

# Warner Bros. Entertainment Inc. And ... vs Mr. Santosh V.G. on 13 April, 2009

**Author: S.Ravindra Bhat**

**Bench: S. Ravindra Bhat**

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IN THE HIGH COURT OF DELHI AT NEW DELHI

Reserved on: 08.04.2008  
Pronounced on: 13.04.2009

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CS (OS) No.1682/2006

WARNER BROS. ENTERTAINMENT INC. AND OTHERS

....PLAINTIFFS

Through : Mr. C.M. Lal, Advocate

Versus

MR. SANTOSH V.G.

....DEFENDANT

Through : Ms. Pratibha M. Singh, Advocate

CORAM:

HON'BLE MR. JUSTICE S. RAVINDRA BHAT

- |    |   |     |
|----|---|-----|
| 1. | Whether the Reporters of local papers may be allowed to see the judgment? | Yes |
| 2. | To be referred to Reporter or not?  | Yes |
| 3. | Whether the judgment should be reported in the Digest?                    | Yes |

S.RAVINDRA BHAT, J.

1. The plaintiffs sue the defendant for permanent injunction and damages, claiming that the latter has infringed their copyrights in respect of films, by hiring, and offering for hire, infringing copies, in India.

2. The Plaintiffs, their associated and affiliated companies carry on business of film production and are the owners, co-owners, assignees, licensees of rights, titles and have interests in and to the copyrights in the films produced by them. They contend that all the films in which they claim copyrights have been first published in a country included in the first schedule of the International Copyright order, 1991 and therefore, under the Copyright Act, 1957 and the Copyright Amendment Act, 1994 they have the exclusive right inter alia to (i) to make a copy of the film including a photograph of any image CS (OS) 1682/2006 Page 1 forming part thereof; (ii) to sell or give on hire or offer for sale or hire, any copy of the film, regardless of whether such copy has been sold or given

on hire on earlier occasions; and (iii) to communicate the film to the public.

3. Film production, say the plaintiffs, is a complex, time consuming and costly process, needing a well defined distribution strategy for its commercial success. The plaintiffs refer to development of a well thought out distribution strategy to release the film on its completion, in different states. According to them, generally, the first phase entails release of the film on its completion, in different stages. This involves release of the film in theatres and/or cinema halls. After the film has run its course in the theatres and cinema halls, it is released in other formats and media such as home video, rental, cable and satellite TV. The time difference between the release in theatres and cinema halls and release on other formats may sometimes be separated by a few months and at times by a couple of years. This distribution strategy/system of release within the film industry is commonly referred to as "windows".

4. As the first stage of the distribution strategy generally involves theatrical release as the first window, it is vital that the film be available to the public only at the theatres. The time period set for the first window release varies, depending on several factors. After a film is exhibited in theatres/ cinema halls, it is generally released through a second window, normally in the form of home videos. Thereafter the stage is set for release of the film through other windows and media. The plaintiffs, assert that at each stage, it is important to protect the film from being distributed on any media other than that selected by the copyright owner, according to his strategy.

5. The plaintiffs contend that films are also distributed and made available to the public in different formats at different times. It is normal for the Plaintiffs to first release their films in theatres in the United States of America. By the time the film is released in theatres in other countries outside the USA, it is probable that in the USA, the films are already released in home video format. Accordingly, at the time that a film is theatrically released in India, it is possible that the same film has already been released on home video format in the US by the plaintiffs and/or their respective licensees. It is CS (OS) 1682/2006 Page 2 critical that this home video product released in the US is not authorized or licensed for sale (or rental) outside the US and/or USA and Canada.

6. The Defendant, allege the Plaintiffs, is the Proprietor/ partner of the concern by the name and style of Cinema Paradiso. It (the Defendant, hereafter called Paradiso) carries on business from four premises; the plaintiffs allege that it is rapidly expanding its operations all over India. The plaintiffs therefore say that there is an imminent threat that the Defendant will also expand its operations in Delhi. The plaintiffs say that the modus operandi adopted by the defendant is simple; it has two categories of members, individual and corporate. The Defendant charges refundable "caution deposit" of Rs.2000/- and a "processing" and "application fee". Thereafter a rental fee of Rs.75/- and in some cases Rs.100/- is charged against each title rented. The rental DVDs are collectible by the customers from the shop or delivered to them. Several DVDs so hired out by the Defendant, bear the warning that they (such DVDs) are not permitted for sale or rental outside the US and Canada.

7. The plaintiffs allege that giving (a film) on hire or offering a film for hire without the copyright owner's license is an act of infringement. The plaintiffs allege that the defendant has no rental licenses in his favour and all such acts of rental amount to an act of infringement of copyright under

the provisions Section 14 (d) (ii) read with section 51 of The Copyright Act, 1957. The plaintiffs assert to being copyright owners and assignees of several such films.

8. It is alleged that DVDs are coded according to specific geographical zones. The DVDs meant for sale in the USA and Canada are Zone 1 DVDs. DVDs meant for sale in India are Zone 5 DVDs. Zone 1 DVDs are not authorized for sale or rental in Zone 5 countries like India. The DVDs stocked and rented by the Defendant are largely Zone 1 DVDs. The plaintiffs allege that the Defendant has a website at [www.cinemaparadisoshop.com](http://www.cinemaparadisoshop.com) where it has been stated as under :

"First DVD store with all license Though DVDs are easily available, piracy is rampant, Cinema Paradiso is an exception. Great caution has been exercised to ensure that only original DVDs are stocked. In fact, Cinema Paradiso is the first DVD store CS (OS) 1682/2006 Page 3 in India to obtain complete license for its functioning. Further, it is the only store to have obtained legal consultations and the assent of the registered organization against film piracy. What's more, each DVD in the store is copyrighted to avoid any issues pertaining to piracy."

9. It is alleged that this claim is made despite the Defendant not being licensed by any of the Plaintiffs. The Plaintiffs combat piracy in the US through their association, the Motion Picture Association of America (MPAA). The Defendant has obtained no legal consultations or assent of the MPAA or the MPA.

10. According to the plaintiffs, a search on internet thereafter disclosed that the Defendant, in fact, commenced its rental operations in 2004. A press release dated December 10, 2004 states that:

" Recently commencing the third outlet in Bangalore, after Chennai and Hyderabad Cinema Paradiso is soon planning to expand it outlets to various other cities all over India with a primary agenda of making good films accessible to all"

11. The plaintiffs assert that investigations conducted at their behest have revealed an alarming situation where many new films, in which they have copyrights, are being shamelessly made available for rental purposes through outlets such as those of the Defendant, without any authority whatsoever from the copyright owners. Such acts constitute infringement of copyright under the provisions of Section 14 (d) (ii) and Section 51 of the Copyright Act, 1957. In fact, the investigations disclose a deep rooted nexus between persons and outfits, such as the Defendant herein who is engaged in the import of pirate prints and cable operators. These outfits, such as the Defendant, import titles of films of the Plaintiffs, which in turn are shown on the cable network reaching millions of viewers simultaneously. It is alleged that, even single rental of a film by the Defendant is capable of causing irreparable injury and damage to the plaintiffs. The single film can act as a plate from which several thousands of other pirate prints can be prepared. If the print reaches the hands of a cable network, even a single telecast on a CS (OS) 1682/2006 Page 4 network is capable of reaching several million homes all over India. The potential for damage is immeasurable and irreparable. In these circumstances, the plaintiffs seek permanent injunction and damages.

12. The defendant, in the written statement, disputes that the plaintiffs can maintain the proceeding; it is alleged that being associates and affiliated companies of assignees or co-owners of copyright in films is insufficient to clothe the plaintiffs with authority to maintain the suit. Hence the Plaintiffs cannot raise claims in respect of works for which they are not themselves the owners of the copyright.

13. The defendant submits that in the absence of statutory exceptions to the infringement of copyright of cinematographic films, common law exceptions such as fair use apply to cinematographic films. Accordingly, the hire or circulation of a cinematographic film cannot per se be infringement without considering the circumstances in which the hire or circulation is made or its purposes.

14. The defendant further submits that this Court should also take into account the Constitutional imperative that providing entertainment is a part of the fundamental right of freedom of speech and expression. Therefore, when a business seeks to exercise its fundamental right to provide entertainment as part of its freedom of speech and expression limitations should be restricted to those based on societal needs and benefits. Video libraries such as Paradiso, quite clearly are more in the nature of a film club rather than a pure rental business. This is further evident from the fact that approximately 50% of the titles stocked at Cinema Paradiso are not English Language films, or are films that have won awards in various film festivals or are critically acclaimed, etc. As such, Cinema Paradiso encourages the discussion, critique and appreciation of films in general through the circulation of films, holding of screenings, seminars, and such other activities where the focus is on the value of films in society. It is claimed that several prominent film personalities are members of cinema Paradiso; even Governors of some States in which it has outlets are members, and foreign embassies and consulates are its active members.

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15. It is claimed that in India, there are very few theatres that exhibit non-vernacular films. They too screen foreign language films (including English Films) for a short time. Classics such as Benhur and Gandhi are exhibited only for a short time and are not repeated again thus depriving succeeding generations of the chance to view and appreciate them. Also, copies of these films are not readily available for sale in India or are expensive to purchase, keeping them out of reach for the majority of viewers. It is alleged therefore, that organisations such as the plaintiffs who operate only to derive the maximum commercial gain from films deprive the general public in India of access to such films. By failing to supply sufficient copies of the films to the Indian Market and denying the public the opportunity to view the films, the plaintiffs are misusing their alleged copyright; they create an artificial shortage in the market and hence raise prices. It is only through video libraries, such as Cinema Paradiso that the public is provided the opportunity to view these films at an affordable price, and at a time and place of their convenience.

16. It is further submitted that unless the Court recognizes the rights of the public at large to view these films and allows an exception in favour of video libraries such as Cinema Paradiso who stock only genuine and legally purchased original copies of films, the failure of the Copyright Act, 1957 to

provide a statutory exemption, in favour of such video libraries would render the said Act unconstitutional.

17. The Defendant states that there is no infringement of the copyright of the Plaintiffs as it (the Defendant) purchases the DVD's/CD's from the authorized sources outside India. Since, such copies of those movies are purchased by the Defendant from authorized sources, there cannot be any violation of the copyright owned by the Plaintiffs.

18. The plaintiffs rely on a list of movies in which they own or are assigned copyrights; they have also produced CDs. In addition, they rely on other documents such as a letter written by Cinema Paradiso, claiming that only original copies of DVDs and CDs, bought from foreign stores, were offered for renting. The plaintiffs have also placed on record receipts allegedly issued by the defendant cinema Paradiso to indicate CS (OS) 1682/2006 Page 6 the amounts claimed as rental fee, and caution deposit. Copies of web-shots of the defendant's website have also been relied on by the plaintiff.

19. Initially, this court, at the stage of entertaining the suit, had issued notice on an application for appointment of local commissioner, and later, required the defendant to file an affidavit in respect of the manner it kept accounts; the defendant was also directed to produce certain CDs.

20. After some hearing, the court, on 1st April, 2009 issued the following order, framing certain issues:

"CS(OS) 1682/2006.

Order 01.04.2008 With consent of the counsel for the parties, the following issues arise in this case:-

(1) Whether the giving on hire or rent in India, by the defendant, copies of cinematograph films, authorized for sale or rental only in a particular territory outside India, in which cinematograph films the plaintiff claims copyrights, constitutes infringement under Section 51(a) (i) of the Copyright Act, 1957? OPP.

(2) Whether the importation into India by the Defendant for giving on hire or rent in India copies of cinematograph films authorized for sale or rental in a particular territory outside India, in which cinematograph films the plaintiff claims copyrights, constitutes infringement of copyright under section 51(b) (iv) i.e. importation into India of Infringing Copies? OPP.

(3) Whether usage of copies of Cinematograph films authorized for home viewing only in India in respect of works for which rental licences are not available have not been issued in india for rental basis by the defendant, infringes the copyright of the plaintiff in such works.

(4) Whether the restriction on the Defendant to conduct the rental business in India, using a copy of a cinematograph film procured from outside India which is authorized for sale or rental in a particular territory outside India only, without a license from the copyright owner, would amount to infringement of the CS (OS) 1682/2006 Page 7 Fundamental Rights, guaranteed under Article 19(1) of the Constitution of India? OPP"

(5) Whether the plaintiff is entitled to injunction as claimed ? OPP (6) Relief, if any.

Counsel further agree that a decision on the above would be dispositive of the issues. In case the plaintiff succeeds, the defendant is at liberty to raise the other issues, in the suit. Conversely if the plaintiff does not succeed, the suit could be finally decided.

List on 2nd April 2008 for further arguments.

S. Ravindra Bhat, J"

April 01, 2008"

The parties were heard after the above order.

Plaintiffs contentions

21. The plaintiffs submit that under the relevant part of Section 13, copyright is created on the production of a film, evident from the expression "copyright shall subsist" in all cinematograph films which are either first published in India or the author (producer) is a citizen of India. The plaintiffs contend that unlike trademarks and patents, existence of the right comes into being merely on creation. Trade mark rights are acquired by use or registration, patent and design rights require compulsory registration. For copyright protection, even on a world-wide basis, mere creation of the work is required. It is submitted that Section 40 extends copyright protection to all cinematograph films first published in a foreign country or the author (producer) is a citizen of a foreign country. The "foreign countries" are defined in the International Copyright Order, 1999.

22. The plaintiffs contend that the expression "copyright" connotes not one, but a bundle of rights. Section 14(1)(d) of the Act, thus spells out several rights. Under S. 14(d) the copyright owner has the exclusive right "to do or authorize the doing" any of the following acts-

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(i)

to make a copy of a film - This will include the right to make

copy of the film on (a) celluloid, (b) VCD format, (c) DVD format, (c) Blue Ray format, (d) HD DVD format, (d) on the internet or computer CD Rom ;

(ii) to sell or give on hire or offer for sale or hire, any copy of the film, regardless of whether such copy has been sold or given on hire on earlier occasion" - This will include the right of (a) sale, (b)

offering for sale, (c) to hire,

(d) to give on hire , (e) re-sale, (f) re-hire ;

(iii) to communicate the film to the public - this will include the right to communicate the film through (a) a cinema house, (b) Pay-Per-View television service (c) satellite television, (d) cable television.

Such rights, contend the plaintiffs, inhere in the copyright owner or copyright holder, for 60 years, by virtue of Section 26. Section 18 authorizes the copyright owner or holder to assign the copyrights spelt out in Section 14(1) (d) in the manner he chooses. Thus, such assignment can be (a) in whole or (b) partial, or

(c) general, or (d) subject to limitations, and (e) and these limitations can apply to the whole of the copyright or any part thereof.

23. The plaintiffs next refer to Section 19, which clarifies about assignability of the rights. Such assignment can be

(a) for a period of less than the term of the copyright (60 years). If time period is not specified, it is deemed to be 5 years [sub section (5)],

(b) restricted, or limited to a territorial extent; if territorial extent is not mentioned, it is "presumed" to be limited to India [sub section (6)]. The plaintiffs also refer to Section 30-A and say that the provisions of assignment will also be applicable to licenses.

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24. The provisions referred to, say the plaintiffs, preclude the possibility of importing the principles of "exhaustion of rights", be it national exhaustion or international exhaustion or the US "first sale doctrine" into Indian copyright law, on which the defendants rely, to say that validly sold copies of DVDs can be given on hire in India, notwithstanding the copyright owner's restrictions imposed on each copy, regarding its commercial use. It is contended that to determine whether import of legitimately procured copies in a foreign country would violate laws in India, it is necessary to consider Section 2(m) (ii) of the Act, which defines "an infringing copy", as a copy which is "made or imported in contravention of the provisions of this Act". Thus, infringement is not restricted to the act of "making" but also extends to "importation". The main pre- condition is that such act should be in contravention of the provisions of "this Act" ie. the Copyright Act, 1957.

25. Elaborating what is "making" of a cinematograph film, the plaintiffs contend that the exclusive right to make or authorize the making a copy of a film is vested with the owner [S.14(d)(i) read with S. 17 (author shall be first owner) and S.2(d) (author of a cinematograph film is the Producer) and S.2(uu) (which defines who is a "producer")]. The act of "making or authorize the making" can be territorial in nature (S.19(2) and S. 30A). A producer can therefore, authorize the making of a film in

a particular territory only. It is submitted that reading the above provisions together, any copy of a film in which the producer has not assigned or licensed the right of making that copy in India, would be "in contravention of the provisions of "this Act", and therefore, an "infringing copy". The act of importing such an infringing copy would be an act of infringement of copyright [S.51(b)(iv)]. The plaintiffs contend that all their films are "made" under an assignment or license (of the Plaintiffs) in the USA. Such films are not authorized to be made in India. When imported into India they are "infringing copies".

26. The plaintiffs rely on Section 51(b)(iv), particularly the proviso which makes an exception, permitting "import of one copy of any work for the private and domestic use of the importer". It is contended that if, as the Defendant argues, there is no restriction on import of genuinely made cinematograph films outside India, there would be no CS (OS) 1682/2006 Page 10 need to incorporate this exception. The plaintiffs argue that the normal function of a proviso is to except something out of the enactment or to qualify something enacted therein which but for the proviso would be within the purview of the enactment; reliance is placed on the decision reported as *Kedarnath Judge Mfg Co. Ltd. v Commercial Tax Officer* AIR 1966 SC 12.

27. The Plaintiffs also rely upon the observations of a Division Bench of this Court in *Penguin Books Ltd. v Indian Book Distributors* AIR 1985 Del 29. Next, the plaintiffs advert to Section 53 of the Act, which reads as follows:

"53. Importation of infringing copies - (1) The Registrar of Copyrights, on application by the owner of the copyright in any work or by his duly authorized agent and on payment of the prescribed fee, may, after making such inquiry as he deems fit, order that copies made out of India of the work, which if made in India, would infringe copyright shall not be imported.....

....(3) All copies to which any order made under sub-section (1) applies shall be deemed to be good of which the import has been prohibited or restriction under S. 11 of the Customs Act, 1962 and all the provisions of the Act shall have effect accordingly."

28. The plaintiffs argue that Section 52A(2) bars person from publishing a video film without an appropriate censor certificate [S.52A(2)(a)]. Publication means "making a work available to the public by issues of copies...to the public" (Section 3). All films imported and made available to the public by the defendant, therefore, violate this provision, since they do not possess the censor certificate. It is submitted that likewise, Section 52A (2)(b) will also have to be viewed from an Indian context and none of the films can have such a declaration. Violation of Section 52A makes the defendant liable under Section 68A.

29. It is submitted that in *State of Andhra Pradesh v Nagoti Venkataramanna* 1996 PTC (16) 634 the Supreme Court held that:



"The object of amending the Copyright Act by amendment 65 of 1984, as noted above, was to prevent piracy which became a global problem due to rapid advances in technology. The legislature intended to prevent CS (OS) 1682/2006 Page 11 piracy and punish the pirates protecting copyrights. The law, therefore, came to be amended introducing S. 52A. Thereafter, the piracy of cinematograph films and of sound recordings etc. could be satisfactorily prevented. Moreover the object of the pirate is to make quick money and avoid payment of legitimate taxes and royalties. The uncertified films are being exhibited in a large scaled...Therefore, apart from increasing the penalty of punishment under law it also provides the declaration on the offence of infringement and video films to display certain information on recorded video films and containers thereof."

It is contended that Section 16 stipulates that no person can claim any entitlement "to copyright or any other similar right in any work". The Defendant's contention that "common law" should apply, is therefore completely foreclosed.

30. The plaintiffs rely on provisions of the Customs Act, 1962, viz. Section 11(2) (n), which is as follows :

"11. Power to prohibit importation or exportation of goods. - (1) If the Central Government is satisfied that it is necessary so to do for any of the purposes specified in sub-section (2), it may, by notification in the Official Gazette, prohibit either absolutely or subject to such conditions (to be fulfilled before or after clearance) as may be specified in the notification, the import or export of goods of any specified description.

(2) The purposes referred to in sub-section (1) are the following :-

.....

(n) the protection of patents, trade marks and copyrights;"

By Section 2 (39), import of unauthorized cinematograph films into India constitutes an act of smuggling; the provision reads as follows:

"(39) "smuggling", in relation to any goods, means any act or omission which will render such goods liable to confiscation under section 111 or section 113"

Such goods, say the plaintiffs, are liable to be confiscated under Section 111(d) of the Customs Act. According to the plaintiffs, the latest Policy for Import of Cinematograph Films reads as under:

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"(i) Import of cinematograph feature films and other films (including

film on video tape, compact video disc, laser video disc or digital video disc) shall be allowed without a licence.

(ii) The importer of the film shall comply with the provisions of all applicable Indian laws governing the distribution and exhibition of films, including the requirement of obtaining a certificate of public exhibition prescribed under the Cinematograph Act, 1952.

(iii) import of any unauthorized/pirated films shall be prohibited."

31. The act of the Defendant, says the plaintiffs, clearly violates, (ii) and (iii) above. The plaintiffs rely on the following passage in Copinger & Skone James on Copyright - (15th Ed. at pg 457) "An article will also be an infringing copy if its making in the UK would have constituted an infringement of copyright or a breach of an exclusive license agreement relating to that work....The section therefore covers the cases where ....(b) the article was made abroad by a person who owned the copyright in that territory (but not in the UK) or who had a license in that territory (but not for the UK)." .....

....Thus the owner of the UK copyright, or the UK exclusive licensee, can object to the importation of and subsequent dealings in copies made abroad without his license....This is so even though the article made abroad were legitimately purchased there on the open market (so called "grey copies"), since the sale of articles in the ordinary course of business in one territory without restrictions on resale does not carry with any implied license to import and sell those articles in another territory. The purchaser obtains the same rights as the purchaser of any other chattel, and the rights which flow from acquisition and ownership do not involve any such implied license. UK copyright law has never recognized the principle of "international exhaustion", and is now bound by European Directive not to do so in relation to sales outside the EC."

32. Parallel imports or "grey imports" are banned in most countries around the world, say the plaintiffs. They rely on World Copyright Law by J.A.L.Sterling, 1998 Ed. at page 309 Para 9.07.

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33. It is submitted that In fact, providing for rental rights is enshrined in Article 11 of the TRIPS Agreement of which India is a signatory. The plaintiffs rely on the said provision, which reads as follows:

"Article 11 - Rental Rights In respect of at least computer programs and cinematographic works, a Member shall provide authors and their successors in title the right to authorize or to prohibit the commercial rental to the public of originals or copies of their copyright works. A Member shall be excepted from this obligation in respect of cinematographic works unless such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction conferred in that Member on authors and their successors in title. In respect of computer programs, this obligation does not apply to rentals where the program

itself is not the essential object of the rental."

It is contended that while interpreting this Article, J.A.L.Sterling, in World Copyright Law by 1998 Ed. at pg 546] stated that:

"Protection with regard to rental : in respect of at least computer programs and cinematograph works, members must provide authors and their successors in title the right to authorise or to prohibit the commercial rental to the public of originals or copies of their copyright work."

#### Defendant's contentions

34. The Defendant concedes to running a video library renting out French, Spanish, Italian, English, and Indian titles of movies. It is contended that it does not engage in any act of piracy and deals with original CD/VCD/DVDs available in the market. The Defendant has a licence from T- Series for doing Rental business. However, the plaintiffs do not make any rental copies available in India and were not giving any rental licenses in India. The Defendant contends that importing the CD/VCD/DVD's, which are rental Copies from outside India, of the titles that are not available in India, does not infringe the plaintiffs' copyrights. It is contended that a reading of Section 2 (m), shows that an infringing copy is one that made in any medium and by any means. This means that an CS (OS) 1682/2006 Page 14 infringing copy is a copy unauthorizedly made from an original. Thus, the original CD of cinematograph film can never be termed as an infringing copy. The Defendant states that it does not "make" any copy. The original DVDs used by the Defendant can never be "infringing copies".

35. The defendant contends that Section 14 deals with various classes of works. In the case of original copyrightable works, namely, literary, musical, dramatic or artistic works even issuance of the copies to the public is an exclusive right exercised by the owner. However this right does not apply in relation to cinematograph film and sound recordings since they are derivative works, which embody original works. In the case of cinematograph films and sound recordings, the exclusive rights of the owner are restrictive in nature. Even in relation to original literary works once a copy is in circulation, no rights can be exercised by the owner. This is also clear from the Explanation to the section itself. Once a sale is made, it is clear that the owner cannot exercise control. It is submitted that, for instance, once a rental Copy is sold in the USA to a Rental library the owner would not be entitled to prescribe the price on which the video library will rent the said DVD. Any contrary interpretation would mean that owners have a "long hand control" on the DVD sold by them. Since Section 14(d) (i) refers to making a copy of the film which is an exclusive right of the owner, once the owner makes a copy of the film and thereafter, sells it in the market, he has exercised his right of ownership by putting the work into the market. After having so sold, the owner does not have a right to impose conditions on the further utilization of the work for the purpose it is made and sold. By way of example, counsel submits that once a legitimate copy for home viewing is put in the market, the owner cannot restrict as to in which home it is going to be viewed. Similarly, once a rental copy is put in the market, the owner cannot restrict as to will be the organization who will give it out on rent.

36. The defendant contends that under Section 14 (d) (ii) of the Act, the rights accorded to the copyright owner are of sale, giving on hire, offer for sale or hire. The word used is 'or'. Thus, if the right of sale for the purposes of rental is exercised by the owner, then the owner cannot control the conditions of use if the same is used for the CS (OS) 1682/2006 Page 15 purpose for which it is sold. In this case, once the rental DVD is sold, the owner has exercised the right of hire and right of sale. So nothing is left with the owner as the rights are exhausted in respect of that CD. The right to Sell or Hire vests in the owner. But in relation to one DVD/CD if the right of sale is exercised, in relation to the same very physical DVD, the right of hire cannot be exercised. What the owner can exercise is the right of hire in respect of some other CD produced.

37. According to the defendant, under Section 14 (d) (i) and (ii) rights having been exercised by the owner, no exclusive right is violated by its offering an original rental copy. Section 14(d) read with Section 2 (m) incorporates the principle of International exhaustion. The defendant's counsel submits that Section 51 (a) refers to violation of exclusive rights to constitute infringement which, in this case, are not violated by the Defendant, as the Owner himself has exercised the said right. Section 51 (b) refers only to infringing copies and the defendant is not involved either making or renting infringing copies. It is submitted that India follows the principles of International exhaustion and the doctrine of first sale. This is clear from Sections 30(3) and (4) of the Trade Marks Act, 1999, which are as follows:

"Section 30: .....

(1).....

(2).....

(3)Where the goods bearing a registered trade mark are lawfully acquired by a person, the sale of the goods in the market or otherwise dealing in those goods by that person or by a person or by a person claiming under or through him is not infringement of a trade by reason only of -

(a) the registered trade mark having been assigned by the registered proprietor to some other person, after the acquisition of those goods: or

(b) the goods having been put on the market under the registered trade mark by the proprietor or with his consent.

(4) Sub-section (3) shall not apply where there exists legitimate reasons for the proprietor to oppose further dealings in the goods in particular, where the condition of the goods has been changed or impaired after they have been put on the market."

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38. The Notes on Clauses, to the above provision, say the defendants, specifically state that the section recognizes the principle of "exhaustion of rights". It also specifically states that marketing of goods in a geographical area cannot be prohibited once they are lawfully acquired by a person. The said note on sub-clauses (3) and (4) of Section 30 reads as follows :

"Sub-clause (3) and (4) recognize the principle of "exhaustion of rights" by preventing the trade mark owner from prohibiting on ground of trade mark rights, the marketing of goods in any geographical area, once the goods under the registered trade mark are lawfully acquired by a person. However, when the conditions of goods are changed or impaired after they have been put on the market, the provision will not apply".

The defendant also relies on an extract downloaded from the website of the Ministry of Commerce, Central Government, in relation to patents. The extract is as follows :

"24. Article 6 of the TRIPS Agreement is extremely relevant for Members, especially developing countries, and particularly the least-developed and smaller economies among them. Article 6 provides that Members are free to incorporate the principle of international exhaustion of rights in national legislation. Consequently, any member can determine the extent to which the principle of exhaustion of rights is applied in its own jurisdiction, without breaching any obligation under the TRIPS Agreement.  
.....

27. In light of the importance of Article 6 as an instrument for health policies, we consider that Article 6 should be implemented in such a way as to ensure the broadest flexibility for Members to resort to parallel imports. Members should therefore confirm their right of applying regimes of exhaustion of rights in their jurisdiction....."

39. The defendant contends that there is uniformity and consistency regarding law of intellectual property, which means that in respect of patent and trademark law, the country recognizes the principle of international exhaustion and, consequently, the principle for copyright law cannot be any different. Once a sale is made by a copyright owner, he then loses control over the legitimate by sold product and cannot dictate the terms on which further sales would be made. This principle applies in relation to trade CS (OS) 1682/2006 Page 17 marks, copyrights and all other forms of Intellectual Property. Across the world in various jurisdictions including the U.S. and the European Union, the doctrine of first sale is recognized. E.U. follows "Regional Exhaustion" In countries where national exhaustion is prescribed, it has been by means of a conscious amendment in their Act. Examples of such nations are U.K. Australia and New Zealand.

40. The Plaintiffs in this case have submitted that the DVDs contain the zone numbering i.e. Zone 1, Zone 2, etc. These zones indicate that they have to be used in a particular territory. The defendant submits that zoning is a matter of convenience in terms of technology and not a copyright notice, as

claimed by the plaintiffs. The mere mention of zone 1 does not either expressly or impliedly mean that the said DVD cannot be used or sold in a Zone 2 territory. It is a convenient method of informing retailers and purchasers about technologies and compatibility and is not to be construed as a limitation in the negative i.e. if it is a PAL DVD there is no bar on using it in a NTSE environment so long as it is technically feasible and possible. At best zoning, say the defendants, is a way of asserting market dominance rather than enforcing an Intellectual property right. None of the Rental DVDs available and openly sold in the USA have a prohibition on renting outside of the USA. If the copyright owner does not put conditions on the DVD, no right can be enforced.

41. The defendant relies on the following extract from Laddie, Prescott & Vitoria's "Modern Law of Copyright & Designs" 2000 (3rd edn):

"32.27 : We now arrive at one of the most difficult topics in copyright law. It is our ambition to expound this subject as clearly as possible but inevitably this involves exposing some troublesome problems which lurk not far beneath the surface. The basic idea is simple. It has long been the policy of copyright law in the UK and other countries which follow our system that as a rule, mere selling or other secondary dealings with articles manufactured in the home market shall not be treated as copyright infringement unless their marking was piratical in the first place. Further, it is policy that traders should be free to buy and sell goods without getting involved in copyright proceedings, so long as they do so in good faith. "Don't deal in pirate copies where you can tell they are probably such is a law anyone can understand. Dealing in pirate copies where you know or have reason to believe that they are such is called secondary infringement in contrast to primary infringement (eg CS (OS) 1682/2006 Page 18 manufacturing) where liability is strict. This idea works fine as long as one does not need to examine too closely what one means by pirate copies; it is usually pretty obvious. However, when it comes to parallel imports it is not so obvious, and one has to know precisely what is meant. It is plain that the test cannot be whether the copy was made piratically in its country of origin because the copyright laws of foreign states are irrelevant so far as rights in the UK are concerned, and in some cases these laws may not even exist. Since foreign copyrights are separate and distinct rights, and since it is commonplace for these to be assigned so as to be exploited by different hands, it cannot matter whether a copy imported from Buritania was lawfully made in its country of origin; this principle has been recognized from an early date.

.....

.....

32.46 In the summary it is submitted that, in copyright law :

(1) The mere sale of copies in the foreign market by the copyright owner or his licensee does not confer as such, a licence for parallel importation into the home

market.

(2) But it may well be otherwise where there is an established parallel importation market in copyright protected goods of the same description, for then reasonable traders will expect to be able to do likewise.

(3) .....

(4) In cases where prima facie an implied licence would exist, a rights owner

who wishes to exclude parallel imports should give timely and adequate notice, eg by labeling or general warning to the trade, to prevent traders being taken unawares. If he fails to take this precaution he may not be able to oppose parallel imports...."

In fact there is neither any prohibition nor any specific stipulation in the Indian statute prohibiting import of genuine rental copies. In view of the absence of such express prohibition the Principle of International Exhaustion has to be incorporated into the statute in as much as Article 6 of the TRIPS specifically recognizes the right of nations to apply principles of Exhaustion as they deem fit. In India, as a principle of public policy International Exhaustion of IPRs has been recognized and copyright is no exception to that. The provisions of the Act have to be read in a manner so as to recognize international exhaustion and not in a manner inconsistent with that principle. Article 6 of TRIPS is relied upon; it reads as follows:

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"Article 6 Exhaustion

Page

For the purposes of dispute settlement under this Agreement subject to the provisions of Articles 3 and 4 nothing in this agreement shall be used to address the issue of the exhaustion of intellectual property rights."

The rights of commercial rental, world over, have been introduced by specific legislation in relation to cinematographic films and Software, such provision is to be adopted as a principle of public policy in view of what is contained in Art. 11 of TRIPS; the same is as follows:

"Article 11 Rental Rights In respect of at least computer programs and cinematographic works, a Member shall provide authors and their successors in title the right to authorize or to prohibit the commercial rental to the public of originals or copies of their copyright works. A member shall be excepted from this obligation in respect of cinematographic works unless such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction conferred in that Member on authors and their successors in title. In respect of computer programs, this obligation does not apply to rentals where the program itself is not the essential object of the rental."

It is, therefore, urged that the plaintiffs cannot assert copyright in genuine rental copies, purchased in the United States, and brought to India, for the legitimate purpose of hiring.

Issues No.1&3 (1) Whether the giving on hire or rent in India, by the defendant, copies of cinematograph films, authorized for sale or rental only in a particular territory outside India, in which cinematograph films the plaintiff claims copyrights, constitutes infringement under Section 51(a) (i) of the Copyright Act, 1957? OPP.

(3) Whether usage of copies of Cinematograph films authorized for home viewing only, in India in respect of works for which rental licences are not available have not been issued in India for rental basis by the defendant, infringes the copyright of the plaintiff in such works.

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42. It will be convenient to take up these issues together since the questions are inter-related. The Copyright Act, 1957 replaced the Indian Copyright Act, 1914. While enacting the new law, Parliament through its statement of objects and reasons, felt it necessary to spell out the rights of Copyright owners and limitations under which they could enjoy such rights through a self-contained law on the subject "in the light of growing public consciousness ... and in the light of experience gained in the working of the existing law during the last 50 years". Parliament also took note of emerging technology in 1957 and new developments to fashion the terms of the new enactment. Unlike other laws, the definition clause does not define copyright, instead it is left to Section 14 to spell out what is copyright, in relation to different activities or creative manifestations such as literary works, dramatic or musical works, computers programs, artistic works, cinematographic films, sound recording etc.

43. Copyright, under Section 14 is declared as the "exclusive right" - "subject to provisions of the Act, to do or authorize any of the ..... acts in respect of a work or any substantial part thereof"; after which the various rights in respect of each class of work, be it literary, dramatic or musical [Section 14 (a)] ; computer programs [Section 14 (b)]; artistic works [Section 14 (c)]; cinematographic films [Section 14 (d)] and sound recording [Section 14 (e)] are spelt out.

44. Section 2 defines various terms such as adaptation [Section 2 (a)]; "artistic work" is defined in Section 2 (c); it means painting, sculpture, drawings, an engraving or a photograph regardless of whether they possess artistic quality, works of architecture or other works of artistic craftsmanship. Section 2 (d) defines author, which is as follows: -

"(d) "author" means, -

(i) in relation to a literary or dramatic work, the author of the work;

(ii) in relation to a musical work, the composer;

(iii) in relation to an artistic work other than a photograph, the artist;



(iv) in relation to a photograph, the person taking the photograph;

(v) in relation to a cinematograph film or sound recording, the producer; and

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(vi) in relation to any literary, dramatic, musical or artistic work which is

computer-generated, the person who causes the work to be created."

"Cinematograph films" and "communication to the public" are defined as follows by Section 2 (f) and Section 2 (ff) as follows: -

"(f) "Cinematograph film" means any work of visual recording on any medium produced through a process from which a moving image may be produced by any means and includes a sound recording accompanying such visual recording and "cinematograph" shall be construed as including any work produced by any process analogous to cinematography including video films;

(ff) "communication to the public" means making any work available for being seen or heard or otherwise enjoyed by the public directly or by any means of display or diffusion other than by issuing copies of such work regardless of whether any member of the public actually sees, hears or otherwise enjoys the works so made available.

Explanation- For the purposes of this clause, communication through satellite or cable or any other means of simultaneous communication to more than one household or place of residence including residential rooms of any hotel or hostel shall be deemed to be communication to the public."

"Exclusive license" is defined in Section 2 (j) as follows: -

j) "Exclusive licence" means a licence which confers on the licensee or on the licensee and persons authorised by him, to the exclusion of all other persons (including the owner of the copyright), any right comprised in the copyright in a work, and "exclusive licensee" shall be construed accordingly."

Section 2 (m) defines infringing copy as follows: -

"(m) "infringing copy" means,-

(i) In relation to a literary, dramatic, musical or artistic work, a reproduction thereof otherwise than in the form of a cinematographic film;

(ii) In relation to a cinematographic film, a copy of the film made on any medium by any means;

(iii) In relation to a sound recording, any other recording embodying the same sound recording, made by any means;

(iv) In relation to a programme or performance in which the such a broadcast reproduction right or a performer's right subsists under the provisions of this Act, the sound recording or a cinematographic film of such programme or performance, If such reproduction, copy or sound recording is made or imported in contravention of the provisions of this Act;] (emphasis supplied)."

45. Section 3 and 4 spell out the circumstances in which publication of a work is deemed or not deemed to be so, as the case may be. They read as follows: -

"3. Meaning of publication - For the purposes of this Act, "publication"

means making a work available to the public by issue of copies or by communicating the work to the public."

"4. When work not deemed to be published or performed in public- Except in relation to infringement of copyright, a work shall not be deemed to be published or performed in public, if published, or performed in public, without the licence of the owner of the copyright."

46. For the purposes of this case, Sections 13, 14, 40 and 51 are relevant. They read as follows: -

"13. Works in which copyright subsists- (1) Subject to the provisions of this section and the other provisions of this Act, copyright shall subsist throughout India in the following classes of works, that is to say -

(a) Original, literary, dramatic, musical and artistic works,

(b) cinematograph films, and

(c) [sound recordings] (2) Copyright shall not subsist in any work specified in sub section (1), other than a work to which the provisions of Section 40 or Section 41 apply, unless-

(i) In the case of published work, the work is first published in India, or where the work is first published outside India, the author is at the date of CS (OS) 1682/2006 Page 23 such publication, or in a case where the author was dead at that date, was at the time of his death, a citizen of India,

(ii) In the case of an unpublished work other than [work of architecture], the author is at the date of the making of the work a citizen of India or domiciled in India; and

(iii) In the case of [work of architecture], the work is located in India Explanation- In the case of a work of joint authorship, the conditions conferring copyright specified in this sub section shall be satisfied by all the authors of the work.

(3) Copyright shall not subsist-

(a) In any cinematograph film if a substantial part of the film is an infringement of the copyright in any other work;

(b) In any [sound recording] made in respect of a literary, dramatic or musical work, it in making the [sound recording], copyright in such work has been infringed.

(4) The copyright in a cinematograph film or a [sound recording] shall not affect the separate copyright in any work in respect of which a substantial part of which, the film, or as the case may be, the [sound recording] is made.

(5) In the case of a work or architecture, copyright shall subsist only in the artistic character and design and shall not extend to processes or methods or construction."

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

(a) In the case of a literary, dramatic or musical work not being a computer programme,-

(i) to reproduce the work in any material form including the storing of it in any medium by electronic means;

(ii) to issue copies of the work to the public not being copies already in circulation;

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(iii) to perform the work in public, or communicate it to the public;

(iv) to make any cinematograph film or sound recording in respect of the work;

(v) to make any translation of the work;

(vi) to make any adaptation of the work;

(vii) to do, in relation to a translation or an adaptation of the work, any of the acts specified in relation to the work in sub clauses (I) to (vi)

(b) In the case of a computer programme,-

(i) to do any of the acts specified in clause (a)

(ii) to sell or give on commercial rental or offer for sale or for commercial rental any copy of the computer programme:

Provided that such commercial rental does not apply in respect of computer programmes where the programme itself is not the essential object of the rental.]

(c) In the case of an artistic work,-

(i) to reproduce the work in any material form including depiction in three dimensions of a two dimensional work or in two dimensions of a three dimensional work;

(ii) to communicate the work to the public;

(iii) to issue copies of the work to the public not being copies already in circulation;

(iv) to include the work in any cinematograph film;

(v) to make any adaptation of the work;

(vi) to do in relation to an adaptation of the work any of the acts specified in relation to the work in sub clauses (i) to (iv);

(d) In the case of a cinematograph film-

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(i) to make a copy of the film, including a photograph of any image forming part thereof;

(ii) to sell or give on hire, or offer for sale or hire, any copy of the film, regardless of whether such copy has been sold or given on hire on earlier occasions;

(iii) to communicate the film to the public

(e) In the case of a sound recording-

- (i) to make any other sound recording embodying it;
- (ii) to sell or give on hire, or offer for sale or hire, any copy of the sound recording regardless of whether such copy has been sold or given on hire on earlier occasions;
- (iii) To communicate the sound recording to the public Explanation - For the purposes of this section, a copy which has been sold once shall be deemed to be a copy already in circulation.]"

"40. Power to extend copyright to foreign works- The Central Government may, by order published in the Official Gazette, direct that all or any provisions of this Act, shall apply.

- (a) to work first published in any territory outside India to which the order related in like manner as if they were first published within India;
- (b) To unpublished works, or any class thereof, the authors whereof were at the time of the making of the work, subjects or citizens of a foreign country to which the order relates, in like manner as if the authors were citizens of India;
- (c) In respect of domicile in any territory outside India to which the order relates in like manner as if such domicile were in India;
- (d) To any work of which the author was at the date of the first publication thereof, or, in case where the author was dead at the date, was at the time of his death, a subject or citizens of foreign country to which the order relates in like manner as if the author was a citizen of India at that date or time, CS (OS) 1682/2006 Page 26 and thereupon, subject to the provisions of this Chapter and of the order, this Act shall apply accordingly.

Provided that -

- (i) before making an order under this section in respect of any foreign country (other than a country with which India has entered into a treaty or which is a party to a convention relating to copying to which India is also a party), the Central Government shall be satisfied that foreign country has made, or has undertaken to make, such provision, if any, as it appears to the Central Government expedient to require for the protection in that country of works entitled to copyright under the provisions of this Act;
- (ii) the order may provide that the provisions of this Act shall apply either generally or in relation to such classes of works or such classes of case may be specified in the order;
- (iii) the order may provide that the term of copyright in India shall not exceed that conferred by the law of the country to which the order relates;

- (iv) the order may provide that the enjoyment of the rights conferred by this Act shall be subject to the accomplishment of such conditions and formalities, if any, as may be prescribed by the order;
- (v) In applying the provisions of this Act as to ownership of copyright, the order may make such exceptions and modifications as appear necessary, having regard to the law of the foreign country;
- (vi) the order may provide that this Act or any part thereof shall not apply to works made before the commencement of the order or that this Act or any part thereof shall not apply to works first published before the commencement of the order."

"51. When copyright infringed - Copyright in a work shall be deemed to be infringed -

(a) When any person, without a licence granted by the owner of the Copyright or the Registrar of Copyrights under this Act or in contravention of the conditions of a licence so granted or of any conditions imposed by a competent authority under this Act-

(i) does anything, the exclusive right to do which is by this Act conferred upon the owner of the copyright, or CS (OS) 1682/2006 Page 27

(ii) permits for profit any place to be used for the communication of the work to the public where such communication constitutes an infringement of the copyright in the work, unless he was not aware and had no reasonable ground for believing that such communication to the public would be an infringement of copyright, or]

(b) When any person -

(i) makes for sale on hire, or sells or lets for hire, or by way of trade displays or offers for sale or hire, or

(ii) Distributes either for the purposes of trade or to such an extent as to affect prejudicially the owner of the copyright, or

(iii) By way of trade exhibits in public, or

(iv) Imports [\*\*\*] into India, any infringing copies of the work:

[Provided that nothing in sub-clause (iv) shall apply to the import of one copy of any work, for the private and domestic use of the importer.] Explanation - For the purposes of this section, the reproduction of a literary, dramatic, musical or artistic work in the form of a cinematograph film shall be deemed to be an "infringing copy".

47. It would be apparent from the above discussion that "cinematograph films" are defined in wide terms under Section 2 (f); in relation to them the producer is deemed to be an author [Section 2 (d)

(v)]. By virtue of Section 13, copy right mandatorily subsists throughout India - subject to the conditions spelt out in that provisions and other parts of the Act, in relation to cinematographic films [Section 13 (b)]. Section 13 (2) spells out the conditions that copyright will not subsist unless the work first published in India or where the work is first published outside India, and the author is, entitled to copyright as on the date of such publication if he is an Indian citizen or at the time of his death. Significantly, the same provision Section 13 (2) carves out an exception in respect of those works to which provisions of Section 40 (which shall be presently discussed) would apply, ie works that are published abroad.

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48. Now as to the meaning of copyright, before analyzing Section 14, it would be worthwhile noticing as to what is the content of copyright, summarized most inimitably by Justice Holmes in *White-Smith Music Pub. Co. v. Apollo Co.* 209 U.S. 1 1908: -

"In copyright property has reached a more abstract expression. The right to exclude is not directed to an object in possession or owned, but is in vacuo, so to speak. It restrains the spontaneity of men where but for it there would be nothing of any kind to hinder their doing as they saw fit. It is a prohibition of conduct remote from the persons or tangibles of the party having the right. It may be infringed a thousand miles from the owner and without his ever becoming aware of the wrong. It is a right which could not be recognized or endured for more than a limited time, and therefore, I may remark in passing, it is one which hardly can be conceived except as a product of statute, as the authorities now agree.

The ground of this extraordinary right is that the person to whom it is given has invented some new collocation of visible or audible points, - of lines, colors, sounds, or words. The restraint is directed against reproducing this collocation, although but for the invention and the statute any one would be free to combine the contents of the dictionary, the elements of the spectrum, or the notes of the gamut in any way that he had the wit to devise. The restriction is confined to the specific form, to the collocation devised."

Section 14 unequivocally states that copyright means the exclusive right (of course subject to provisions of the Act) to do or authorizing the doing of any of the acts mentioned in Section 14 (a) to (e) or any "substantial part thereof". For the purposes of this case, the content of copyright in respect of cinematographic films are spelt out in Section 14 (d). A joint reading of the controlling provisions of the earlier part of Section 14 with clause (d) implies that in the case of cinematographic films, copyright would mean the doing or authorizing the doing- in respect of work (i.e. the cinematographic films) or any substantial part thereof - (i) making a copy of the film including the photograph of any image forming part thereof; (ii) selling or giving on hire or offer for sale or hire any copy of the film regardless of whether such copy has been sold or given on hire on earlier occasions, (iii) to communicate the film to the public. The explanation CS (OS) 1682/2006 Page 29 states that "for the purposes of this Section, a copy which has been sold once shall be deemed to be a

copy already in circulation.

49. More than 30 years ago, in *Indian Performing Right Society v. Eastern Indian Motion Pictures Association & Ors* 1977 (2) SCC 820, evocatively described copyright in a film as a "felicitous blend, a beautiful totality, a constellation of stars ..... that ensemble which is the finished produced orchestrated performance by each of the several participants, although the components may, sometimes, in themselves be elegant entities." In the earlier part of the judgment the Supreme Court likened the various rights - to the lyrics, music, screenplay and still photographs, other design effects, etc. as a "bundle of exclusive rights" -

"16. The interpretation clause (f) of section 2 reproduced above, which is not exhaustive, leaves no room for doubt when read in conjunction with section 14(1) (c) (iii) that the term "cinematograph film" includes a sound track associated with the film. In the light of these provisions, it cannot be disputed that a "cinematograph film" is to be taken to include the sounds embodied in a sound track which is associated with the film. Section 13 recognises 'cinematograph film' as a distinct and separate class of 'work' and declares that copyright shall subsist therein throughout India. Section 14 which enumerates the rights that subsist in various classes of works mentioned in section 13 provides that copyright in case of a literary or musical work means inter alia (a) the right to perform or cause the performance of the work in public and (b) to make or authorise the making of a cinematograph film or a record in respect of the work. It also provides that copyright in case of cinematograph film means among other rights, the right of exhibiting or causing the exhibition in public of the cinematograph film i.e. of causing the film in so far as it consists of visual images to be seen in public and in so far it consists of sounds to be heard in public. Section 13(4) on which Mr. Ashok Sen has leaned heavily in support of his contentions lays down that the copyright in a cinematograph film or a record shall not affect the separate copyright in any work in respect of which or a substantial part of which, the film, or as the case may be, the record is made. Though a conflict may at first sight seem to exist between section 13(4) and section 14(1) (a) (iii) on the one hand and section 14(1) (c)

(ii) on the other, a close scrutiny and a harmonious and rational instead of a mechanical construction of the said provisions cannot but lead to the irresistible conclusion that once the author of a lyric or a musical work parts with a portion of his copyright by authorising a film producer to make a cinematograph film in respect of his work and thereby to have, his work CS (OS) 1682/2006 Page 30 incorporated or recorded on the sound track of a cinematograph film, the latter acquires by virtue of section 14 (1) (c) of the Act on completion of the cinematograph film a copyright which gives him the exclusive right inter alia of performing the work in public i.e. to cause the film in so far as it consists of visual images to be seen in public and in so far as it consists of the acoustic portion including a lyric or a musical work to be heard in public without securing any further permission of the author (composer) of the lyric or musical work for the performance of the work in public. In other word, a distinct



copyright in the aforesaid circumstances comes to vest in the cinematograph film as a whole which in the words of British Copyright Committee set up in 1951 relates both to copying the film and to its performance in public. Thus if an author (composer) of a lyric or musical work authorises a cinematograph film producer to make a cinematograph film of his composition by recording it on the sound track of a cinematograph film, he cannot complain of the infringement of his copyright if the author (owner) of the cinematograph film causes the lyric of musical work recorded on the sound track of the film to be heard in public and nothing contained in section 13(4) of the Act on which Mr. Ashok Sen has strongly relied can operate to affect the rights acquired by the author (owner) of the film by virtue of section 14(1)(c) of the Act. The composer of a lyric or a musical work, however, retains the right of performing it in public for profit otherwise than as a part of the cinematograph film and he cannot be restrained from doing so. In other words, the author (composer) of lyric or musical work who has authorised a cinematograph film producer to make a cinematograph film of his work and has thereby permitted him to appropriate his work by incorporating or recording it on the sound track of a cinematograph film cannot restrain the author (owner) of the film from causing the acoustic portion of the film to be performed or projected or screened in public for profit or from making any record embodying the recording in any part of the sound track associated with the film by utilising such sound track or from communicating or authorising the communication of the film by radio-diffusion, as section 14(1)(c) of the Act expressly permits the owner of the copyright of the cinematograph film to do all these things.

In such cases, the author (owner) of the cinematograph film cannot be said to wrongfully appropriate anything which belongs to the composer of the lyric or musical work. Any other construction would not only render the express provisions of clauses (f), (m), (y) of Section 2, Section 13(1) (b) and Section 14(1)(c) of the Act otiose but would also defeat the intention of the Legislature, which in view of the growing importance of the cinematograph film as a powerful media of expression, and the highly complex technical and scientific process and heavy capital outlay involved in its production, has sought to recognise it as a separate entity and to treat a record embodying the recording in any part of the sound track associated with the CS (OS) 1682/2006 Page 31 film by utilising such sound track as something distinct from a record as ordinarily understood.

17. On a conspectus of the scheme of the Act as disclosed in the provisions reproduced above particularly clauses (d),(v),(f)(m),(v)and (y) of Section 2, Sections 13(1) and 14(1)(c), provisos (b)and (c) to Section 17 and sections 22 and 26 of the Act, it is, therefore, abundantly clear that a protectable copyright (comprising a bundle of exclusive rights mentioned in section 14(1)(c) of the Act) comes to vest in a cinematograph film on its completion which is said to take place when the visual portion and audible portion are synchronized."

50. The bundle of copyrights does not only relate to the content of the film - it extends to the 'doing' or 'authorizing the doing' of: -

1. making copies of the films or photographs of the images;

2. sell, or offer for sale any copy of the film, regardless of whether such copy has been sold or hired earlier;
3. give on hire, or offer for hire, any copy of the film regardless of whether such copy has been sold or given on hire earlier;
4. to communicate the film to the public.

The "bundle of exclusive rights", thus has the widest content. In films, it includes making copies - which can extend to any medium, VCDs, DVDs, HDDs, or Blue Ray format, Video Cassettes, or any other form enabled through technologies. Section 17 declares that subject to provisions of the Act, the author of a work [which includes a film, by Section 2 (y) (ii)] is the first owner of the copyright in it. Due to Section 17 (c), unless there is a contract to the contrary, copyright in the work of an employee - in the case of films - vests in the employer. By reason of Section 18, a copyright owner can assign to any person the copy right, either wholly or partially and either generally or subject to limitation, either for the whole or part of copyright. Section 19 describes the mode of assignment; it reads as follows: -

CS (OS) 1682/2006 Page 32 "19. Mode of assignment - No assignment of the copyright in any work shall be valid unless it is in writing signed by the assignor or his duly authorised agent.

(2) The assignment of copyright in any work shall identify such work, and shall specify the rights assigned and the duration and territorial extent of such assignment.

(3) The assignment of copyright in any work shall also specify the amount of royalty payable, if any, to the author or his legal heirs during the currency of the assignment and the assignment shall be subject to revision, extension or termination on terms mutually agreed upon by the parties.

(4) Where the assignee does not exercise the rights assigned to him under any of the other sub sections of this section within a period of one year from the date of assignment, the assignment in respect of such rights shall be deemed to have lapsed after the expiry of the said period unless otherwise specified in the assignment.

(5) If the period of assignment is not stated, it shall be deemed to be five years from the date of assignment.

(6) If the territorial extent of assignment of the rights is not specified, it shall be presumed to extend within India.

(7) Nothing in sub section (2) or sub section (3) or sub section (4) or sub section (5) or sub section (6) shall be applicable to assignments made before the coming into force of the Copyright (Amendment) Act, 1994."

51. Section 30 deals with licensing of copyright; like Section 18, licensing has to be through agreement in writing. Infringement of copyright, by Section 51, means an act, by "any person, without a licence granted by the owner of the Copyright or the Registrar of Copyrights under this Act or in contravention of the conditions of a licence so granted"-

(a)... i) does anything, the exclusive right to do which is by this Act conferred upon the owner of the copyright; or

(b) When any person -

(i) makes for sale on hire, or sells or lets for hire, or by way of trade displays or offers for sale or hire, or CS (OS) 1682/2006 Page 33

(ii) Distributes either for the purposes of trade or to such an extent as to affect prejudicially the owner of the copyright, or...

(iv) Imports [\*\*\*] into India, any infringing copies of the work:

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

The definition of "infringing copy" under Section 2(m) makes it clear that the reproduction, copy or sound recording,...made or imported in relation to a copy, is deemed to be an infringing copy.

52. In respect of works published outside India, Section 40 enables the Central Government to, by order, publish in the Official Gazette, and direct that all or any provisions of this Act, shall apply (in relation to) .... works "first published in any territory outside India to which the order related in like manner as if they were first published within India" . The Central Government, pursuant to this enabling power, published the International Copyright Order, 1999 (hereafter "the Order") which states, by Para 3 that "Subject to the provisions of paragraphs 4,5 and 6, all the provisions of the Copyright Act, 1957 (14 of 1957), (hereafter referred to as the Act), except those in Chapter VIII, and those other provisions which apply exclusively to Indian works, shall apply :-

(a) to any work first made or published in a country mentioned in Part I, II, III, IV or VI of the Schedule, in like manner as if it was first published in India;

The limiting provisions in Para 4 concern broadcasting rights; those in Para 5 relate to applicability of Section 32 of the Act. The United States of America is listed in Part I of the Schedule, at Sl. No. 115. The combined operation of Section 40 and provisions of the Order, therefore, results in copyright in works - including copyright in cinematograph films, vesting in the author, in India, even though they are first published in the United States. Resultantly, the question which has to be addressed is whether the plaintiff's copyright is violated, by the defendant's importation of copies sold in the United states, for the purpose of renting out.

53. The defendant argues that once the plaintiffs placed their copies in the US market, and they were purchased legitimately, "long arm" restrictions expressed on the concerned copies are of no consequence; it lost or "exhausted" the right to control further sale or commerce in that copy. They draw inspiration from what is termed as the doctrine of "exhaustion". Reliance is placed on two decisions of the US Supreme Court, and an English decision, Zino Davidoff, in support of this contention. The plaintiffs, on the other hand, argues that those decisions were in the context of peculiar circumstances, and that the principle of exhaustion does not apply in India; they rely on the text of the Copyright Act.

54. The first decision was *Bob Merrill Co. v. Straus*, 210 US 339 (1908); the US Supreme Court had to decide whether enforcement of a condition that sought to control or restrict the terms of sale of a copyrighted article, i.e. a book, after its first sale, by the copyright owner, was permissible. The court answered in the negative:

"What does the statute mean in granting 'the sole right of vending the same'? Was it intended to create a right which would permit the holder of copyright to fasten, by notice in a book or upon one of articles mentioned within the statute, a restriction upon the subsequent alienation of the subject matter of copyright after the owner had parted with the title to one who had acquired dominion over it and had given a satisfactory price for it? It is not denied that one who has sold a copyrighted article, without restriction, has parted with all rights to control the sale of it. The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it.

In this case the stipulated facts show that the books sold by the appellants were sold at wholesale, and purchased by those who made no agreement as to the control of future sales of the book, and took upon themselves no obligation to enforce the notice printed in the book, undertaking to restrict the retail sales to a price of one dollar per copy."

55. The next decision was *Quality King Distributors, Inc. V. L'anza Research International, Inc.* 523 U.S. 135 (1998). L'Anza's products, mostly cosmetics, were priced higher in US markets than in others. It used to distribute them through distributors networked zonally. Some of its products were imported to Malta; three of those shipments found their way back to the US, and were sold through unauthorized retail CS (OS) 1682/2006 Page 35 networks. L'Anza sued for infringement of copyright in the labels and markings. The court of first instance and appeal courts held in its favour. The US Supreme Court reasoned that the prohibition under Section 602 had to be read as subject to Section 109, which had an overriding operation over the copyright owner's rights under Section 106 (3). The relevant part of the discussion by the court is found in the following passage:

"It is significant that this provision does not categorically prohibit the unauthorized importation of copyrighted materials. Instead, it provides that such importation is an

infringement of the exclusive right to distribute copies "under section 106." Like the exclusive right to "vend"

that was construed in *Bobbs-Merrill*, the exclusive right to distribute is a limited right. The introductory language in Section 106 expressly states that all of the exclusive rights granted by that section—including, of course, the distribution right granted by subsection (3)—are limited by the provisions of Section 107 through 120.

12. One of those limitations, as we have noted, is provided by the terms of Section 109(a), which expressly permit the owner of a lawfully made copy to sell that copy "[n]otwithstanding the provisions of section 106(3)."

13. After the first sale of a copyrighted item "lawfully made under this title," any subsequent purchaser, whether from a domestic or from a foreign reseller, is obviously an "owner" of that item. Read literally, Section 109(a) unambiguously states that such an owner "is entitled, without the authority of the copyright owner, to sell" that item. Moreover, since Section 602(a) merely provides that unauthorized importation is an infringement of an exclusive right "under section 106,"

and since that limited right does not encompass resales by lawful owners, the literal text of Section 602(a) is simply inapplicable to both domestic and foreign owners of L'anza's products who decide to import them and resell them in the United States."

A better appreciation of the reasoning in *L'Anza* would be possible, if the relevant provisions of the Federal Copyright Act, are also noticed; they are as follows:

"17 U.S.C. 106 (1994 ed., Supp.I).

(Section) 106. Exclusive rights in copyrighted works CS (OS) 1682/2006 Page 36  
Subject to sections 107 through 120, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a

motion picture or other audiovisual work, to display the copyrighted work publicly; and "(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission."

Section 109(a) "Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord..."

Section 501 provides:

"(a) Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118 or of the author as provided in section 106A(a), or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright or right of the author, as the case may be. . . ."

Section 602(a):

"Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501. . . ."

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56. In Zino Davidoff (*supra*) the principle of exhaustion of rights was explained thus:

"Once the rights holder has put protected products on the market or has consented to such marketing, he loses all rights to object to further exploitation. This effect is indefeasible"

What is exhaustion

57. The doctrine of exhaustion of copyright enables free trade in material objects on which copies of protected works have been fixed and put into circulation with the right holder's consent. The "exhaustion" principle in a sense arbitrates the conflict between the right to own a copy of a work and the author's right to control the distribution of copies. Exhaustion is decisive with respect to the priority of ownership and the freedom to trade in material carriers on the condition that a copy has been legally brought into trading. Transfer of ownership of a carrier with a copy of a work fixed on it makes it impossible for the owner to derive further benefits from the exploitation of a copy that was traded with his consent. The exhaustion principle is thus termed legitimate by reason of the profits earned for the ownership transfer, which should be satisfactory to the author if the work is not being exploited in a different exploitation field.

58. Exhaustion of rights is linked to the distribution right. The right to distribute objects (making them available to the public) means that such objects (or the medium on which a work is fixed) are released by or with the consent of the owner as a result of the transfer of ownership. In this way, the owner is in control of the distribution of copies since he decides the time and the form in which copies are released to the public. Content-wise the distribution right are to be understood as an opportunity to provide the public with copies of a work and put them into circulation, as well as to control the way the copies are used. The exhaustion of rights principle thus limits the distribution right, by excluding control over the use of copies after they have been put into circulation for the first time.

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59. As seen in the earlier discussion, L'Anza was decided in the context of a "round trip" transaction of products, sold unauthorizedly after importation, although exported by legitimate means. The decision was premised on the interplay between Section 106(3); 109, 501 and 602 of the US Copyright Act. In the US, there is a clear provision embodying out the "exhaustion" principle. It is said that the US, by virtue of its laws, follows the "international exhaustion" principle, where once a copyright owner places his product in the market, he loses the right to restrict or exercise domain or control over that copy, anywhere, globally. The United Kingdom and European Union countries, on the other hand, follow the "regional exhaustion" principle, which means that once an intellectual property owner places his product in the market, in any EU country, he loses the right to exercise control within the EU markets. However, he preserves the right to place restrictions on the use and further commerce in the product, outside of EU countries.

60. In Canada, the Supreme Court, in a recent illuminating decision, *Euro Excellence Inc v. Kraft Canada Inc* 2007 SCC 37, demarcated the legitimate concerns underlying different intellectual property regimes. The plaintiff, Kraft Canada Inc. sought to prevent Euro-Excellence Inc., from, importing, for the purpose of selling, renting, distributing or trading, genuine Toblerone and Côte d'Or chocolate bars into Canada, without obscuring the logos of those chocolate bars, on the basis that the logos are copyrighted. The court said:

"89 As mentioned above, para. (e) of s. 27(2) prohibits the importation into Canada of any copy of a work that would have infringed copyright had it been made in Canada by the person who made it, if that importation is for the purpose of doing anything referred to in paras. (a) to (c) of s. 27(2). Liability under para. (e) therefore relies on a finding that the defendant intended to commit on act enumerated in paras. (a) to (c), which prohibit the selling, renting out, distribution with a prejudicial effect, or dealing with by way of trade of copies of a work. How are we to interpret these prohibitions in light of the foregoing review of the purpose of s. 27(2)(e) and of the Copyright Act as a whole?...

..It provides that it is an infringement to, "by way of trade distribute, expose or offer for sale or rental, or exhibit in public" a copy of a work. It CS (OS) 1682/2006 Page 39 must be noted that the modifier "by way of trade" clearly applies to all of the

actions referred to in para. (c). This can be seen more clearly by referring to the French version of the provision.... When para. (c) is seen in this way, consistent with the purpose of the rest of s. 27(2) and the Act as a whole, it is clear that its protection is limited to those instances where the work itself is what is being distributed, exposed, offered for sale or exhibited in public. In other words, when the "trade" taking place, or the "but commercial" being sought, concerns the work itself; when the trade is a trade in some consumer good with which the work is only incidentally related, para. (c) is not triggered...

93 Each of paras. (a) to (c) must be interpreted in a manner consistent with the view that s. 27(2) is meant to protect authors from the unauthorized appropriation of the gains of their authorship;"

61. The Canadian Supreme Court significantly noted the difference in language between its statute and the US laws. The principle of exhaustion, therefore, has to depend on the structure of the enactment. In the US, for instance, the relevant provision of the Copyright Act, (similar, if one may like it so to Section 14) is Section 106. It empowers the copyright owner to exploit various rights. Yet, it is expressly subject to other provisions; notably Section 109, which states that:

"Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord..."

62. In the United States itself, Congress amended the law, in 1984 by the Record Rental Amendment Act, 1984, amended Section 109; the relevant provision, Section 109

(b) (1) reads as follows:

"(A) Notwithstanding the provisions of subsection (a), unless authorized by the owners of copyright in the sound recording or the owner of copyright in a computer program (including any tape, disk, or other medium embodying such program), and in the case of a sound recording in the musical works embodied therein, neither the owner of a particular phonorecord nor any person in possession of a particular copy of a computer program (including any tape, disk, or other medium embodying such program), may, for the purposes of direct or indirect commercial advantage, dispose of, or authorize the disposal of, the CS (OS) 1682/2006 Page 40 possession of that phonorecord or computer program (including any tape, disk, or other medium embodying such program) by rental, lease, or lending, or by any other act or practice in the nature of rental, lease, or lending. Nothing in the preceding sentence shall apply to the rental, lease, or lending of a phonorecord for nonprofit purposes by a nonprofit library or nonprofit educational institution.



The transfer of possession of a lawfully made copy of a computer program by a nonprofit educational institution to another nonprofit educational institution or to faculty, staff, and students does not constitute rental, lease, or lending for direct or indirect commercial purposes under this subsection.

\*\*\*\*\* (4) Any person who distributes a phonorecord or a copy of a computer program (including any tape, disk, or other medium embodying such program) in violation of paragraph (1) is an infringer of copyright under section 501 of this title and is subject to the remedies set forth in sections 502, 503, 504, 505, and 509. Such violation shall not be a criminal offense under section 506 or cause such person to be subject to the criminal penalties set forth in section 2319 of title 18.

(c) Notwithstanding the provisions of section 106(5), the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located."

In a recent decision, *Brilliance Audio, Inc v. Hights Cross Communications, Inc* 474 F. 3d. 365 (2007) (US Court of Appeals for the Sixth Circuit) it was held that:

"...In passing the record rental exception, Congress made a specific policy choice that personal property rights in a certain type of work-- sound recordings of musical works-- should give way to ensure that copyright owners receive the protections envisioned by the Copyright Act as a whole.

29. By doing this, Congress effectively altered the traditional copyright bargain and extended the copyright monopoly for a limited set of works. In order to protect the bargain between copyright owners and personal property owners, we will not construe this exemption from the first sale doctrine any more broadly than explicitly mandated by Congress..."

The court is of opinion therefore that the existence or applicability of the "exhaustion" principle cannot be inferred automatically; it would have to depend on the situation, and the structure of the legislation in question.

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63. The defendant in this case, accepts that the renting/hiring of films carried on by it is without the plaintiffs' license. The Plaintiffs urge that since the importation, for the purpose of renting of these cinematographic films has not been authorized by them in India, the copies are infringing copies. Hence their import would be barred under Section 51(b)(iv). The defendant's argument, however, is that the copies were legitimately purchased in the course of trade; they are rental copies, and can be used for purpose of renting, in India. He says that the device of zoning, whereby the plaintiffs restrict the licensee owner to use it in territories other than what is indicated by them, is artificial,

and unenforceable. Such "long arm" conditions are inapplicable. Particular reference is made to the explanation to Section 14, which describes the content of copyright; it clarifies that "For the purposes of this section, a copy which has been sold once shall be deemed to be a copy already in circulation.+" Though attractive, this contention is unfeasible for more than one reason. The reference to copies in circulation is in the context of copyright in literary, artistic, dramatic or musical work, - not computer programme - (Section 14 (a); the statute enables the copyright owner to "issue copies of the work to the public not being copies already in circulation". But for the explanation, it could arguably be said that the copyright owner lost his domain, or right to control the manner of further dealing in copies which were in circulation. Yet, a careful reading of Section 14 would reveal that the content of copyrights in respect of each nature of work (literary, dramatic, or musical work, on the one hand, computer programme, artistic work, cinematograph film, etc on the other) are distinct - evident from the listing out of such rights, separately, in clauses (a) to (f) of the section. The reference to "copies in circulation" has to be therefore, in the context; the phrase is used to limit the copyright owner's right to dictate further use of a literary, musical and dramatic work (Section 14(a) (ii)). None of the owners of other classes of work are subject to that limitation. The restriction of one class of copyright owner, structured in the statute serves a dual purpose- it limits the owner of that class of copyright;

CS (OS) 1682/2006 Page 42 and at the same time leaves it open to the copyright owner of other kinds of work, to place such restrictions.

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

65. There is yet another reason why the defendant's argument about exhaustion cannot be accepted in India. Now, a copyright owner has the right and authority to parcel out his right- which are essentially commercial in nature. A film producer, or owner of copyright in a sound recording, might for instance, decide to distribute his products, through licensees. These licensees can be limited, in terms of period; in terms of copies entitled to be sold, or hired, or in terms of number of performances and so on. They can also - by reason of Section 19, be limited geographically. If the defendants' contentions were to be accepted, the moment such licensees gain copies, the copyright owners would exhaust their rights, enabling the licensees to exploit the copies uninhibitedly. Thus,

for instance, if a distributor is given a copy to exhibit a film in territory A, or hire them in that territory; he could, by extension of the defendants' CS (OS) 1682/2006 Page 43 logic, travel beyond that territory, or use a rental copy to exhibit the film, in another territory, where it has not been released, or even rent it in such territory, and so on. To give another instance- the purchase of a rental copy meant to be used in the southern region, in India, designated by the copyright owner, analogically, can according to the defendant, be rented out in other regions too, whether or not such films are released in those regions. Such renting out may have catastrophic commercial consequences: one of the hirers might well be a cinema theatre, which may exhibit it, in public. This would completely defeat the copyrights owner's right to commercially exploit its rights, and for that purpose, partition the market at its convenience. The safeguard provided by Section 51 (b) (iv) proviso, in the case of importation of one infringing copy, amply testifies that if importation is for private use of the importer, which specifically alludes to the non-commercial use by such a person or individual, it is not deemed an infringement.

66. The breadth of copyrights is comprehensively defined in Section 14. What constitutes infringement is likewise, spelt out in Section 51. Apart from the generality of Section 51(a)(i), other provisions, such as Section 51 (a) (ii), Section 51 (b) (i), (ii) and

(iii) all emphasize the commercial character of the prohibited behavior, which constitutes "infringement". Each of these clauses talks of either sale, hire, "for trade" or distribution "for trade"; or exhibits "for trade", or permission of use of the copy for communication of the work to the public "for profit". The underlying theme, uniformly is that whenever the activity seeks to profit from the copy, or work, or uses it commercially, contrary to the terms of the copyright owner's permission, or authorization, or without his permission or license, infringement occurs. Correspondingly, wherever the use is not commercial, or does not amount to the prohibited degree, the alleged infringer can potentially argue that in fact, there is no infringement.

67. The express indication in Section 14(a)(ii) that a copyright owner of literary works cannot exercise domain over copies in circulation, shows that exhaustion, if one may term it, applies only in relation to the class of copyrights in Section 14(a) and to the CS (OS) 1682/2006 Page 44 extent specified in clause (ii). Thus, the copyright owner of a literary work, cannot dictate how and under what conditions a copy can be re-sold, once it is "circulated". This limited "exhaustion" negates the applicability of the principle in regard to other classes of copyrights. Thus, Parliament having intervened in one category of copyrights to grant a limited kind of "exhaustion" and consciously chosen not to extend it to others, sleight of judicial reasoning cannot extend its application. This, Section 14(a) (ii) to the extent it exempts the copyright owners' right in respect of copies in circulation, is by way of a proviso or exemption; there is a long line of decisions, that such provisos or exemptions, embrace only the field covered by the main provision, and carving out an exemption, or exception (to such main provision) and to no other (See Ram Narain Sons Ltd -vs- Asst CST; AIR 1955 SC 765). In J.K. Industries Ltd. v. Chief Inspector of Factories and Boilers, (1996) 6 SCC 665, it was thus held that:

"A proviso qualifies the generality of the main enactment by providing an exception and taking out from the main provision, a portion, which, but for the proviso would

be a part of the main provision. A proviso must, therefore, be considered in relation to the principal matter to which it stands as a proviso. A proviso should not be read as if providing something by way of addition to the main provision which is foreign to the main provision itself."

68. As far as TRIPS is concerned, the question of how to deal with rental rights, of copies of cinematograph films is left open to be dealt with suitably by the concerned party state. This is evident from the following extract of Article 11, which obliges that in respect of computer programmes, the member state must enable the owner or successor in interest to prohibit or authorize the sale of copies, or the:

"...commercial rental to the public of originals or copies of their copyright works. A member shall be excepted from this obligation in respect of cinematographic works unless such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction conferred in that Member on authors and their successors in title."

The provision, simply put, means that there is a binding obligation to tailor national policies to enable commercial rental, to the public of originals or copies of copyrighted works in computer programmes, authorizing such owners to prohibit or permit such CS (OS) 1682/2006 Page 45 rentals. Such obligation does not exist, in relation to cinematographic works. However, the existence of such exclusive copyright in respect of rental copies, or the right to authorize the hiring of copies, in the Copyright Act, 1957, by virtue of Section 14(d) is undeniable.

69. In view of the foregoing reasons, Issue Nos 1 and 3 are concluded against the defendant. It is held that importation of rental copies for purpose of rental use or hiring, and in respect of CDs, DVDs, etc of cinematograph films for which the plaintiffs have not issued rental licenses, without the plaintiffs' license or authorization, for commercial use, or profit, or for hiring or rental, constitutes infringement under Section 51 (a)(i) as well as Section 51 (b) (iv).

(2) Whether the importation into India by the Defendant for giving on hire or rent in India copies of cinematograph films authorized for sale or rental in a particular territory outside India, in which cinematograph films the plaintiff claims copyrights, constitutes infringement of copyright under section 51(b) (iv) i.e. importation into India of Infringing Copies? OPP.

70. It would be apparent that there is, inevitably, a certain element of overlapping in the discussion on this issue, with the discussion in the previous two issues. This issue, however, is specific to the question of importation; the defendants' argument was that goods- in the present case, DVDs and VCDs procured legally, and meant for rentals, could be imported. It was urged that India permits "parallel importation".

71. What is parallel importation? The following excerpt from an article by "Parallel Imports and International Trade" by Christopher Heath, (Max Planck Institute for Foreign and International Patent, Copyright and Competition Law, Munich) throws light on the issue:

"The term "parallel importation" refers to goods produced and sold legally, and subsequently exported. In that sense, there is nothing "grey" about them, as the English Patents Court in the Deltamethrin decision (*Roussel Uclaf v. Hockley International*, decision of 9 October 1995, [1996] R.P.C. 441) correctly pointed out. Grey and mysterious may only be the distribution channels by which these CS (OS) 1682/2006 Page 46 goods find their way to the importing country. In the importing country, such goods may create havoc particularly for entrepreneurs who sell the same goods, obtained via different distribution channels and perhaps more expensively. In order to exclude such unwelcome competition, intellectual property rights have sometimes been of help. If products sold or imported by third parties fall within the scope of patents, trademarks or copyrights valid in this particular country, such sale or importation by third parties is generally deemed infringing. Owners of products covered by intellectual property rights have the exclusive right to put such products on the market. On the other hand, there is little doubt that once the owner of an intellectual property right has put such goods on the market either himself or with his consent, there is little he can do about further acts of commercial exploitation, such as re-sale, etc., on the domestic market. Even if a car is covered by a number of patents, once the car maker has put that car on the market, there is a consensus that he cannot prevent that car from being re-sold, leased-out, etc."

72. In another article, "Copyright: The Last Trade Barrier in a Globalised World? Louise Longdin, Associate- Professor of Commercial Law, University of Auckland, describes the phenomenon thus:

"Parallel importing or grey market importing occurs when a business organisation in a country obtains products directly from licensed or authorised sources outside that country's borders, by-passing any authorised domestic suppliers or licensees. As, Rothnie ( W Rothnie, *Parallel Imports* (Sweet & Maxwell, London 1993)) aptly describes the process:

"Some enterprising middleman buys stocks in [a] cheaper foreign country and imports them into [a] dearer domestic country. Hence, the imports may be described as being imported in 'parallel' to the ... distribution network [as set up and authorised by the intellectual property right owner+."

The result of parallel importing copyrighted products through non authorised channels is to place those parallel imported products (which, it needs to be emphasised, are not pirate copies but items lawfully made and put into circulation in a foreign country with the permission of the copyright holder) into competition with the very same goods produced or imported through exclusive channels established by the copyright holder. While the imports are identical (or should be) to the legitimate products they may be differently packaged and may not carry the original manufacturer's warranty Typically, state imposed parallel importing restrictions on copyrighted products (which protect copyright owners' authorised channels of distribution and remove for them the threat of arbitrage where net price differences prevail) provide that no person can import even legitimate copies of protected products such as books, sound recordings and films without the consent of the

local right holder (not usually granted) where the products are CS (OS) 1682/2006 Page 47 acquired not for private individual use but for commercial resale. In sum, where trading nations allow copyright owners to restrict the free passage of grey market products across their external borders, owners are able not only to engage in cross jurisdictional price discrimination but also stagger the release of new products so that smaller markets in developed economies have to wait longer for new products or new models of existing ones.

The debate over parallel importing restrictions is waged between those stakeholders who push the principle of national exhaustion of rights and those who support the counter notion of international exhaustion of rights. The first group comprises, in the main, copyright owners and their licensees who have joined forces across national boundaries in order to present their time honoured trading advantage (the explicit right to prevent the cross border passage of grey market goods) as both natural and indispensable, instead of the historical accident that it arguably is. They assert that rights are to be exercised territorially and hence that when right holders make their genuine (non pirated) copyrighted works available in a particular country, that sale or disposition exhausts their rights only as far as that particular country is concerned. They insist that authorisation for importation must be obtained for each and every country and right holders should be able to legally prevent goods that have been put into circulation in another country with their consent from being subject to parallel importation.

The second group is largely comprised of importers and would be importers outside existing authorised distribution systems and is intent on dismantling such attempts to erect private law barriers to entry reinforced by both civil and criminal sanctions. Under the principle of international exhaustion, once a legal copy of a product has been put into circulation somewhere in the world with the consent of the right owner, the rights in relation to that copy are exhausted. Hence any authorised first making available, wherever it is in the world, exhausts the owner's rights. There also exists the hybrid principle of regional exhaustion best exemplified by the European Economic Area (EEA) where a number of countries treat themselves as one economic entity so that re-sale rights are considered exhausted if products are first distributed anywhere within that trading block."

73. In the previous discussion, the court had noted Section 11(2) of the Customs Act, and the prohibition of importation, by virtue of the guidelines which inter alia, mandate that (i) "The importer of the film shall comply with the provisions of all applicable Indian laws governing the distribution and exhibition of films, including the requirement of obtaining a certificate of public exhibition prescribed under the Cinematograph Act, 1952." and bans import of unauthorized films : "(iii) import of any CS (OS) 1682/2006 Page 48 unauthorized/pirated films shall be prohibited." If these provisions, as well as Section 111 of the Customs Act, are read together with Section 40 and provisions of the International Copyright Order, it is apparent that works published abroad too are entitled to copyrights in India as if they were published in India.

74. Although the issue of "parallel importation" was not discussed in express terms, the Division Bench of this court had to deal with a similar issue, in *Penguin* (supra). The court held that:

"counsel for India Distributors, argued that importation of lawfully published books from America into India is not an infringement under the Copyright Act, 1957 (the Act) . This is a fallacious argument. The expression "owner of copyright" includes an exclusive licensee. (Sec. 54 (a) ) . Exclusive licensee is defined in section 2 (g) as a licensee having "any right comprised in the copyright" in a work to the exclusion of all other persons including the owner of the copyright. Licences may be limited in time, territory and scope. Assignment either wholly or partially of the rights of the copyright owner is permissible under the Act. (Sec. 18) .

18. Now Penguins are exclusive licensees as they are the assignees of copyrights from the authors in some cases and publishers in others and have an exclusive right to print, publish and market these twenty three titles in India. Section 55 (1) provides "civil remedies" for infringement of copyright, namely, injunction, damages, accounts "as are or may be conferred by law for the infringement of a right". So Penguins are entitled to sue "for the infringement of a right".

19. It is not the case of India Distributors that they were not aware of Penguins' copyright or had no knowledge that copyright subsisted in them under a territorial arrangement with the authors or publishers of those books. Penguins are the assignees of the copyright and "entitled to any right comprised in the copyright -- so assigned." (Sec. 18 (2) .

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22. Importation of books which are "infringing copies of the work" is an infringement. So is the sale thereof. If any person, without the licence of the copyright owner, imports into India for the purpose of selling or distributing for purposes of trade the literary work the copyright is infringed. Any importation of infringing copies is therefore an infringement unless it is for the importer's own use. American books may be lawfully published in America. But when the copies of those publications are imported into this country, an action for infringement would lie in this country against the importer in respect of those copies. An action would also lie against any person who for instance sold or distributed such copies here. Because the books have been imported and sold without the licence of the owner of the copyright or his exclusive licensee.

23. "Infringing copy" is defined in section 2 (m) . An infringing copy means a copy "imported in contravention of provisions of the Act." The central provision in section 51 which says that copyright shall be deemed to be infringed where any person without a licence granted by owner of the copyright "does anything, the CS (OS) 1682/2006 Page 49 exclusive right to do which is by this Act conferred upon the owner of the copyright." The owner of the copyright or his licensee has the "exclusive right" of printing, or otherwise multiplying, publishing and vending copies of the copyrighted literary production in India. India Distributors are infringing this right. Therefore, India Distributors are dealers in "infringing copies". They are handling unlicensed copies.

24. This is abundantly made clear by the Act in Section 53 (1) . It empowers the Registrar of Copyrights to "order that copies made out of India of the work which if made in India would infringe

copyright shall not be imported." This is the acid test. It is a misuse of words to say that the expression "infringing copy" has one meaning in section 51 (b) (iv) and a different in Section 53. The essence of the thing is unauthorised appropriation or use of another man's property. It amounts to taking what is not yours. It is an improper use of that which does not belong to you. It has been well said : "The position of the person dealing in infringing copies is in fact similar to that of the 'receiver', the person dealing in stolen property. (S.M. Steward -- International Copyright 1983 ed. p. 80). In importation it is the locale that matters. Territorial division and geographical area are of importance. Outside a defined territory the sale of a copyrighted work constitutes a sale of an "infringing copy". Because there is infringement of territorial restrictions. Penguins' case is that they hold a territorially exclusive licence coupled with an interest so far as India is concerned. Generally speaking whenever there is misappropriation of intellectual property of which the primary beneficiary is the copyright owner there is infringement of copyright. Copyright is a property right. Throughout the world it is regarded as a form of property worthy of social protection in the ultimate public interest. The law starts from the premise that protection should be as long and as broad as possible and should provide only those exceptions and limitations which are essential in the public interest. The courts adopt a "purposive" approach to statutes.

25. Importation of "infringing copies" is prohibited by the Act. Because if made in India these titles would infringe the copyright of Penguins. Not only this. India Distributors are "publishing" these titles. Publication means in the case of a literary work, "the issue of copies of the work, either in whole or in part, to the public in a manner sufficient to satisfy the reasonable requirements of the public having regard to the nature of the work." (Section 3 as amended by the Copyright (Amendment) Act 1983) . The Act treats infringement of copyright as "infringement of a right" in property. Copyrights considered as unique forms of property and monopoly, are essentially pecuniary rights. In its most elementary form copyright means "the exclusive right to multiply copies of a book.

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37. While publication generally refers to issue to public, importation for the specified purpose may be a necessary step in the process of issuing to the public, and therefore of publishing. It appears to me that the exclusive right of Penguins to print, publish and sell these titles in India would extend to the exclusive right to import copies into India for the purpose of selling or by way of trade offering or exposing for sale the books in question. [Time-Life (supra) p. 267]. This is the true meaning of the word 'publish' as used in section 14 (1) (a) (ii) .

38. It is also an infringement of copyright knowingly to import into India for sale or hire infringing copies of a work without the consent of the owner of the copyright, though they may have been made by or with the consent of the owner of the copyright in the place where they were made. In America the subject books were lawfully published, it is true. But they cannot cross the borders of India CS (OS) 1682/2006 Page 50 without infringing the copyright of the exclusive licensee. [See Clarke Irwin & Co. Ltd. v. C. Code Co. Ltd., 22 D.L.R. (2nd) p. 183, 186 (Canada)] (9).



39. Counsel for the defendants next argued that prohibition to import these American publications into India will be in breach of the provisions of Monopolies and Restrictive Trade Practices Act. I am not impressed by this argument. It is true that copyright is a monopoly. But all monopolies are not evil. This monopoly is a statutory creature. (See section 16) . Copyright is the creation of the Act. As at present advised I am not prepared to hold that these provisions are in conflict with the statutory provisions contained in the Monopolies Act or the Contract Act."

(emphasis supplied)

75. The Supreme Court too, had occasion to deal with the issue of importation of copyright goods, in Gramophone Co. of India Ltd (supra). The Gramophone Company of India Ltd, was the owner of the copyright in song recordings. It received information from the Calcutta Customs that a consignment of pre-recorded cassettes sent by Universal Overseas Private Ltd., Singapore to Ms Sungawa Enterprises, Kathmandu, Nepal, had arrived at Calcutta Port by ship and was awaiting despatch to Nepal. The appellant learnt that a substantial number of cassettes were "pirated works", due to the broken condition of the consignment lying in the docks. The appellant sought the intervention of the Registrar of Copyrights for action under Section 53 of the Copyright Act, 1957. This provision enables the Registrar, after making such enquiries as he deems fit, to order that copies made out of India of a work which if made in India would infringe copyright, shall not be imported; it also enables the Registrar to enter any ship, dock or premises where such copies may be found and to examine such copies. Expeditious action was not taken on the application of the appellant and it was apprehended that the pirated cassettes would be released for transportation to Nepal. The appellant filed a writ application in the Calcutta High Court seeking mandamus to compel the Registrar to pass an appropriate order under Section 53 of the Copyright Act and to prevent release of the cassettes from the custody of the customs authorities. The Single Judge of the High Court, made an interim order permitting the appellant to inspect the consignment of cassettes and if any of the cassettes were thought to infringe the its copyright, they were to be kept apart until further orders of the Registrar. After causing the necessary inspection to be made, the Registrar was directed CS (OS) 1682/2006 Page 51 to deal with the application under Section 53 of the Copyright Act in accordance with law after hearing interested parties. The Registrar was directed to deal with the application within eight weeks from the date of the High Court's order. In the event of any of the cassettes held back by the appellant being found not to infringe any provision of the Copyright Act, the appellant was to pay damages as assessed by the Court.

76. The consignee appealed against the Single judge's order; a Division Bench held that the word "import" did not merely mean bringing the goods into India, but comprehended something more, that is, "incorporating and mixing, or mixing up of the goods imported with the mass of the property in the local area". The learned Judges thought it would be wrong to say that there was importation into India, the moment the goods crossed the Indian customs barrier. Keeping in view the treaties with Nepal, the Division Bench took the view that there was no importation when the goods entered India en route to Nepal. The appeal was, allowed and the writ petition filed was dismissed. The writ petitioner appealed to the Supreme Court. Allowing the appeal, it was held by the Supreme Court that:

"26. Section 53 which is of direct relevance as it deals with 'importation of infringing copies' needs to be fully extracted. It says:

"53. (1) The Register of Copyrights, on application by the owner of the copyright in any work or by his duly authorised agent and on payment of the prescribed fee, any, after making such enquiry as he deems fit, order that copies made out of India of the work which if made in India would infringe copyright shall not be imported.

(2) Subject to any rules made under this Act, the Register of copyrights or any person authorised by him in this behalf may enter any ship, dock or premises where any such copies as are referred to in sub-section (1) may be found and may examine such copies.

(3) All copies to which any order made under sub-section (1) applies shall be deemed to be goods of which the import has been prohibited or restricted under Section 11 of the Customs Act, 1962, and all the provisions of that Act shall have effect accordingly :

CS (OS) 1682/2006 Page 52 Provided that all such copies confiscated under the provisions of the said Act shall not vest in the Government but shall be delivered to the owner of the copyright in the work."

This provision empowers the Register of Copyrights to make an order that copies made out of India of any work which if made in India would infringe copyright, shall not be imported. This the Registrar may do on the application of the owner of the copyright in that work or by his duly authorised agent on payment of the prescribed fee and after making such enquiry, as he deems fit. The effect of such an order by the Registrar is to deem all copies to which the order applies to be goods of which the import has been prohibited or restricted under Section 11 of the Customs Act, 1962, and to attract all the provisions of the Customs Act on that basis, including the liability to be confiscated, with the slight modification that copies confiscated under the provisions of that Act shall not vest in the Government, but shall be delivered to the owner of the copyright.

27. The question is what does the word 'import' mean in Section 53 of the Copyright Act ? The word is not defined in the Copyright Act though it is defined in the Customs Act. But the same word may mean different things in different things in different enactments and in different contexts. It may even means different things at different places in the same statute. It all depends on the sense of the provisions where it occurs. Reference to dictionaries it hardly of any avail, particularly in the case of words of ordinary parlance with a variety of well- known meanings. Such words take colour from the context. Appeal to the Latin root won't help. The appeal must be to the sense of the statute. Hidayatullah, J. in *Burmah Shell v. Commercial Tax Officer* ((1961) 1 SCR 902 : AIR 1961 SC 315 :

(1960) 11 STC 764) has illustrated how the contextual meanings of the very words 'import' and 'export' may vary.

28. We may look at Section 53, rather than elsewhere to discover the meaning of the word 'import'. We find that the meaning is stated in that provision itself. If we ask what is not to be imported, we find that the answer is copies made out of India which if made in India would infringe copyright. So it follows that 'import' in the provision means bringing into India from out of India. That, we see is precisely how import is defined under the Customs Act. Section 2(23) of the Customs Act, 1962 defines the word in this manner : "Import, with its grammatical variation and cognate expression means bringing into India from a place outside India". But we do not propose to have recourse to Customs Act to interpret expressions in the Copyright Act even if it is permissible to do so because Section 53 of the Copyright Act is made to run with Section 11 of the Customs Act.

29. It was submitted by the learned counsel for the respondents that where goods are brought into the country not for commerce, but for onward CS (OS) 1682/2006 Page 53 transmission to another country, there can, in law, be no importation. It was said that the object of the Copyright Act was to prevent unauthorised reproduction of a work in India and this object would not be frustrated if infringing copies of a work were allowed transit across the country. If goods are brought in, only to go out, there is no import, it was said. It is difficult to agree with this submission though it did find favour with the Division Bench of the Calcutta High Court in the judgment under appeal. In the first place, the language of Section 53 does not justify reading the words 'imported for commerce' for the words 'imported'. Nor is there any reason to assume that such was the object of the Legislature. We have already mentioned the importance attached by international opinion, as manifested by the various international conventions and treaties, to the protection of copyright and the gravity with which traffic in industrial, literary or artistic property is viewed, treating such traffic on par with traffic in narcotics, dangerous drugs and arms. In interpreting the word 'import' in the Copyright Act, we must take note that while the positive requirement of the Copyright conventions is to protect copyright, negatively also, the Transit Trade Convention and the bilateral Treaty make exceptions enabling the Transit State to take measures to protect copyright. If this much is borne in mind, it becomes clear that the word 'import' in Section 53 of the Copyright Act cannot bear the narrow interpretation sought to be placed upon it to limit it to import for commerce. It must be interpreted in a sense which will fit the Copyright Act into the setting of the international conventions.

30. The Calcutta High Court thought that goods may be said to be imported into the country only if there is an incorporation or mixing up of the goods imported with the mass of the property in the local area. In other words the High Court relied on the 'original package doctrine' as enunciated by the American Court. Reliance was placed by the High Court upon the decision of this court in the Central India Spinning and Weaving & Mfg. Co. Ltd., the Empress Mills, Nagpur v. Municipal Committee, Wardha (1958 SCR 1102 : AIR 1958 SC 341). That was a case which arose under the C.P. and Berar Municipalities Act and the question was whether the power to impose "a terminal tax on goods or animals imported into or exported from the limits of a municipality" included the right to levy tax on goods which "were neither loaded nor unloaded at Wardha but were merely carried across through the municipal area". This Court said that it did not. The word 'import', it was thought meant not merely the bringing into but comprised something more, that is 'incorporating and mixing up of the goods with the mass of the property in the local area', thus accepting the enunciation of the 'original package doctrine' by Chief Justice Marshall in *Brown v. State of Maryland* (6 L Ed

678). Another reason given by the learned Judges to arrive at the conclusion that they did, was that the very levy was a 'terminal tax' and, therefore, the words 'import and export', in the given context, had something to do with the idea of a terminus and not an intermediate state of a journey. We are afraid the case is really not of any guidance to us since in the context of a 'terminal tax' the words CS (OS) 1682/2006 Page 54 "imported and exported" could be construed in no other manner than was done by the Court. We must however say that the 'original package doctrine' as enunciated by Chief Justice Marshall on which reliance was placed expressly disapproved first by the Federal Court in the Province of Madras v. Boddu Paidanna (1942 FCR 90 : AIR 1942 FC 33) and again by the Supreme Court in State of Bombay v. F. N. Balasara (1951 SCR 682 : AIR 1951 SC 318 : (1951) 52 Cri LJ 1361). Apparently, these decisions were not brought to the notice of the court which decided the case of Central India Spinning and Weaving & Mfg. Co. Ltd., The Empress Mills, Nagpur v. Municipal Committee, Wardha (1958 SCR 1102 :

AIR 1958 SC 341). So derive no help from this case. As we said, we prefer to interpret the words import' as it is found in the Copyright Act rather than search for its meaning by referring to other statutes where it has been used.

31. The learned counsel for the appellant invited our attention to Radhakishan v. Union of India ((1965) 2 SCR 213 : AIR 1965 SC 1072 : 1965 (2) Cri LJ 154); Shawhney v. Sylvania and Laxman (77 Bom LR 380); Bernado v. Collector of Customs (AIR 1960 Ker 170 : 1959 Ker LT 1326 : 1960 Cri LJ 600), to urge that importation was complete so soon as the customs barrier was crossed. They air cases under the Customs Act and it is needless for us to seek aid from there when there is enough direct light under the Copy-right Act and the various conventions and treaties which have with the subject 'copyright' from different angles. We do not also desire to crow our judgment with reference to the history of the copyright and the customs legislations in the United Kingdom and India as we do not think it necessary to do so in this case.

32. We have, therefore, no hesitation in coming to the conclusion that the word 'import' in Sections 51 and 53 of the Copyright Act means "bringing into India from outside India", that it is not limit to importation for commerce only, but includes importation for transit across the country. Our interpretation, far from being inconsistent with any principle of international law, is entirely in accord with International Conventions and the Treaties between India and Nepal. And, that we think is as it should be.

33. We have said that an order under Section 53 may be made by the Registrar of Copyrights on the applications of the owner of the copyright, but after making such enquiry as the Registrar deems fit. On the order being made the offending copies are deemed to be goods whose import has been prohibited or restricted under Section 11 of the Customs Act. Thereupon the relevant provisions of the Customs Act are to apply, with the difference that confiscated copies shall not vest in the Government, but shall be delivered to the owner of the copyright. One fundamental difference between the nature of a notification under Section 11 of the Customs Act and an order made under Section 53 of the Copyright Act is that the former is quasi-legislative in character, while the latter is quasi-judicial in character. The quasi-judicial nature of the order made under Section 53 is further CS (OS) 1682/2006 Page 55 emphasised by the fact that appeal is provided to the Copyright Board

against the order of the Registrar under Section 72 of the Copyright Act. We mention the character of the order under Section 53 to indicate that the effect of an order under Section 11 of the Customs Act. The Register is not bound to make an order under Section 53 of the Copyright Act so soon as an application is presented to him by the owner of copyright. He has naturally to consider the context of the mischief sought to be prevented. He must consider whether the copies would infringe the copyright if the copies were made in India. He must consider whether the applicant owns the copyright or is the duly authorised agent of the copyright. He must hear those claiming to be affected of an order is made and consider any contention that may be put forward as an excuse for the import. He may consider any other relevant circumstance. Since all legitimate defenses are open and the enquiry is quasi-judicial, no one can seriously complain."

77. In this case the copies that are being let out for rent/hire by the Defendant are not made in India. Rather, they have been made in the US and imported into India. As noticed earlier, copyright in a work published abroad, in a Berne Convention country, like the United States, entitles its owner to assert copyright in India; such rights are "as if" the works were published in India (Section 40 and provisions of the Order). An infringing copy is one "...made or imported in contravention of the provisions of this Act". In this context, the proviso to Section 51(b) (iv) in the court's view, provides the key to Parliamentary intention. It carves only one exception, permitting "import of one copy of any work for the private and domestic use of the importer". The plaintiffs' argument is that there would have been no need to enact this exception, if there were no restriction on import of cinematograph films, genuinely made outside India. The effect of the proviso to Section 51(b)(iv) is plainly, not to relax the importation of genuinely made cinematographic films but to allow for the importation of one copy of any work "for the private and domestic use of the importer" This would mean that the proviso allows for the importation of an infringing work, for private and domestic use of the importer, and not commercial use.

78. The defendant's argument that the plaintiffs lost the power to deal with the copy, once placed in the market place, in the United States, is also unsupportable as too broad a proposition. In the context of the Act, the argument is more hopeful, than CS (OS) 1682/2006 Page 56 convincing. Even in the United States, it has been held (United States v. Wise, 550 F.2d 1180, 1187 (9th Cir. 1977)) that though, after "first sale," a vendee "is not restricted by statute from further transfers of that copy", yet a first sale does not, however, exhaust other rights, such as the copyright holder's right to prohibit copying of the copy he sells. The Federal Appellate court noted that "other copyright rights (reprinting, copying, etc.) remain unimpaired". It is clear therefore that the copies in question are infringing copies. Therefore, their importation, and more importantly, use for any of the purposes under Section 51, other than the one spelt out in it the proviso is in contravention of the Act. The question, however, is whether the action of the Defendants amounts to infringement of the copyright of the Plaintiffs. This must be answered independently of the question of whether parallel importation of copyrighted goods is permissible under Indian copyright law.

79. As regards the argument that there should be no disconnect between the various intellectual property laws, on the issue of parallel importation, it would be necessary to first notice Section 30 of the Trademarks Act, 1999. It provides that when goods are lawfully acquired by a person, through "sale of the goods in the market or otherwise " dealing in those goods by that person or by a person

or by a person claiming under or through him is not infringement of a trade by reason only of... (b) the goods having been put on the market under the registered trade mark by the proprietor or with his consent." It would also be useful to notice Section 107-A of the Patents Act, 1970 which reads as follows:

"107A. CERTAIN ACTS NOT TO BE CONSIDERED AS INFRINGEMENT.

For the purposes of this Act,-

(a) any act of making, constructing, using, selling or importing a patented invention solely for uses reasonably related to the development and submission of information required under any law for the time being in force, in India, or in a country other than India, that regulates the manufacture, construction, [ 218 use, sale or import of any product;

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(b) importation of patented products by any person from a person who is duly authorised under the law to produce and sell or distribute the product, shall not be considered as a infringement of patent rights"

In the opinion of the court, the existing of express provisions, enabling importation, in circumstances spelt out in the Patents Act and the Trademarks Act, and its being dealt with in a different manner in the Copyright Act (definition of "infringing copy" including imported copies; Section 51 (b) (iv) etc) contrary to the argument of the defendants, leads to the inference that such intendment did not exist in relation to copyrights. One principle of statutory construction is that the legislature is deemed to know existing law, and judicial interpretations, when it enacts a law, or amends it; its providing a particular situation, or omitting it, has to be viewed in the context of this attributed knowledge. This was held in Greater Bombay Coop. Bank Ltd. v. United Yarn Tex (P) Ltd.,(2007) 6 SCC 236:

"It is well settled that the language of the statutes is to be properly understood. The usual presumption is that the legislature does not waste its words and it does not commit a mistake. It is presumed to know the law, judicial decisions and general principles of law. The elementary rule of interpretation of the statute is that the words used in the section must be given their plain grammatical meaning. Therefore, we cannot afford to add any words to read something into the section, which the legislature had not intended."

80. Apart from the issue of parallel importation, and the lack of authority to import and hire the DVDs, there is, in the opinion of the court, one vital consideration which negatives the defendant's argument. Section 52-A of the Copyright Act reads as follows:

"52A. PARTICULARS TO BE INCLUDED IN SOUND RECORDING AND VIDEO FILMS.

(1) No person shall publish a sound recording in respect of any work unless the following particulars are displayed on the sound recording and on any container thereof, namely:-

(a)the name and address of the person who has made the sound recording];

(b)the name and address of the owner of the copyright in such work; and

(c)the year of its first publication.

CS (OS) 1682/2006 Page 58 (2) No person shall publish a video film in respect of any work unless the following particulars are displayed in the video film, when exhibited, and on the video cassette or other container thereof, namely:-

(a)if such work is a cinematograph film required to be certified for exhibition under the provisions of the Cinematograph Act, 1952 (37 of 1952), a copy of the certificate granted by the Board of Film Certification under section 5A of that Act in respect of such work;

(b)the name and address of the person who has made the video film and a declaration by him that he has obtained the necessary licence or consent from the owner of the copyright in such work for making such video film; and

(c)the name and address of the owner for the copyright in such work"

The above provision makes it clear that cinematograph films have to be certified in terms of the Cinematograph Act, as a condition of their publication. This certification does not exist in the copies hired out by the defendant. This infringes the provision. If the importation were to be in accordance with the Act, the copyright owner would authorize the certification under Section 52-A.

81. In view of the above discussion, the second issue too, is answered in favour of the plaintiffs; the defendant's action, giving on hire or rent in India, copies of cinematograph films authorized for sale or rental in a particular territory outside India, in which cinematograph films the plaintiffs claim copyrights, would constitute infringement of copyright under section 51(b) (iv), as long as the plaintiff's authorization is not secured.

Issue No.4:

Whether the restriction on the Defendant to conduct the rental business in India, using a copy of a cinematograph film procured from outside India which is authorized for sale or rental in a particular territory outside India only, without a

license from the copyright owner, would amount to infringement of the Fundamental Rights, guaranteed under Article 19(1) of the Constitution of India.

82. It is urged that if the plaintiffs' claim to copyright in respect of copies of films, and DVDs of films, validly purchased by the defendant is permitted, it would hinder the right to carry on business, guaranteed under Article 19(1) (g) of the Constitution of India CS (OS) 1682/2006 Page 59 and consequently, in public interest, the court must adopt an interpretation that would further such fundamental right, not extinguish it.

83. The plaintiffs counter the defendant's plea, and says that a challenge to the validity of the Copyright Act is beyond the scope of this litigation. It is argued that in any event the Union is not a party to the litigation. The plaintiff also say that assertion of intellectual property rights by the copyright owner, and their enforcement, does not constitute infringement of anyone's fundamental rights, much less that of an infringer.

84. The plaintiffs are correct in saying that the validity of copyright law, is beyond the scope of this litigation. However, the issue is whether the interpretation urged by it is inconsistent with any Constitutional provisions.

85. It has been recognized, in the United States, for instance, that there exists a seeming tension between copyright and certain rights; most notably, free speech. Yet, the express terms of the US Constitution enjoin Congress to enable copyrights, to promote creativity. It is therefore a long held view, in academic quarters as well as by the courts, that copyright law promotes free speech, by protecting originality of expression. The seemingly broad sweep of copyright is limited by concepts such as "copyrightable work"; the idea-expression dichotomy; other concepts like the doctrine of merger, fixation, fair use, and so on. In *Harper Row v. Nation Enterprises* 471 US 439 (1984), the US Supreme Court, repelling a challenge to copyright law, said that it distinguishes between:

"copyrightable expression and non-copyrightable facts and ideas and the latitude for scholarship and comment traditionally afforded for fair use.."

Recently, in *Eldred v. Ashcroft* 537 US 186 (2003), the US Supreme Court upheld the Sonny Bono Copyright Term Extension Act, rejecting the challenge to extension of copyright term, to 70 years.

86. Copyright law, and the protections afforded to owners and those entitled to it, under Section 14, is a balance struck between the need to protect expression of an idea, in a given form to promote creativity, on the one hand, and ensure that such protection does not stifle the objective, ie. creativity itself. Copyrights are part of intellectual CS (OS) 1682/2006 Page 60 property law, which are but a species of property law. Unlike in the case of material or tangible objects, these laws protect specific concepts - in the case of trademark, distinctiveness, in copyrights, originality of an expression and in the case of patent, inventiveness. Just as the owner of real property, or a material object is entitled to legitimately assert his domain over it, and protect it from unfair appropriation by another, the intellectual property owner is, by these laws, enabled to protect unwarranted exploitation or unauthorized use of what are his property rights. So viewed, the provisions of law,



particularly Sections 14, 53 and 51, to the extent they prohibit the sale or hiring of copies - for commerce or profit, by anyone, even the buyer of a copy, without the authority or permission of the copyright owner, amounts to protection of that property right. There is no public interest in insisting that such copies should be permitted, on the ground that the cinematograph films are not made available in the country. If that is the position, the defendant is always free to negotiate the terms of a license, in such of the films as are not available, for the purpose of their publication or performance in India. In these circumstances, it is held that the defendant's argument that the interpretation adopted by the court, defeats its right to carry on trade, business or profession, has no force; it accordingly fails. The issue is answered in the negative, against the defendant.

Issue Nos 5 & 6:

(5) Whether the plaintiff is entitled to injunction as claimed ? OPP (6) Relief, if any.

87. Normally, in view of the decision on the other issues, the plaintiffs would have been entitled to relief in the suit. However, since the defendant has contested that the plaintiffs are not copyright owners of all the works claimed by them, the matter would necessarily require recording of evidence. Therefore, no final relief can be granted. However, the ad-interim injunction granted earlier, is hereby confirmed and shall bind the defendant till disposal of the suit.

CS (OS) 1682/2006 Page 61 The Registry is directed to list the suit for further proceedings, before the appropriate Bench, subject to orders of Hon'ble the Chief Justice, on 27th April, 2008.

April 13, 2009

(S.RAVINDRA BHAT )  
JUDGE

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