

## Media Hotline

June 14, 2019

### STATUTORY LICENSING UNDER THE PROPOSED COPYRIGHT AMENDMENT RULES: A CART BEFORE THE HORSE SITUATION?

On May 30, 2019, the **draft** Copyright (Amendment) Rules, 2019 ("**Draft Rules**") were released for public comments. The press release accompanying the Draft Rules indicated that they were introduced to upgrade the existing Copyright Rules, 2013 ("**Copyright Rules**") in light of technological advancements in the digital era<sup>1</sup>. The substantive amendments are with respect to extending the provisions on statutory licensing to encompass 'all modes of broadcasting,' in lieu of traditional television and radio broadcasting. However, the Copyright Act, 1957 ("**Copyright Act**") has not been amended. This appears to be a cart before horse situation, as explained hereafter.

The statutory licensing provisions under Section 31 D of the Copyright Act allow 'any broadcasting organization' to obtain a license to broadcast works to the public subject to (1) providing notice in the prescribed form to the owner of the copyright and to the Registrar of Copyright<sup>2</sup> of its intention to do so; and (2) paying royalties to the owner of the copyright in those works, at the rates fixed by the Intellectual Property Appellate Board. The section itself contains reference to *only radio and television broadcasting*.<sup>3</sup>

Earlier, an Office Memorandum was issued by the Department of Industrial Policy and Promotion ("**DIPP**") in 2016, which sought to clarify that the *existing* provisions on statutory licensing under the Copyright Act and the Copyright Rules were not to be restrictively interpreted to cover only television and radio broadcasting, but was to be read to include internet broadcasting as well<sup>4</sup> ("**the Memorandum**").

However, the High Court of Bombay had confirmed last month, in the case of *Tips Industries Ltd. V Wynk Media Ltd.*<sup>5</sup> that the existing provisions on statutory licensing under the Copyright Act and Copyright Rules *did not* include internet broadcasting by means of internet streaming and/or downloading<sup>6</sup>. The court held that the Memorandum was inconsistent with the Copyright Act and the Copyright Rules, and therefore was not binding as law.

After this judgment, the Copyright Rules were amended by the Draft Rules to expressly include all modes of broadcasting. However, as no corresponding amendments were made to the Copyright Act, the question which arises is *whether, in light of the judgment of the Bombay High Court, the Draft Rules can travel beyond the contours of the Copyright Act to include internet broadcasting as well?*

We will briefly deal with this case in the paragraphs below.

#### FACTS AND ISSUE

- The plaintiffs, Tips Industries Ltd. ("**Tips**") is the owner of the copyright in various sound recordings. The defendants ("**Wynk**") operates Wynk, an internet platform offering (1) download and purchase of songs and (2) on-demand streaming services online. Tips had previously granted a license to Wynk to offer their repertoire of works on Wynk's platform for these services, which license was due to expire.
- Wynk and Tips were in the midst of negotiating the terms of a fresh license agreement. However, negotiations broke down between the parties for commercial reasons. Tips issued various notices to Wynk calling upon them to disable access to Tips' works from the Wynk platform.
- Wynk invoked the provisions on statutory licensing under the Copyright Act
- Wynk sought to argue that:
  - o their download and purchase businesses fell within the ambit of 'communication to the public' under the statutory licensing provisions under the Copyright Act. Therefore, they were entitled to seek a statutory license in respect of these services.
  - o Wynk also relied upon the Memorandum to argue that they were covered within the ambit of 'broadcasting organizations' and were entitled to invoke these provisions in respect of their on-demand streaming services.
- Tips filed dual copyright infringement suits against Wynk, in respect of their (1) download/purchase and (2) streaming services, disputing Wynk's right to avail of a statutory license in respect of both.

Two of the key issues before the court, therefore, was (1) *Whether Wynk was entitled to invoke the provisions on statutory licensing in respect of their download/purchase business and (2) whether Wynk was entitled to invoke the provisions on statutory licensing in respect of its on-demand streaming service?*

#### JUDGMENT

The court held that Wynk could not invoke the provisions on statutory licensing under the Copyright Act in respect of their download/purchase business. The reasoning of the court can be summarised as follows:

- **Download and purchase features amounted to sale and commercial rental, respectively:** The court examined the download and purchase features on Wynk:

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o The download feature permitted subscribers to store offline copies of sound recordings which could be played *during the validity of the monthly subscription, in exchange for a subscription fee.*

o The purchase feature also allowed subscribers to store offline copies of sound recordings, however, permanent copies of the same were saved on the customer's device, which could be accessed from outside the application, played through other applications, or transferred to other devices.

The court held that these features amounted to a (1) commercial rental and (2) sale, respectively.

- **Commercial rental/sale was distinct from communicating the sound recording to the public:** The court held that the provisions of the Copyright Act treated the acts of (1) commercial rental/sale and (2) communication of sound recordings independently.<sup>7</sup>
- **Broadcast is a specie of communication a sound recording to the public:** The court relied upon the definition of 'broadcast' under the Copyright Act, which indicated that this activity was a specie of communication to the public. Therefore, by deduction, *commercial rental or sale of a sound recording* could also be distinguished from broadcasting a sound recording.
- **Provisions on statutory licensing under the Copyright Act only applied to communication to the public by way of broadcast:** The court noted that the provisions on statutory licensing only applied to broadcasting organizations which communicated works to the public by way of broadcast. Since (1) commercial rental/sale was distinct from communication to the public/broadcasting, and (2) legislature had consciously excluded sale/commercial rental from the ambit of the provisions on copyright licensing, the ***download and purchase business of Wynk was not covered within the ambit of the statutory licensing provisions.***

Next, the court considered whether Wynk's on-demand streaming services (i.e., internet broadcasting), fell within the purview of the statutory licensing regime under the Copyright Act and the Copyright Rules.

The court held that the provisions on statutory licensing were restricted to only television and radio broadcasting, and did not include streaming services.. The reasoning of the court can be summarised as follows:

- **Conscious legislative choice to exclude internet broadcasting:** The legislature was well aware of prevalent technology such as internet streaming and downloading when they introduced the provisions on statutory licensing to the Copyright Act in 2012. The court noted that other provisions under the Copyright Act specifically provided protection to internet service providers<sup>8</sup>. Therefore, the absence of express reference to internet streaming/downloading in the section on statutory licensing, was *a conscious legislative choice.*
- **Legislature only contemplated radio and television broadcasting:** The Rajya Sabha Parliamentary Standing Committee Report ("**Committee Report**") also indicated that the object of this provision was solely to ensure that the public had access to FM radio networks. The court noted that the Committee Report indicated that the committee understood 'broadcast' to mean *either radio or television broadcast alone.*
- **Internet broadcasting cannot be construed to be a type of radio broadcasting:** The court dismissed Wynk's contention that, since they were engaged in audio broadcasting over the internet, internet broadcasting fell within the term 'radio broadcasting.' The court held that there was nothing in the definition of 'broadcast' under the Copyright Act, or the other provisions of the Act concerning 'broadcast' which supported this submission.
- **Expropriatory legislation to be narrowly interpreted:** The court accepted Tips' argument that the provisions on statutory licensing under the Copyright Act were in the nature of an *expropriatory legislation*, as they deprived the copyright owner to license works on desirable terms. They were an exception to a copyright owner's exclusive rights under the Copyright Act. Tips relied upon various cases<sup>9</sup> in which courts had cautioned that expropriatory legislation had to be interpreted very strictly.
- **Language of Copyright Rules:** The court held that the provisions on statutory licensing under the Copyright Rules for providing notice to copyright owners, etc. also supported the view that the existing regime was only meant for radio and television broadcasting, not internet broadcasting. The language of the Copyright Rules only referred to 'radio' and 'television' broadcasting<sup>10</sup>. As stated above, the Copyright Rules have now been proposed to be amended to remedy this situation. However, since Bombay High Court has held that the provisions on statutory licensing under the Copyright Act do not apply to purchase/download and online streaming services, the Copyright Act would need to be amended first and foremost
- **The Memorandum was non-binding:** The court accepted Tips' contention that the Memorandum did not draw its power from any legislation. The court relied upon the case of *State of Haryana v Mahender Singh & Ors*<sup>11</sup> in which it had been held that such guidelines which did not have any statutory flavour were only advisory in nature. Therefore, the Memorandum did not bind the court. The court also accepted Tips' argument that the interpretation of the DIPP was contrary to its own stand while negotiating a broadcasting treaty, in which it had confirmed that 'broadcasting' was to be understood in its traditional sense.

## ANALYSIS

It appears that the Draft Rules have attempted to hastily remedy the basis of the decision in *Tips v Wynk* by expressly including all modes of broadcasting within the statutory licensing regime. However, as pointed out by the High Court, the Copyright Act in its present form only contemplates traditional broadcasting by means of television and radio. The nature of the issues which the introduction of the statutory licensing regime was meant to address are also exclusively associated with these means of broadcasting. The Committee Report noted that access to copyright work by broadcasters was severely restricted by a system of auction of licenses for FM operators, which allowed copyright owners to set unreasonable terms and conditions for licensees. The statutory licensing regime was specifically introduced to remedy these issues.

Therefore, it can be argued that the Draft Rules are travelling outside the scope of the Copyright Act by attempting to include internet broadcasting within its ambit. It is well settled law that rules which are ultra vires the Act under which they are issued, are required to be quashed as void.<sup>12</sup>

Although the court did not substantively deal with this aspect, it can also be argued that 'on demand streaming services' cannot be construed to be 'broadcasting,' due to the inherent distinction between the two. On-demand streaming is in the nature of a 'pull' service, i.e., it allows a user to choose when they want to watch a movie, or listen to a song, whereas broadcasting services are in the nature of 'push' services, i.e., a user can only watch/listen when the network decides to air a particular program or song.

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<sup>1</sup> <http://www.pib.nic.in/Pressreleaseshare.aspx?PRID=1573242>

<sup>2</sup> Rule 29, Copyright Rules

<sup>3</sup> Section 31 D (3) of the Copyright Act prescribes that 'the rates of royalty for radio broadcasting shall be different from television broadcasting and the Appellate Board shall fix separate rates for radio broadcasting and television broadcasting.'

<sup>4</sup> [https://dipp.gov.in/sites/default/files/OM\\_CopyrightAct\\_05September2016.pdf](https://dipp.gov.in/sites/default/files/OM_CopyrightAct_05September2016.pdf)

<sup>5</sup> Notice of Motion (L) No. 197 of 2018 IN Commercial Suit IP (L) No. 114 of 2018

<sup>6</sup> Paragraph 67

<sup>7</sup> The right to commercially rent/sell sound recordings was a separate right under Section 14(1)(e)(ii) of the Copyright Act, and was independent from the right to communicate to the public as provided for under Section 14(1)(e)(iii) of the Copyright Act.

<sup>8</sup> For instance, Section 52 (1) (b) and Section 52 (1) (c) of the Copyright Act

<sup>9</sup> Super Cassettes Industries Ltd. V Music Broadcast Pvt. Ltd. 2012 5 SCC 488, Union of India and Ors v Board of Control for Cricket in India & Ors 2018 (73) PTC 31 (SC), State of Madhya Pradesh & Ors v Vishnu Prasad Sharma & Ors. AIR 1966 SC 1593

<sup>10</sup> For instance, Rule 29 (3) provided that separate notices were to be given by a licensee for communication to the public by way of 'radio broadcast' or 'television broadcast'

<sup>11</sup> (2007) 13 SCC 606

<sup>12</sup> It the case of *General Officer Commanding-In-Chief & Anr. V Subhash Chandra Yadav & Anr.* the Supreme Court has held that before a rule can have the effect of a statutory provision, two conditions must be fulfilled, namely, (1) it must conform to the provisions of the statute under which it is framed; and (2) it must also come within the scope and purview of the rule making power of the authority framing the rule. If either of these two conditions is not fulfilled, the rule so framed would be void. In *Laghu Udyog Bharati & Ors v Union of India* AIR 1999 SC 2596, as well, the Supreme Court quashed certain rules in the Service Tax Rules, on account of being ultra vires the Finance Act

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