

# IP Hotline

May 07, 2009

## UNAUTHORIZED 'ORIGINAL' IMPORTED DVDS NOT FOR HIRE

In a recent order passed by the Hon'ble High Court of Delhi ("Court") on April 13, 2009, in *Warner Bros.*

*Entertainment Inc. and Ors. v. Mr. Santosh V.G.*,<sup>1</sup> the Court reaffirmed and reiterated the position of law in respect of infringement of copyright subsisting in cinematographic works and the unauthorized importation of copies of such works.

The Court, inter alia, observed that the right to offer copies of a cinematographic work on rental basis, forms part of the bundle of rights, vesting with the owner of copyright. Therefore, a person intending to offer copies of such work on rental basis ought to procure a proper licence from the owner of copyright in the work.

The Court also considered the issue of the 'exhaustion of rights'<sup>2</sup> and noted that the principle of exhaustion would depend on the facts and circumstances of each case and the legislation in question. Further, the Court considered the provisions relating to parallel importation<sup>3</sup> and observed that there are express enabling provisions under the Patents Act, 1970 and the Trade Marks Act, 1999, however, the position under the Copyright Act, 1957 ("Act") is different and parallel importation is explicitly disallowed under the Act.<sup>4</sup>

## FACTS & THE ORDER OF THE COURT

The Defendant was the proprietor/partner of a concern namely, Cinema Paradiso ("Video Library"), which carried out the business of offering movie titles on rental basis. Amongst others, the Video Library had imported and was offering original DVDs of films, the copyright in which vested with the Plaintiff. Though, some of these films had not been theatrically released in India, they were available in DVD format in the United States. As the films had first been published in the United States; under the International Copyright Order, 1999 read with Section 40 of the Act, the Plaintiff was entitled to the copyright in these films in India.

The Defendant (or the Video Library) had not obtained a licence from the Plaintiff or its affiliates for offering the DVDs on hire. It was the contention of the Defendant that no such authorization could have been procured from the Plaintiff as the Plaintiff did not render licenses for offering copies of its films on rental basis for the territory of India. The Defendant further contended that as all DVDs offered by it were original and had been procured from authorized dealers abroad, such DVDs were not 'infringing copies'<sup>5</sup> and their importation did not constitute infringement.

Further, the Defendant argued that as the Video Library was also into organizing seminars and special screenings for encouraging critical appreciation of foreign films, it added value to the whole concept of film viewing. Thereby, the Defendant contended that the Video Library was serving the societal needs and was abiding by the "*Constitutional imperative that providing entertainment is a part of fundamental right of freedom of speech and expression.*"

In the aforementioned background, the Court, inter alia, considered the issue whether the importation of copies of cinematographic works and offering such copies on rental basis constitutes infringement of copyright in view of the fact that such copies were meant for sale or rental only in a particular territory outside India. The Court noted that though the Defendant may have been importing original DVDs, such DVDs cannot evade the definition of infringing copy which not only includes 'making of copies' but also includes 'importation in contravention of the Act'.

The Court after considering the relevant law and precedents on the subject opined that parallel importation of original copies of a cinematographic work cannot preclude the rights of the owner of copyright as parallel importation itself is expressly disallowed in view of the provisions of the Copyright Act. The Court also considered the provisions of TRIPS and noted that though, Article 11 of TRIPS does not oblige the member countries to enact legislations for regulating rental rights for cinematographic works, the existence of Section 14(d) in the Act makes it clear that the owner of copyright has the exclusive right to offer or give on hire copies of his cinematographic work<sup>6</sup>.

Further, the Court considered that the explicit mention of exhaustion of rights under Section 14(a) (ii) in respect of literary (except computer programmes), musical and dramatic works and the deliberate exclusion of the same in respect of any other class of works and stated that the legislature consciously chose to exclude all other classes of works from the exhaustion principle and thereby "sleight of judicial reasoning cannot extend its application" to cinematographic works.<sup>7</sup>

Thus, the Court ordered for the continuance of the ad-interim order passed earlier in the matter that the Defendant and its affiliates shall not import copies of any cinematographic works, the copyright in which, vests with the Plaintiff.

Further, the Court speaking on the issue of fundamental right of freedom of speech and expression enshrined under Article 19(1)(a), observed that the law of copyright, being a species of property law, purports to strike a balance between the protection accorded to the "expression of idea, in a given form to promote creativity" and the

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fundamental right guaranteed under Article 19(1)(a). Addressing the submissions of the Defendant, the Court noted that there is no public interest in insisting upon that the copies of a cinematographic work are unavailable in India and such unavailability cannot be construed as an encroachment upon the fundamental freedom of speech and expression.

## THE LAW ON IMPORTATION OF COPIES OF CINEMATOGRAPHIC WORKS

As given under Section 51 of the Copyright Act the copyright in a work shall be deemed to have been infringed when any person without an authorization does anything, the exclusive right of doing which vests with the owner of copyright. Under Section 14 of the Act, inter alia, the following exclusive rights have been granted to the owner of copyright subsisting in a cinematograph film:

1. to make a copy of the film;
2. to sell or give on hire, or offer for sale or hire, any copy of the film;
3. to communicate the film to the public.

Section 51(b) further states that when any person without a licence from the owner of copyright:

1. makes for sale or for hire, or sells or lets for hire, or offers for sale or hire; or
2. distributes either for the purposes of trade or to such an extent as to affect prejudicially the owner of the copyright; or
3. by way of trade exhibits in public; or
4. imports into India,

any infringing copies of a work, the same shall constitute infringement of copyright. However, the Act carves out a specific exception for 'one copy' imported for private and domestic use of the person importing such copies.

Thus, Section 51(b) makes it clear that the unauthorized importation of copies of any class of work (including cinematographic works) constitutes infringement of copyright.

Moreover, under Section 53 of the Copyright Act, the Registrar of the Copyrights (on a request being made by the owner of copyright) is empowered to order that copies of a work, made out of India which if made in India, would infringe the copyright in the work, shall not be imported to India and the import of such copies shall be prohibited or restricted under the Customs Act, 1962.<sup>8</sup> This provision makes it clear that parallel importation is not allowed under the law of copyright. Also, under Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 dated May 8, 2007, a right holder to an intellectual property can procure registration with the customs department and intimate the department to suspend clearance of infringing goods at the port. As these rules also cover copyright, the right holder to a cinematographic film can take benefit from these rules to restrict the importation of infringing copies of his film.<sup>9</sup>

Similarly, under the Export and Import Policy ("Policy") 1997-2002,<sup>10</sup> any person importing copies of a cinematograph film in the form of video tapes, compact discs, digital video discs etc. needs to ensure that all applicable Indian laws governing the distribution and exhibition of films, including the requirements under the Cinematograph Act, 1952 ("Cinematograph Act") have been complied with. Under, the Cinematograph Act, it is mandatory to procure a certificate from the Board of Censors for any film which is purported to be publically exhibited in India.<sup>11</sup> Further, the Policy makes it clear that no importation of any unauthorized or infringing copies of a film shall be allowed.

Therefore, in view of the above, for the importation and distribution of copies of a cinematograph film, the following requirements have to be met:

1. Authorization from the owner of copyright in the cinematograph works ought to be procured
2. Certificate from the Board of Censors must have been obtained.

## CONCLUSION & ANALYSIS

In view of the statutory provisions, the adjudication of the Court reaffirms the established principle: parallel import cannot preclude the owner of copyright in a cinematographic work from enforcing his rights against a person who, without authorization, imports and offers for hire copies of his work. The question whether such unauthorized imported copies are original or pirated, bears no relevance to the issue of infringement.

The Court rightly remarked that the specific mention of exhaustion of rights in respect of literary (except computer programmes), musical and dramatic works and the deliberate omission in case of any other class makes it clear that the legislature intended not to apply the exhaustion principle to any other class of works including cinematographic works. Thus, the observation of the Court that 'exhaustion of rights in each case would depend upon the language of the relevant statute', may bear pertinence to all cases where the principle of exhaustion would be in question.

- Uphar Shukla & Gowree Gokhale

1. CS (OS) No. 1682/2006

2. The principle of 'exhaustion of rights' essentially means that once copies of a work have been put into circulation, the owner of copyright has exhausted his rights and such owner cannot exercise any control on further exploitation of such copies.

3. 'Parallel Importation', refers to import of goods which have been procured from authorized sources in another country. Parallel Importation, thereby by-passes the authorized domestic suppliers or licensees in the country of importation.

4. Section 30, sub-clause (3) and 4 of the Trade Marks Act, 1999 and Section 107-A of the Patents Act, 1970.
5. "Infringing Copy" has been defined under the Copyright Act to mean a copy of a film made on any medium by any means, if such copy is made or imported in contravention of the provisions of the Act.
6. Under Article 11 of TRIPS, a member state is obliged to provide for domestic legislation regulating rental rights in respect of computer programmes. However, members are expected from such an obligation in relation to cinematographic works unless in the member state "such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction conferred...on authors..."
7. Section 14(a)(ii.) states that the owner of copyright is entitled to issue copies of the work to the public "not being copies already in circulation".
8. Section 11(2)(n) of the Customs Act, 1962 gives a parallel power to prohibit or restrict the import of goods for the protection of copyright.
9. Nishith Desai Associates had written a hotline on the said Rules on **November 8, 2007**, '**Government issues Circular on border enforcement of IPRs**
10. Public Notice No.64/1997-2002 issued by the Ministry of Commerce and Industry, Department of Commerce on January 29, 2002.
11. Similar provision could be found under Section 52-A of the Copyright Act which mandates that no person shall publish a video film if such a film is required to be certified for exhibition under the Cinematograph Act.

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