

Gramophone Company Of India Limited vs Shanti Films Corporation And Others on 2 May, 1996

Equivalent citations: AIR1997CAL63, AIR 1997 CALCUTTA 63

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Bench: Barin Ghosh

ORDER

1. On 21st August, 1986 an agreement was entered between the plaintiff and the defendant No. 1. The said agreement contains the following, amongst others, covenants:

"1. This agreement shall be for the film 'SHATRU' year(s) commencing on the 21st day of August 1986 and shall continue for ...X... successive periods of ...X... each on the same terms and conditions as are herein laid down unless the company terminates the agreement by giving notice in writing to the producer 60 days before the expiration of the initial or extended period.

2. For the purpose of this agreement the following words shall have the meanings set forth against them:

"WORK" shall mean any one or more of literary dramatic musical or artistic work as defined in the Copyright Act, 1957.

"RECORD" shall include a gramophone disc record, magnetic tape record (whether reel to reel, endless loop, in cassette or cartridge form or otherwise howsoever) or any other contrivance or appliance whatever bearing or used for emitting sounds whether or not the same also bears or can bear visual images or is or can be joined to be used in conjunction with or part of a contrivance or appliance bearing or used for giving visual images but shall exclude a cinematograph film as immediately hereafter defined.

"CINEMATOGRAPH FILM" shall include soundtrack and any recording however made of a sequence of visual images which is capable of being used as a means of showing that sequence as a moving picture (whether or not joined to or part of a record as defined herein) provided that it shall only include such recordings as aforesaid as are used for presentation through cinema, theatrical or television transmission or diffusion media or by any guage of film derived from such recordings so presented and shall not include any such recordings as are used for presentation in any other manner whatsoever.

"PERFORMANCE" shall include speech dialogue monologue recitation acting singing playing an instrument or instruments conducting or directing either alone or with another or others or any other sound and visual effects of any kind.

"PRODUCER'S FILM" shall mean all cinematograph films commenced and/ or under production during the period of this agreement and the extension(s) (if any) thereof whether or not the production thereof may have been completed after the expiry of this agreement, which contain performance of any work(s) in respect of which the producer directly or indirectly:

(i) is or shall be the producer or owner or

(ii) otherwise owns or controls or shall own or control the right to make available licence and assign the rights granted to the company under this agreement.

"CONTRACT RECORDINGS" shall mean recordings of performances comprising the Producer's Films whether or not they are incorporated in the final versions of the producer's films.

"CONTRACT WORKS" shall mean all works of a literary dramatic or musical nature performed in contract recordings.

3.(A) The producer hereby assigns and transfers and agrees to assign and transfer to the company absolutely and beneficially for the world :

(i) the copyright for making records of all contract works which are made available to the company under the terms of this agreement and the copyright, performing right and all other rights title and interest in and to the literary dramatic and musical works embodied in the Producer's Films including all rights of publication, sound and television broadcasting, public performance and mechanical reproduction of the said works.

(ii) the sole and exclusive right to make or authorise the making of any record embodying the contract recordings, either alone or together with any other recordings.

The producer undertakes to execute or obtain the execution of such further assignments or assurances as may be required to safeguard the parties' rights.

(B) It is hereby declared that the rights hereby assigned and transferred or agreed to be assigned and transferred in pursuance of this agreement include but are not limited to :

(i) the sole right of production reproduction sale (under such trade marks as the company may select) use and public performance (including sound and television

broadcasting) throughout the world by any and every means whatsoever of records made in pursuance of this agreement.

(ii) the sole right to decide based on market demand whether and/or when to discontinue or recommence the said production and sale of records and to fix and alter the prices of such records and the irrevocable right and licence at all times to use and publish the names and photographs of artistes, musicians, lyric writers, music directors and other persons associated with and/or engaged in the Producer's Films in any manner whatsoever and the producer's trademarks and logos for labelling, cataloguing, promoting and marketing the said records.

(iii) the right to grant licences for publication, sound and television broadcasting, public performance and mechanical reproduction of the contract works or any of them.

(iv) the right of use and public performance (including sound and television broadcasting) throughout the world by every means whatsoever of the contract works or any of them.

and the company shall have the irrevocable right to authorise any other person, firm or corporation to do any and all such act and things.

4. The producer hereby assures the company:

(a) That the copyright and other rights as mentioned in clause 3 are or will be the Producer's film and unencumbered property immediately prior to their assignment or transfer to the company.

(b) That prior to the despatch of soundtrack or recorded tape thereof or any other materials considered necessary to be made available to the company under this agreement the Producer will have secured the consent in writing of all artistes, musicians, lyric writers, music directors and other persons associated with and/or engaged in the Producer's Films in any matter whatsoever together with all other consents necessary for the manufacture and sale of the records and the use and publication by the company and its licensees of the names including professional names (if any) and photo-copies of the artistes, musicians, lyric writers, music directors and other persons for trade and advertising purposes as aforesaid for the purpose of this agreement.

(c) That except as otherwise expressly provided herein the company shall be under no liability whatsoever to any of the said artistes or musicians or lyric writers or music directors or to any other third party arising out of the company's exercise of any of its rights under this agreement.

8. The company shall be the owner of the original plate within the meaning of the Copyright Act, 1957 and any extensions or modifications thereof of any performance from which any records are manufactured in pursuance of this agreement.

9. The producer:

(a) shall not directly or indirectly supply or make available to any individual firm company corporation or other person for the purposes of manufacturing and selling records the whole or any part of the sound track or recorded tape thereof or any other materials made or to be made available to the company under this agreement.

(b) shall not directly or indirectly provide the service of any of the said artistes and/or Musicians to perform any of the works performances of which have been made available to the company for the purpose of manufacturing and selling records hereunder on their own account or for any individual firm company corporation or other person other than the company whereby such sound track(s) and performances are or are intended to be recorded in any form from which a record may be offered to the public provided that such sound track(s) and performances by the said musicians can be made available for sound or television broadcasting or cinematograph films in cases in which records thereof are not and are not intended to be offered to the public except by or with the prior written consent of the company.

(c) shall not do any act which derogates from the grants to the company in this agreement or exercise any rights granted to the company in this agreement.

10. The producer shall not without the prior written consent of the company:

(a) assign all or any of the Producer's rights or obligations whatsoever under this agreement or

(b) appoint an agent to collect on the Producer's behalf any monies due under the provisions of this agreement.

11. The producer agrees that all rights and Obligations under this agreement shall be construed to apply to works included or to be included in Producer's Films commenced and/or under production during the period of this agreement.

12. (A) Subject as hereinafter mentioned the Producer shall be entitled in respect of all records made in pursuance of this agreement (excluding records for promotional purposes) and sold by the company and its licensees in any part of the world are not returned to a royalty calculated on the company's domestic dealer price per record (excluding any taxes levied or leviable in respect of such sale by the company and its licensees and then less a packaging allowance at 10% on disc records in single-fold sleeves, 20% on tape records and 30% on disc records in deluxe packaging and/or in double-fold sleeves) at the following rates:

(a) on a record reproducing:

(i) contract recordings alone 7 1/2% (seven and a half per cent) per record.

(ii) contract recordings together with other recordings a proportion of 7 1/2% (seven and a half per cent) per record according to the number of duration of other recordings.

(b) The producer shall also be entitled to additional royalty in respect of records sold by the company, but not by its licensees calculated as follows:

(i) when the total value of records sold by the company appearing in the producer's royalty statement during a half-year exceeds Rs. 2-1/5 lakhs but does not exceed Rs. 10 lakhs -- 1% (one per cent) of total half-yearly sales value on the basis of the company's domestic dealer price.

(ii) when the total value of records sold by the company appearing in the producer's royalty statement during a half-year exceeds Rs. 10 lakhs 1 1/2% (one and a half per cent) of total half-yearly sales value on the basis of the company's domestic dealer price.

For arriving at the total half yearly dealer value proportionate value will be taken where contract recordings are combined in a record with other recordings.

(B) Records manufactured for the company outside India on a custom pressing basis but intended by the company primarily for sale in India shall for the purpose of this clause 12 be considered as having been manufactured in India and to have been sold when sold by the company, similarly records manufactured other than by the company for any of its licensees outside the country in which such licensee has its main operating office may be deemed to have been manufactured in such country and to have been sold when sold by such licensee.

(C) In addition to the royalty provided for in clause 12(A) hereof the producer shall also be paid on all inclusive copyright royalty at the rate of 5% (five per cent) in respect of sales by the company and its licensees of records companies performances of contract works and the provisions of clause 12(A) shall apply to the calculation of such copyright royalty (D) Royalty as above shall be payable as long as records covered by the agreement continue to be sold by the company and/ or its licensees, but not beyond the period for which the copyright in records and in contract works is legally protested in each country in which such records are sold.

15. Within six months after the end of each half-year the company shall furnish to the producer a statement showing the latest information received by the company for such half-yearly period as to the number of records sold (after making any permissible deductions as aforesaid) and the amount of royalty due in respect thereof and subject to the provisions of clause 13 hereof the company shall pay such amount to the producer or the producer's agent appointed under clause 10 of this

agreement and such payment shall be a complete discharge of the company's liability to make payments hereunder. The producer shall at the expense of the producer be entitled to receive upon so requesting the company in writing a certificate of the company's auditors as to the correctness of any such statement.

17. The producer without prejudice in the producer's responsibilities and obligations hereunder hereby nominates constitutes and appoints the company as the producer's attorney to bring and conduct in such form and manner as to the company may seem reasonable any legal proceedings whatever in the name of the company against any person for the purpose of enforcement of the provisions of this agreement or against any person who has committed anything whereby the company's rights and interests under this agreement are adversely affected provided that the authority hereby granted may be exercised by any Director or Secretary of the Company or by any Officer of the Company duly authorised for the purpose."

The expressions "producer" and "company" referred to in the aforementioned clauses respectively mean the defendant No. 1 and the plaintiff.

2. In this interlocutory application made in an action for infringement and permanent injunction the plaintiff has contended that it manufactured records and cassettes relating to the said film and has further contended, though incorrectly, that it had paid royalty to the defendant No. 1. In paragraph 4 of the petition it was contended that under the agreement the plaintiff is an assignee of the copyright of all works of literary, dramatic or musical nature in the said film and is the owner of the copyright therein within the meaning of the Copyright Act, 1957. It was also contended in the said paragraph that the plaintiff is the owner of the original plate of the records and cassettes of the songs and music of the said film. It was contended in paragraphs of the petition that in or about last week of November, 1995 the plaintiff came to learn that cassettes containing literary, dramatic and musical works of the said film were being released in the market by the respondent No. 2 and/or the respondent Nos. 3 and 4 by copying from the recording of the plaintiff. It was also contended in the said paragraph that the defendant Nos. 3 and 4 are claiming to be partners of the defendant No. 2. In paragraph 6 of the petition it was contended that defendant No. 1 after having received the benefit of the said agreement by receiving royalty thereunder from the plaintiff has purported to authorise the defendant Nos. 2 to 4 to manufacture and sell works and music of which the plaintiff is the owner of the copyright. In paragraph 7 it was contended that the acts and conducts of the defendants amount to infringement of the copyright of the plaintiff.

3. In the plaint the plaintiff has prayed for permanent injunction, mandatory injunction, delivery up and destruction of the records, cassettes, tapes etc. produced by the respondents. In this application interlocutory reliefs have been prayed for in aid of the main reliefs.

4. The application was moved on 19th December, 1995 upon notice to the defendants, when it was pointed out by the defendant No. 1 that no royalty whatsoever had been paid by the plaintiff to the defendant No. 1. The Court thereupon recorded respective submissions of the parties and passed the following order:

"In my view, at this stage there appears to be substance in the submission of the respondent No. 1 viz. that the case sought to be argued is different from the case which the petitioner has pleaded in the petition. Besides the statement contained in paragraphs 3 and 6 regarding payment of royalty appears not to be wholly correct. On the last occasion when the matter was listed before this Court, the point being taken regarding non-payment of royalty, the petitioner sought for time to produce evidence of such payment. The matter was accordingly adjourned till today for production of such evidence after one extension. Today no such evidence has been produced. The matter has been sought to be argued on the assumption that no royalty has been paid. It is also conceded that an amount of approximately Rs. 27,000/- was payable by the petitioner to the respondent No. 1 and the petitioner stated that interim relief could be granted to the petitioner subject to making payment of such amount either by deposit in Court or to the respondent No. 1.

In my view, the petitioner having come with what appears to be a false case on oath in the petition, at the ad interim state it should not be entitled to any relief without giving the respondents an opportunity of filing an affidavit. Accordingly the prayer for ad interim relief is refused. Directions are given for affidavits as follows:--

Affidavit-in-opposition is to be filed by 5-1-1996; Affidavit-in-reply is to be filed by 8-1-1996; and the matter will appear in the list as 'specially fixed' matter on 9-1-1996."

5. Two affidavits-in-opposition, one on behalf of the defendant No.1 and the other on behalf of the defendant No. 2 where thereupon filed. In the affidavit filed on behalf of the defendant No. 1, the said defendant contended that the plaintiff has made untrue allegations on oath in the petition, and as such has disentitled itself to any relief at the interlocutory stage. It has also been contended that the plaintiff has not taken any step against marketing and sale of pirated cassettes of the musical works of the said film published by one power electronic since 1992. In support of the said contention in lay cards of such pirated audio cassettes were annexed to the said affidavit. It was then contended that the plaintiff has failed to give any explanation in regard to the inordinate delay in filing the instant suit and application.

6. On merits the defendant No. 1 has contended in the said affidavit that the agreement dated 21st August, 1986 was in reality an agreement to assign and cannot be construed as anything more than a licence granted to the plaintiff to manufacture and sell records containing the musical works of the said film in which the copyright is and was at all material times vested in the defendant No. 1. It was stated that the defendant No. 1 did not ever intend and did not ever assign its copyright in all works of literary, 'dramatic and musical nature performed in the said film in favour of the plaintiff without consideration. It was stated that there could be no assignment as claimed by the plaintiff without consideration. Alternatively, it was contended that if it is held that there has been an assignment, the plaintiff cannot claim any right on the basis of the said agreement as the terms and conditions contained therein are harsh to the defendant No. 1 and the plaintiff has delayed in publication of the concerned works. In support of the contention that the defendant No. 1 intended to grant a licence,

copy of a letter dated 25th August, 1986 was annexed to the petition. It was stated that on receipt of the said letter the plaintiff represented that an agreement is required to be entered into, whereupon the defendant No. 1 had subscribed its signature on a document without the blank spaces contained therein being filled in. It was the specific case of the defendant No. 1 that no copy of the said document was ever furnished to it. It was also the specific case of the defendant No. 1 that by filling up the said document the plaintiff has introduced the agreement dated 21st August, 1986. It was stated that the plaintiff at that time had a monopoly in the business of producing records and cassettes. It was stated that the defendant No. 1 did not obtain any independent advice with regard to the terms and conditions of the said agreement and it had no option in the matter by reason of the superior bargaining power and dominant position of the plaintiff vis-a-vis the defendant No. 1. It was thereupon stated that the agreement is illegal, null and void and in any event voidable and the defendant No. 1 has avoided the same or is avoiding the same. It was lastly contended that the agreement contains reciprocal promises which were not performed, and as the consideration for the same has wholly failed and therefore no effect can be given to the same.

7. On the factual score it was contended in the said affidavit by the defendant No. 1 that only some statements were submitted under cover of letters dated 25th November, 1991, 9th September, 1991 and 7th July, 1992, copies whereof were annexed to the petition. It was stated that no payment was made on the basis of the said statements. It was stated that subsequent to the institution of the suit and after passing of the order dated 19th December, 1995, five more statements were sought to be submitted by the plaintiff to the defendant No. 1 under cover of a letter dated 26th December, 1995 along with a cheque for Rs. 27,450/-. A copy of the said letter was also annexed to the said affidavit. It was stated that the defendant No. 1 has under cover of a letter dated 2nd January, 1996 duly returned the said cheque and the statements to the plaintiff. A copy of the said letter was also annexed to the said affidavit. It was stated that in the first week of September, 1995 the defendant No. 1 agreed to grant licence to the defendant No. 2 for sale of the audio works in the said film on the terms and conditions contained in a letter dated 19th September, 1995, a copy whereof was also annexed to the said affidavit. It was stated that an advertisement was issued in the daily issue of the Bartaman, dated 14th September, 1995 inviting objections. A copy of the said advertisement was also annexed to the said affidavit. It was stated that in spite of such advertisement no objection was received from any person including the plaintiff. It was then contended that thereafter the defendant No. 2 released cassettes in the market. The in-lay cards relating to the same were annexed to the said affidavit. It is the specific case of the defendant No. 1 that after release of such cassettes by the defendant No. 2 the present suit was filed.

8. In the affidavit, filed on behalf of the defendant No. 2 it was contended that in the first week of September, 1995 the defendant No. 2 approached the defendant No. 1 for assignment and sale of exclusive copyright to publish, sale and market the audio cassettes and C.D. of the said film, whereupon the defendant No. 1 asked the defendant No. 2 to ascertain whether the copyright has been assigned to any other or not. It was stated that in order to ascertain the same a public notice was published in the Bengali daily newspaper Bartaman on 14th September, 1995. It was then contended that despite publication of such advertisement none came forward with any objection and in that view of the matter on 19th September, 1995 the defendant No. 1 assigned the copyright of the said film for 7 years in favour of the defendant No. 1. It was then contended that the defendant No. 2

did not publish, sale or market any audio cassettes or C.D. till 28th October, 1995 and on the same date the defendant No. 2 informed the defendant No. 1 that till that date the defendant No. 2 has not received any objection from any person in spite of the said public notice and therefore, the defendant No. 2 was planning to release the audio cassettes on the first week of November, 1995. It was thereupon contended that before finally publishing or releasing the cassettes in the market the defendant No. 2 gave a letter to the Deputy Commissioner of Police, Detective Department. Lal Bazar, on 23rd November, 1995. A copy of the said letter was annexed to the said affidavit. It was lastly contended that the defendant No. 2 released audio cassettes containing only the dialogue portion along with some background music of the said film. The defendant No. 2 has however, not indicated the date of release of the said audio cassettes. It was contended that the plaintiffs audio cassettes contain songs of the said film and not dialogues. It was stated that the defendant No. 2 received Master Audio Spool from the defendant No. 1 and the defendant No. 2 produced the cassettes by recording the same from the Master Audio Spool of the said film. It was contended that therefore, the defendant No. 2 has not got anything from the plaintiffs cassettes.

9. The plaintiff filed an affidavit-in-reply dealing with both the affidavits-in-opposition of the defendants Nos. 1 and 2. In the said affidavit it was contended that the defendant No. 1 divested itself of all its rights pursuant to assignment of its copyright, which is in three parts, namely, copyright in literary, dramatic and musical works embodied in the film, copyright in the original plate and copyright in records, cassettes, disc and like manufactured and sold by the plaintiff. It was stated that the defendant can only have a money claim against the plaintiff but the assignment of the copyright was absolute. It was thereafter stated that the plaintiff furnished royalty statements till about the year 1991 and in December, 1995 discovered that royalty payments were outstanding. It was stated that the plaintiff duly forwarded cheque for the outstanding amount of royalty and in doing so acted bona fide and in good faith but the cheque has been returned by the defendant No. 1. It was contended that in late 80s' and early 90s' the plaintiff went through serious financial crisis which resulted in cutting down the strength of staff and workmen of the plaintiff. It was stated that the plaintiff became a sick company within the meaning of the Sick Industrial Companies (Special Provision) Act 1985 and was referred to the Board for Industrial and Financial Reconstruction (BIFR). It was stated that an operating agent was appointed by BIFR and various rehabilitation schemes were explored and during that period the books, records and documents of the plaintiff were time and again under scrutiny by various agencies and due to that payment of royalty to the defendant No. 1 had been missed and over-looked by reason of inadvertence. It was contended that the suit was filed in extreme haste and immediately upon notice of the fact that the cassettes of the said film have been released by the defendants and by reason thereof the fact that no payment had been made on account of royalty to the defendant No. 1 had been overlooked. The plaintiff expressly apologised therefor.

10. In the said affidavit-in-reply it was stated that the preparation of the original plate by the plaintiff was duly acknowledged by the defendant No. 1 by a letter dated 25th August, 1986, a copy of which was annexed to the said affidavit. It was stated that by and under cover of a letter dated 12th November, 1986, which was sent by registered post with acknowledgement due, a copy of the agreement dated 21st August, 1986 was sent to the defendant No. 1 by the plaintiff. A copy of the said letter and a copy of the said postal acknowledgement due card was annexed to the said affidavit.

It was stated that in the issue of the advertisement or notice, the admission of the defendant No. 1 that it had no right in respect of the literary, dramatic and musical works of the said film is implicit. It was stated that the said advertisement was not noticed by the plaintiff. It was stated that the plaintiff had no knowledge of any piracy of cassettes of musical works of the said film apart from those by the defendants. It was stated that the defendant Nos. 1 and 2 are colluding with each other and therefore no reliance should be placed in regard to the documents -manufactured by them. It was stated that the letter dated 23rd November, 1995 addressed to the Police Authorities by the defendant No. 2 would show that the plaintiff has come to Court at the earliest available opportunity and has been vigilant about its rights.

11. Mr. Sudipta Sarkar, learned Counsel, appearing in support of the application, drew my attention to various sections of the Copyright Act, 1957. Mr. Sarkar also drew my attention to Halsbury's Laws of England, 4th Edition, Vol. 6, Articles 15 and 37 and Section 130 of the Transfer of Property Act. He cited a judgment of the House of Lords in *Messenger v. British Broadcasting Co. Ltd.*, reported in (1929) AC 151. He also cited a judgment of the Court of Appeal in *Chaplin v. Leslie Frewin Publishers Ltd.*, reported in (1965) 3 All ER 764. Mr. Sarkar then cited the judgment in *Jonathan Cape Ltd. v. Consolidated Press Ltd.*, reported in (1994) 3 All ER 253. Mr. Sarkar also cited a judgment of the House of Lords in *Withers v. Nethersol*, reported in (1948) 1 All ER 400. He also drew my attention to Order 39, Rule 4 of the Code of Civil Procedure 1908 and Kerr on Injunction, 6th Edition, pages 660 to 661. While giving reply, Mr. Sarkar cited a judgment of the Division Bench of the Punjab High Court in *Dharam Dutt v. Ram Lal*, . Mr. Sarkar also drew my attention to para 15.15 of Copinger, 13th Edition.

12. Mr. Sarkar submitted that copyright is not an ordinary right. He contended that copyright is a chose in action or an actionable claim and is a property capable of being transferred. He submitted that one can divest himself of his right in such a property by actually making over the same to another. He submitted that once it is made over, the person making over ceases to have any right over the same. Mr. Sarkar submitted that this kind of property can be transferred by assignment which requires to be made in writing. He submitted that this assignment can be made against consideration or without consideration. He submitted that such assignment can be effected on a promise to pay the consideration in future. According to him once the right is assigned the property does not revert back for failure of consideration, whether paid simultaneously or promised to be paid in future. He submitted that in order to find out whether the assignment has been made or the same is proposed to be made one has to look at the writing. He submitted that looking at the writing, in this case the said agreement, it will appear that the defendant No. 1 has assigned his copyright absolutely in favour of the plaintiff for ever. He then submitted that the defendant No. 1 may have a legitimate claim for royalty but non-payment of royalty will not have the effect of reassessment and the document does not say that on non-payment of royalty the copyright will revert back to the defendant No. 1. He submitted that by looking at the document it will be abundantly clear that the intention was to assign immediately without reserving any right. Mr. Sarkar submitted that after 23rd November, 1995 attempt was being made to release pirated records and cassettes of the said film by the defendants. The suit was filed in December, 1995 itself and simultaneously therewith the present application was filed and therefore, there had been no delay on the part of the plaintiff which will disentitle the plaintiff to the reliefs sought for in the

application. He also submitted that there was a mistake in the petition relating to payment of royalty, but that, he submitted, was not a deliberate mistake and the reason therefore has been explained by his client in the affidavit-in-reply. He submitted that if his client was not really under bona fide mistake, his client could immediately prior to the institution of the suit send the statements and the cheque which were sent by his client after detection of the mistake subsequent to the institution of the suit upon the same having been pointed out by the defendant No. 1. Mr. Sarkar submitted that despite his client being the sole and absolute owner of the copyright was not granted an ad interim injunction as a penalty for such mistake. He submitted that no further penalty should be imposed on his client for such mistake inasmuch as his client is the owner of the copyright and if anyone without his clients consent exploits the copyright in the market the same will cause irretrievable prejudice to this client which cannot be compensated in money. Mr. Sarkar submitted that his client being the owner of the copyright in respect of the dialogue portion of the said film is entitled to publish such dialogues in such manner so as to get the best benefit but if such dialogues are published by the defendant Nos. 2 to 4 without the consent of the plaintiff then not only the defendant Nos. 2 to 4 will make unjust enrichment by unauthorisedly utilising the absolute property of the plaintiff but at the same time they would diminish the commercial prospect of exploitation of the rights of the plaintiff over such dialogue of the film by publishing the same not in appropriate and acceptable manner as the plaintiff may undertake in the future. Mr. Sarkar therefore, submitted that his client should be entitled to an order as has been prayed for.

13. Mr. S. N. Mukherjee, learned Counsel, appearing on behalf of the defendant No. 1 drew my attention to various Sections of the Copyright Act, 1957, and cited a judgment of the Division Bench of the Madhya Pradesh High Court, in *Mishra Bandhu Karyalaya v. S. Koshal*, . He then cited a judgment of a learned single Judge of the Delhi High Court in *K.P.M. Sundhram v. Rattan Prakashan Mandir*, reported in AIR 1983 Delhi 461. Mr. Mukherjee also cited the judgment in *re Jude's Musical compositions* reported in (1906) 2 CH 595, the judgment in *Dansk Rekylriffel v. Snell*, reported in (1908) 2 CH 127 and also a judgment of the Division Bench of the Allahabad High Court in *Savitri Deviv. DwarkaPrasad*, . Mr. Mukherjee drew my attention to Section 53 of the Contract Act and Section 3 of the Transfer of Property Act.

14. Mr. Mukherjee principally submitted that if the assignment was with consideration but the consideration has not passed, the assignment is incomplete. He then submitted that one has to look at the document as a whole to find out the intention of the parties as to whether the assignment was to be made with consideration or without consideration. He submitted that reading the document as a whole it would appear that the defendant No. 1 really permitted the plaintiff to use the copyright of the defendant No. 1 for commercial exploitation upon payment of agreed consideration depending upon the volume of such commercial exploitation, which in turn demonstrates that the defendant No. 1 by the said document at the best granted a licence to the plaintiff and at the same time entered into an agreement to assign in future. He submitted that by the document in writing no automatic transfer took place in favour of the plaintiff. He submitted that if it was an assignment as has been contended by the plaintiff, then there was no reason to provide for negative covenants in the agreement and particularly to use provided under Clause 9 of the agreement since such negative covenants would, in the event of absolute assignment, render useless. Mr. Mukherjee then submitted that if by the said document the plaintiff has become the owner of the copyright then

there was no reason to appoint the plaintiff by the said document an attorney of the defendant No. 1 for the purpose of bringing in and conduct legal proceedings against persons who have committed anything whereby the rights and interests of the plaintiff under the said documents are adversely affected. Mr. Mukherjee then submitted that in any event the equity and balance of convenience is totally in favour of not passing any order as has been prayed for by the plaintiff since admittedly the film was produced prior to August, 1986 but for long 10 years no step was taken by the plaintiff to exploit the copyrights relating to the said film, being the subject-matter of the said document and in consequence thereof deprived the defendant No. 1 of its entitlement to a portion of such commercial exploitation and the suit and proceeding was instituted only after records and cassettes relating to said film were released for commercial exploitation after giving adequate public notice. He submitted that from acts and conducts on the part of the plaintiff it is clear that the plaintiff is not at all interested to have the copyrights being the subject-matter of the suit exploited commercially and in the event of an order of injunction as has been prayed for is passed, the defendant No. 1 will not be able to obtain any benefit of such right, which admittedly belonged to the plaintiff at least prior to 21st August, 1986 and for the transfer therefore to the plaintiff the defendant No, 1 had not been paid admittedly anything until prior to the institution of the suit.

15. The learned Advocate, appearing on behalf of the defendant Nos. 2 to 4 supported the submissions of Mr. Mukherjee and added . that the defendant Nos. 2 to 4 acted bona fide and before taking any step to release records and cassettes gave a public notice and thereupon waited for more than a reasonable time to give an opportunity to object to such release, but inspite thereof the plaintiff did not object to such release and in the event the defendant Nos. 2 to 4 are now stopped from further selling or marketing the cassettes and records released by them, the said defendants will suffer irreparable loss. In those circumstances it was submitted that no interim injunction should be passed.

16. In a suit for permanent injunction while the Court is considering an interlocutory application, the Court is not called upon to decide the real disputes between the parties. The Court is called upon to see whether the party who has approached the Court has a plausible case and whether there is a possibility of such case succeeding at the trial. If that test is satisfied then it is the duty of the Court to see whether the damages the plaintiff is likely to suffer for the action of the defendants complained of can be compensated in money and if so whether there is a standard for ascertaining such compensation. If such compensation can be ascertained and afforded in money then the interlocutory order of injunction should normally be refused. But if, on the other hand, the Court is of the view that such compensation cannot be ascertained and afforded in money then it is the duty of the Court to see the balance of convenience and inconvenience of the parties. If the balance "of convenience is in favour of grant then the Court shall normally issue an interlocutory order of injunction upon undertaking of the plaintiff to compensate the defendant against whom the order of injunction is passed if at the trial it is held that the plaintiff is not entitled to such permanent injunction. On the other hand, if it is found that the balance of convenience is against passing of such order, the Court will normally refuse to pass interlocutory injunction. The aforesaid are broadly the principles on which the Court acts while exercising discretion in deciding an interlocutory, application for temporary injunction made in a suit for permanent injunction. I think, it is also the duty of the Court to preserve the status quo as far as practicable, while dealing with such a matter.

17. Section 13 of the Copyright Act, 1957 provides that copyright shall subsist in (a) original literary, dramatic, musical and artistic works; (b) cinematograph films; and (c) records. Section 2 of the said Act provides that cinematograph films include the sound track. Section 2(p) of the said Act provides that musical work means any combination of melody and harmony or either of them, printed, reduced to writing or otherwise graphically produced or reproduced. Section 2(t) of the said Act provides that plate includes any stereo-type or other plate, stone, block, mould, matrix, transfer negative or other device used for printing or re'producing copies of any work and any matrix or other appliance by which records for the acoustic presentation of the work are or are intended to be made. Section 2(w) of the said Act provides that record means any disc, tape, perforated roll or other device in which sounds are embodied so as to be capable of being reproduced therefrom, other than a sound track associated with a cinematograph film. Section 2(x) of the said Act provides that recording means the aggregate of the sounds embodied in and capable of being reproduced by means of a record. "Author", as provided in Section 2(d) of the said Act means in relation to musical work, the composer, in relation to a cinematograph film, the owner of the film at the time of its completion and in relation to a record, the owner of the original plate from which the record is made at the time of making of the plate.

18. In this case, the plaintiff is admittedly the owner of the original plate'and the same is recognised by Clause 8 of the said Agreement and by the letter of the defendant No. 1 dated 25th August, 1986. The defendant No. 1 in this case was also admittedly the owner of the sound track of the said cinematograph film. By reason thereof the plaintiff had copyright in the records and the defendant No. 1 had copyright in the sound track in relation to the said film. Such copyright by reason of the provisions contained in Section 14 of the said Act is an exclusive right, inter alia, to reproduce the work in any material form.

19. Section 18 of the said Act recognises assignment of copyright. Section 19 of the said Act provides that such assignment shall be made in writing, signed by the assignor or his agent. Section 30 of the said Act recognises grant of license by the owner, which too is required to be in writing, signed by owner or his agent.

20. Clause 3(A) of the said Agreement provides that the defendant No. 1 thereby assigns and transfers and agrees to assign and transfer to the plaintiff absolutely and beneficially for the world:--

1. The copyright for making records of all contract works which are made available to the plaintiff under the terms of this agreement and the copyright, performing right and all other rights, title and interest in and to the literary, dramatic and musical works embodied in the said film including all rights of publication, sound and television broadcasting, public performance and mechanical reproduction of the said works and (2) the sole and exclusive right to make or authorise the making of any record embodying the contract recordings, either alone or together with any other recordings.

21. There is no dispute that the said agreement has been signed by the defendant No. 1 through one of its partners. The contention of the defendant No. 1 that it signed the said agreement without

understanding the purport thereof and without obtaining independent legal advice when the blank portions thereof had not been filled in; and without having had a copy thereof is not acceptable at this stage, in view of the letter dated 12th November, 1986 addressed by the plaintiff to the defendant No. 1 and the postal acknowledgement in relation thereto as annexed to the affidavit-in-reply of the plaintiff.

22. Section 3 of the Transfer of Property Act, 1882 defines actionable claim, inter alia, as a claim to any beneficial interest in movable property not in the possession, either actual or constructive of the claimant, which the Civil Courts recognise as affording grounds for relief; whether such beneficial interest be existent, accruing, conditional or contingent. Section 130 of the said Act provides that transfer of an actionable claim whether with or without consideration shall be effected only by execution of an instrument in writing signed by the transferor or his agent and shall be complete and effectual upon the execution of such instrument and thereupon all the rights and remedies of the transferor whether by way of damages or otherwise shall be vested in the transferee, whether notice of such transfer is given or not.

23. Therefore, the Copyright Act read with the Transfer of Property Act requires that transfer by assignment of a copyright should be made in writing by the transferor and upon execution of such writing the transferee would acquire all rights of the transferor, provided copyright is an actionable claim.

24. It is, therefore, not illogical on the part of the plaintiff to contend that all rights of the defendant No. 1 stood transfer to it immediately on execution of the said agreement.

25. The negative covenants contained in Clause 9 of the agreement, it appears to me, were aimed at stopping possible piracy by unauthorised supply of sound track or recorded film, which would remain with the defendant No. 1 as the owner of the cinematographic film and to prevent the persons like musicians who produced the original sound, over whom the defendant No. 1 has control, to reproduce the same and not to do any act which derogates from the grant made in favour of the plaintiff by the said agreement and to prevent exercise of any right granted to the plaintiff by the said agreement. The said covenant, prima facie, appears to be in support of the contentions of the plaintiff in regard to assignment and transfer as contended.

26. The plaintiff, it appears, appointed itself as the Attorney of the defendant No. 1 to bring in and conduct legal proceedings to safeguard the rights acquired by the plaintiff as and by way of abundant caution.

27. The agreement provides that the defendant No. 1 shall be entitled to royalty. It does not provide that for non-payment of royalty any right assigned to the plaintiff will revert back to the defendant No. 1. The Clause 1 of the said agreement provides that the agreement is not for a fixed period and can be terminated only at the option of the plaintiff.

28. In *Messenger v. British Broadcasting Co. Ltd.*, (1929 AC 151), the House of Lords upon consideration of the agreement found that it operated as an absolute assignment of the performing

rights and is not a licence. The relevant clause in that case stood as "licensor hereby grant the licensee the sole and exclusive right of presenting or performing the play in the United Kingdom, Great Britain and Ireland, America and the British Colonies and Dominions". The said agreement contained another covenant to the effect "the licensee shall in consideration of the rights hereby granted pay to the licensors the following royalties or fees" It also provided a clause to the effect "if this be not produced in London within 3 months from this date all rights of representation as aforesaid shall revert back and become again the absolute property of the licensor". The House of Lords construed the first clause, referred to above and said that the same plainly operates as an assignment. The House of Lords stated that the clause which provided that the rights would revert back makes it abundantly clear that the grant was not a license. In *Chaplin v. Leslie Frewin (Publishers) Ltd.*, (1965 (3) All ER 764) the Court of Appeal on construction of the agreement held that the copyright was assigned. The Court of Appeal held even if the words "grant" or "assign" are not used, the intention to assign may appear from the context. In that case the agreement provided "the publisher shall during the legal term of the copyright have the exclusive right of producing publishing and selling the said work". The Court of Appeal held that those words are ample enough to constitute an assignment of the copyright to the publisher.

In *Janathan Cape Ltd. v. Consolidated Press Ltd.* (1994 (3) All ER 253) the Author of a work parted with some rights to the plaintiffs. The question that cropped up was whether publication of the same work in substance in a weekly paper infringed the rights of the plaintiff under the agreement. Clause 1 of the said agreement provided "the author agrees to grant to the publisher the exclusive right to print and publish the original work in volume form" The Court construed the dictionary meaning of the word "volume" and held that it is a number of sheets which are fastened together so that they form one volume. The Court then found that publication of the work as a whole was intended to be the meaning of "volume for" and held that since the whole work was published in the weekly paper, such publication infringed the rights conferred on the plaintiffs by the agreement in question. In *Withers v. Nether-sole*, the sole and exclusive right was assigned in consideration of 8000 and one third of this was paid. The Taxing Authorities held that receipt of the said sum was of revenue nature. The House of Lords held that it was sale and therefore the proceed should be treated as sale proceeds and the realisation thereof should be in the nature of capital and not revenue. In *Dhararam Dutt v. Ram Lal* a Division Bench of the Punjab High Court held, that the real meaning of an agreement, rather than the particular choice of words of the parties, has to be looked into in determining whether there is only a license or there is an assignment of copyright. In that case, agreement contained a clause to the effect that the copyright of the works shall belong to the publisher during the legal term of the copyright and the author also agrees that he will not compile, edit or revise any similar work for any other publisher, nor will he give his help and advice, nor become a party in any way to any similar publication during the existing term of the copyright and all the works are vested in and remain with the publishers and will not publish or permit to be published any abridgement of the said work. The said agreement also provided a clause that if the publishers notify the author that the demand for the work have ceased, the agreement shall be construed as terminated and the right to print and publish the work shall revert back to the author. The Court held that the agreement amounted to a partial assignment and could be terminated by the publisher at its discretion.

29. *Dansk Rekyrlifsel v. Snell* ((1908) (2) Ch 127) is a case on patent, where the plaintiff agreed to sell some patents in consideration of some payment in cash and the balance on royalty. It provided that if default is made in payment of minimum royalty the whole of minimum royalty would become immediately payable. Thereafter upon payment of the agreed cash amount the patents were assigned for a nominal consideration and without reference to the agreement or any reservation of royalty. The purchaser thereupon leased out the patent to a company who acquired the same with notice of the agreement. The company paid the minimum royalty thereafter. The assignee thereupon wrongfully repudiated the agreement, when the plaintiff brought an action against him and the company. The plaintiff claimed that by reason of wrongful repudiation, the plaintiff is entitled to claim that the agreement has come to an end and to sue for damages for the breach. The plaintiff claimed un-paid minimum royalty by way of damages and a lien on the patents for the royalties as unpaid purchase money. The assignee became bankrupt, whereupon the company pleaded that the plaintiff, having elected to treat the agreement as an end, has no claim for royalties. The Court held that the plaintiff had not in its pleadings elected to rescind the agreement and that it is entitled to sue both in damages /or the breach and also for consideration. The Court further held that the plaintiff had a vendor's lien on the patents in the hands of the company for the unpaid minimum royalty and the plaintiff was entitled as against the assignee to an account for the royalties payable under the agreement and to prove in his bankruptcy for the amount found due on the account. In *Jude's Musical Compositions*, the registered proprietor of the copyright in a musical composition entered into an agreement and thereby gave the sole and exclusive right of printing and publishing the series of the music. It was held that the agreement was a publishing agreement and did not amount to an assignment of the copyright. The agreement in question provided that "in consideration of Mr. W. H. Jude giving Mr. W. C. Newsam the sole and exclusive right of printing and publishing the series of 'music and the higher life' and issuing the same in volume form, Mr. W. C. Newsam and Mr. W. H. Jude jointly agree to the following conditions:--

1. The cost of printing and issuing the volume to be borne by Mr. W. C. Newsam.
2. Mr. W. C. Newsam to pay Mr. W. H. Jude 6d on every copy sold.
3. Mr. W.C. Newsam to supply Mr. W.H. Jude with such copies as he may require from time to time at 6d per copy. Any copies supplied to Mr. W. H. Jude not to be liable to the aforementioned royalty of 6d."

It was found that Mr. Jude retained the ownership of the plates which were lent to Mr. Newsam. The Court held that by the 1st clause of the agreement, for the future, Mr. Jude is relieved of the cost of printing and issuing the volume and it may be that one ought to find in some consideration for the assignment of the copyright and by the 2nd clause provision was made for payment of royalty which is quite consistent with an assignment of the copyright. The Court felt that the 3rd clause was a difficult clause which did not make the publisher obliged to publish except for Mr. Jude as may be required by him which the publisher was bound to supply at the given price. The Court said that the publisher was not under any obligation to print other copies which is consistent with an assignment of the copyright, because a man who is the owner of the copyright is not bound to publish. The Court, however, then held that the publisher was under an obligation to supply certain copies at

certain price to Mr. Jude, he could not refuse to do so. The Court then held that once an assignment is obtained the right vests for all time, but a right which may be defeated by a condition cannot be said to be an assignment. In *Mishra Bandhu Karyalaya v. Shivratanlal Koshal* the Division Bench of the Madhya Pradesh High Court was dealing with a matter where two agreements were involved. The Court held that the agreement between the author of the book and the plaintiff was an outright sale of the copyright, but the agreement between the plaintiff and the defendants evidenced grant of licence to publish the book, which is revocable if consideration payable in future by way of royalty is not paid. The Court observed "The Court's duty is to give effect to the actual bargain of the parties according to their intention, and when the transaction is in writing, the intention of parties has to be gathered from the actual words used in the instrument unless they are such as not to convey their intention correctly." In *K. P. M. Sundhram v. Rattan Prakashan Mandir* (AIR 1983 Delhi 461), the agreement contained a term to the effect that the publishing and selling rights of the works shall vest in and remain with the publishers during the legal term of the copyright, but, at the same time, it provided that the copyright for the work shall belong to the author during the legal term of the copyright. The Court construed the agreement as sole and exclusive licence to print and publish the works and not an assignment of the copyright. In *Savitri Devi v. Dwarka Prasad* a Division Bench of the Allahabad High Court held that copyright is a beneficial interest in movable property but the owner of the right has actual or constructive possession of the same and therefore, copyright hardly comes within the purview of 'actionable claim' as defined by the Transfer of Property Act, but it can be assigned by unregistered deed and that registration of deed of assignment of copyright is not compulsory in India in accordance with the law then applicable. The law as applicable today is not at all different than the law as was applicable then. The same is also the law applicable in England, Para 8 Vol. 6 of Halsbury's Laws of England 4th Edition says that copyright has been held to be "chose-in-action" and Para 37 of the same Volume says that consideration is not required to support equitable assignment of an existing legal chose-in-action, provided the assignor has done everything required to be done by him to make the assignment complete in equity.

30. From the aforesaid it appears to me that in this country 'copyright' which is a chose-in-action in England, is a beneficial interest in movable property in the actual or constructive possession of the owner thereof, although strictly not an actionable claim, but capable of being transferred by assignment evidenced by a writing executed by the assignor or by his duly authorised agent. The writing containing such assignment need not be registered. The intention of the parties whether it was an assignment or a grant of permission to use should, in the normal course, be gathered from the writing itself and the words used therein. If the word "assignment" is used then the assignment should in the normal course be readily accepted. Payment of royalty in future on some given basis as consideration will not stand in the way of construing the intention to assign. In the event the writing contains covenants which indicate that the assignor retains some right in spite of the writing in relation to the copyright then the same may be either a partial assignment or a licence. In the event the grant is conditional then until fulfilment of the condition the assignment may not take effect. Similarly, if the assignor becomes entitled to any right on the happening of the particular thing then on the happening of such thing the assignor gets back such thing. The assignment will take effect immediately. The most important thing, it appears to me, is the right of the recipient to deal with the copyright as owner thereof, i.e. right of user Or right to destroy the copyright at his one volition; any of which, if can be gathered, assignment can be readily accepted.

31. If that be the law, then reading the agreement, being the subject matter of this proceedings, I am of the view, that the plaintiff has made out a prima facie case of assignment of copyright of the sound-track in its favour. There is neither any restriction, nor any compulsion on the part of the plaintiff to use the copyright. The grant itself is not conditional, nor does the grant cease to have effect on the happening of anything. The words chosen are "hereby assigns and transfers..... absolutely and beneficially for the world." In addition thereto the plaintiff is the owner of the original plate. The plaintiff has published records. Therefore, publication of the sound-track of the film in question or reproduction of records from the original plate or from the records produced by the plaintiff without its authority will be infringement of the copyright, I am of the prima facie view, of the plaintiff.

32. At this stage, I cannot hold, that the case as made out by the plaintiff for permanent injunction cannot succeed at the trial.

I am also of the view that unless injunction is granted the plaintiff will suffer such loss and prejudice which cannot be adequately compensated in money since exploitation by the defendants of the rights of the plaintiff may be in such manner that it may not generate larger public interest, resulting in lesser sale, which will prevent assessment of the real commercial potential of the copyright.

33. The balance of convenience, I am of the view, is also in favour of the plaintiff since the plaintiff has already published the work, submitted accounts and tendered royalty to the defendant No. 1 in terms of the agreement, though subsequent to the institution of the suit, but on the other hand, the defendant No. 2 has not stated as to what step it had taken to publish the work except stating that it has sold records. It does not appear as to when the first record was sold by the defendant No. 2 in fact. It does not appear how many records were produced and how many of them has been sold. It is not the case of the defendant No. 2 that in the event of an order of injunction is passed, the business and the factory of the said defendant will come to a grinding halt resulting in large unemployment.

34. As for the delay. I have already said that the plaintiff approached this Court within less than a month from the date of attempted sale by the defendant No. 2. Such delay on the part of the plaintiff in approaching this Court is not such a delay that the same will disentitle the plaintiff of an equitable relief. The publication in a single newspaper will not improve upon the case of the defendants. It is not expected that every litigant will keep track of every publication made in every newspaper. The defendant No. 1 was perfectly aware of the agreement made by it. It had received the copy of the agreement prior to the publication. It also received statements prior to the publication. It knew that royalties have not been paid by the plaintiff. All these facts, the defendant No. 1 brought to the notice of this Court on the returnable date of the present application. It is surprising that the defendant No. 1 caused unnecessary expenses to be incurred by publishing the subject notice in a newspaper, which has least circulation amongst other newspapers published in Calcutta as claimed by the plaintiff, but did not write a letter to the plaintiff.

35. The last question that I am required to consider in this case is in regard to the mis-statements made in the plaint and petition regarding payment of royalty. The fact is that royalty had not been

paid. By making a statement that the royalty has been paid, apart from making mis-statement, the plaintiff did not improve upon its case. The reason for mis-statement has been explained. By reason of such mis-statement the plaintiff was denied ad interim order as a penalty. The plaintiff has tendered unconditional apology for the said mis-statement. Further-more that mis-statement was not such a mis-statement which could be kept concealed by the plaintiff. I do not see any reason to hold that the plaintiff deliberated made the said mis-statement to mislead the the Court. The plaintiff did not attempt to obtain any ex parte injunction. The application was moved upon notice to the defendants. Order 39, Rule 4 of the Code amply covers the field. If a plaintiff obtains an ex parte injunction and it appears that the plaintiff has mis-stated his case either by mis-representation or by suppression of material facts and thereby has obtained the injunction, which could not have been obtained but for such mis-statement or mis-representation or suppression, then such injunction will be dissolved on that ground alone. However, the rule in regard thereto is confined only to ex parte injunction. It is well-settled that the Court does not deal with same severity and strictness in case of an injunction obtained on notice as with regard to an injunction obtained ex parte.

36. In those circumstances there shall be an order of injunction in terms of prayer (d) of the petition. Such order of injunction will continue until disposal of the suit.

37. There shall be no order as to costs.

38. Stay prayed for is refused.

39. All parties to act on a signed xerox copy of this dictated order on the usual undertaking.

40. Petition allowed.