

**WARNER BROS. ENTERTAINMENT INC AND OTHERS V. MR. SANTHOSH V
GON 13TH APRIL, 2009**

Malavika Nambiar P*

INTRODUCTION

The case *Warner Bros. v. V.G. Santosh*¹ was decided by Justice Ravindra Bhat of the Delhi High Court, who helped improve the nation's knowledge of intellectual property law through a number of significant judgements. *Bayer Corporation v. Union of India*² is one such decision.

Parallel imports and the principle of global rights exhaustion are at issue in this case. As odd as the name Grey-Market Goods may seem, the meaning is just as intriguing. The term "grey" refers to products that might be real but are sold through illegal trade methods. It's possible that the item was imported from a nation without the required authorization of the nation's owner of the intellectual property even though it was real, lawful, and not a counterfeit.

This type of commercial practice is often referred to as "Parallel Importation". In this practice, a produced good is lawfully sold in one location and then exported to another location, where it is finally sold further until it reaches the customer, without the IP holder's permission for importation and sale in that particular territory.

Journal of Legal Research and Juridical Sciences

According to the principle of exhaustion, a copyright owner's ability to regulate copies of their work "exhausts" from the first sale of those copies made by them or with their permission. The rule forbids the extension of the copyright owner's authority over copies of their work past the point at which they are compensated fairly for the copies.

According to Section 51 (b) (iv) of the Copyright Act, Copyright in a work shall be deemed to be infringed when someone brings any illegal copies of the work into the country. The proviso states that nothing in the subclause shall apply to the import of one copy of any work for the importer's personal and domestic use.

*INTER UNIVERSITY CENTRE FOR IPR STUDIES, CUSAT.

¹ 13th April, 2009

² 15th July, 2014

FACTS

Plaintiffs claimed that Defendant offers DVD rentals. Many of the DVDs that Defendant has so rented out are labelled with the restriction that they cannot be purchased or rented outside of the United States and Canada. Plaintiffs claimed that offering a film for hire or giving it away for free without the owner of the copyright's permission is an act of infringement.

Plaintiffs further asserted that Defendant does not possess any rental permits in his favour and that all such acts of renting constitute violations of copyright under Section 14(d)(ii) read with Section 51 of the Copyright Act, 1957.

As a result, Plaintiffs sued Defendant for a permanent injunction and damages, alleging that the latter violated their copyrights for films by hiring and making illegal copies available for hire in India.

ISSUES

1. Whether the importation into India for giving on hire or rent in India copies of cinematograph films constitute an infringement of copyright under section 51(b) (iv).
2. Whether the exhaustion doctrine covers the usage of copies of Cinematograph films authorized for home viewing only in India in respect of works for which rental licences are not available and have not been issued in India for a rental basis.
3. Whether the restriction on the Defendant to conduct the rental business in India, using a copy of a cinematograph film amount to infringement of the Fundamental Rights, guaranteed under Article 19(1) of the Constitution of India.

ISSUE 1-

Contentions of the Plaintiff-

According to Section 2(m)(ii) of the Act, a copy that is "made or imported in violation of the provisions of this Act" is considered to be "an infringing copy." As a result, infringement includes "importation" as well as the act of "making".

The plaintiffs argue that S.14(d)(i) when read with S.17, according to which author shall be the first owner, and S.2(d), which states that the author of a cinematograph film is the Producer, gives the owner the sole authority to make or permit the making of a copy of a film.

Any copy of a movie that the producer hasn't granted permission to make in India would be "in violation of the terms of "this Act," and is thus a "infringing copy." Importing a copy that violates copyright laws would be a violation of the law.³

According to the plaintiffs, all of their movies were "made" in the USA under their assignment or license. The production of such movies is prohibited in India. They are "infringing copies" when imported into India. The proviso that creates an exemption is a key aspect of Section 51(b)(iv), upon which the plaintiffs depend. It is argued that this exception wouldn't be necessary if there were no restrictions on the import of authentically made cinematograph films from countries other than India.

The proviso that creates an exception, allowing "import of one copy of any work for the private and domestic use of the importer," is specifically cited by the plaintiffs as supporting Section 51(b)(iv). It is argued that this exception wouldn't be necessary if, as Defendant claims, there is no restriction on the import of authentically manufactured cinematograph films outside of India. The plaintiffs contend that a proviso's typical purpose is to exclude something from enactment or to qualify something that was enacted therein but wouldn't have been covered by it if it weren't for the proviso.⁴

The plaintiffs contend that Section 52A(2) prohibits publication of a video film without the necessary censor certificate. In accordance with Section 3, "publication" is defined as "making a work available to the public by issues of copies...to the public." As a result, since the defendant does not have the censor certificate, all films imported and made available to the public by the defendant are in violation of this clause.

Contentions of the Defendant-

The defendant argued that reading Section 2(m) reveals that a copy that is made infringingly can be done so in any format and by any method. Accordingly, a copy that is infringing is one that was made from an original without authorization. As a result, the original CD of a cinematograph film cannot ever be considered an unauthorized copy. According to the Defendant, it doesn't "make" any copies. There can never be "infringing copies" of the original DVDs used by the Defendant.

³ Section 51(b)(iv), Copyright Act, 1957

⁴ *Kedarnath Judge Mfg Co. Ltd. v. Commercial Tax Officer* AIR 1966 SC 12; *Penguin Books Ltd. v. Indian Book Distributors* AIR 1985 Del 29

ISSUE 2 –**Contentions of the Plaintiff -**

According to the plaintiffs, unlike trademarks and patents, a right exists simply upon creation. Patent and design rights require mandatory registration, but trademark rights can be obtained by use or registration. Even on a global scale, the mere creation of the work is necessary for copyright protection. It is argued that Section 40 extends copyright protection to all cinematograph films, whether the author (producer) is a foreign national or the film was initially released abroad.

It is contended that members must give authors and their successors in title the right to permit or prohibit the commercial rental to the public of originals or copies of their copyright work, at the very least for computer programs and cinematographic works.

Contentions of the Defendant -

The defendants argued that the exclusive rights of the owner are limiting in nature when it comes to cinematograph films and sound recordings. Once a copy is in use, the owner has no rights to it, not even in regard to the original literary works. Also, the explanation for section 14 makes this clear. Section 14(d)(i) mentions creating copies of the movie, which is the owner's sole right; once the owner creates copies of the movie and sells them in the market, he has exercised his ownership rights by putting the work on the market. The owner no longer has the authority to place restrictions on the work's further use after the sale has been made.

The defendant argues that because Section 14(d)(i) and (ii) rights have been used by the owner, offering an original rental copy does not infringe on any exclusive rights. The concept of international exhaustion is included in Section 14(d) when read in conjunction with Section 2(m). The defence attorney claims that Section 51(a) applies to infringement when exclusive rights are breached, which is not the situation in this instance because the Owner has exercised the right in question. The defendant is not involved in creating or renting copies that are infringing; section 51(b) only pertains to such copies. India is said to adhere to the first-sale theory and the international exhaustion standards.

Zone 1, Zone 2, and so on are contained on the DVDs, according to the plaintiffs in this case. These zones serve as a reminder that they must be used inside a specific geographic area. The

defence argues that contrary to what the plaintiffs assert, zoning is not a copyright notice but rather a technological convenience. Simply mentioning zone 1 does not, expressly or implicitly, entail that the aforementioned DVD cannot be used or sold in a zone 2 territory. It is not to be taken as a restriction in the negative; rather, it is a handy way of alerting shops and customers about technologies and compatibility.

The import of authentic rental copies is neither, in fact, prohibited by any law in India, nor is it subject to any specific restrictions. Due to the fact that Article 6 of the TRIPS explicitly respects each country's ability to apply the principles of exhaustion as they see fit, the Principle of International Exhaustion must be included in the law due to the lack of such a clear restriction. Copyright is not an exception to India's recognition of the international exhaustion of IPRs as a tenet of public policy.

ISSUE 3 -

Contentions of the Plaintiff -

The plaintiffs say that challenging 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 says that enforcing intellectual property rights does not infringe upon anyone's fundamental rights.

Contentions of the Defendant -

The defendant argues that if copyright claims on films and DVDs purchased by them are upheld, it would impede their right to carry out business, guaranteed under Article 19(1)(g).

They also contended that consequently, in the public interest, the court must adopt an interpretation that would further such fundamental right, not extinguish it.

JUDGMENT

In the present case, the copies that the Defendant is renting or hiring out were not produced in India. Instead, they are American-made and imported into India. Copyright in a work that has been published outside of India, in a Berne Convention country like the United States, permits its owner to assert copyright there; these rights are "as if" the works had been published there.

A copy that was "made or imported in violation of the provisions of this Act" is considered to be infringing.

The proviso to Section 51(b)(iv) has the clear effect of allowing the importation of one copy of any work "for the private and domestic use of the importer" rather than relaxing the importation restrictions on legitimately made cinematographic films. This would imply that the proviso permits the importation of an infringing work for the importer's personal and domestic use only, not for commercial use.

Accordingly, it was held that the importation into India for giving hire or rent in India copies of cinematograph films constitutes an infringement of copyright under section 51(b) (iv).

Exhaustion is decisive in determining the order of ownership and the ability to trade in material carriers, provided that a copy has been introduced into commerce properly. When a carrier with a copy of a work fixed on it is transferred, the owner is no longer able to profit from the use of a copy that was exchanged with his permission.

The distribution right is related to the concept of rights exhaustion. The ability to distribute something refers to the distribution of that something by or with the permission of the owner as a result of ownership transfer. This puts the owner in charge of copy distribution since he chooses when and how copies are made available to the general public.

The court acknowledges the tension between copyright protection and certain rights, such as free speech. However, it emphasizes that copyright law promotes free speech by safeguarding original expression while being limited by various concepts like fair use, idea-expression dichotomy, etc. Copyright law, particularly under Sections 14, 53, and 51, aims to protect original expression while also ensuring that protection does not stifle creativity itself.

If certain films are not available in the country, the defendant can negotiate licenses for their publication or performance in India. In the third issue, the court dismisses the defendant's stating that this argument lacks merit.

CONCLUSION AND ANALYSIS

A single copy of the original work can aid in infringing the copyright of the work as it can lead to the production of a number of copies and thus, defeating the provisions of the Copyright Act of 1957. The court through the decision in the first issue has prevented the infringing of

copyright by holding that the importation of the work into a country where it is not authorized to be sold or hired. However, whether the importation of the original copy amounts to infringement is a question yet to be answered. The proviso includes only the importation of infringing copies and if an original copy is imported, how the law deals with it is not clear.

The exhaustion principle provides that the right of the owner with respect to that particular copy comes to an end with its sale. When it comes to distribution, the rights of the owner again come to an end with the authorisation of the distribution to the concerned firm or organisation. However, the conditions of distribution like the territorial area within which the distribution can take place have to be followed. This is imposed so that the actual owner can make maximum economic benefits from his work, which acts as a motivation and also the requisite amount for his next work.

One of the aims of providing IP rights is to ensure that the owner gets the incentives. The strategies followed by owners to make a profit have to be respected and abided by the distributors. Following such strategies will never amount to the violation of freedom of occupation, guaranteed as a fundamental right under the Constitution of India.

This case, thus discussed in detail the importation of copies and the doctrine of exhaustion. It also dealt with the aspect of whether imposing some restrictions on the distribution business amounts to a fundamental violation. This case is rightly decided and has the potential of becoming a precedent for upcoming issues in these areas.

Journal of Legal Research and Juridical Sciences