 days of any such assignment.

Source: Company files