

(2011) 05 DEL CK 0503

Delhi High Court

Case No: IA No's. 3258 of 2011 and 4504 of 2011 in CS (OS) No. 490 of 2011

Sholay Media and Entertainment
Pvt. Ltd. and Another

APPELLANT

Vs

Vodafone Esssar Mobile Services
Ltd. and Others

RESPONDENT

Date of Decision: May 9, 2011

Acts Referred:

- Copyright Act, 1957 - Section 18

Citation: (2011) 182 DLT 226 : (2011) 123 DRJ 601 : (2011) 46 PTC 352 : (2011) 8 RCR(Civil) 1240

Hon'ble Judges: V.K. Jain, J

Bench: Single Bench

Advocate: Sudhir Chandra and Jagdish Sagar and Rahul Ajatshatru, for the Appellant; Rajiv Nayyar and Prathiba M. Singh and Sudeep Chatterjee for Defendants 1 and 2 and Sandeep Sethi and Akshay Ringe, for Defendants 3 and 4, for the Respondent

Judgement

V.K. Jain, J.

The film Sholay was produced by Sippy Films, a proprietorship concern of Plaintiff No. 2. Vide Gift Deed dated 14th September, 2000, all rights in the film Sholay were assigned/transferred by Plaintiff No. 2 to Plaintiff No. 1 and it is alleged in the plaint that Plaintiff No. 1 has been exploiting those rights across various verticals such as satellite broadcast, pay television, internet rights etc. Defendant Nos. 1 and 2 are cellular service provider, which are also offering various value added services such as ringtones, true tunes, caller tunes internet radio etc. to their subscribers. Ringtones are digitally created/recorded files that work as incoming alerts, true tones are digital audio files that act as incoming call alert where the subscriber hears the portions of song/music instead of the default ringing sound, caller tubes/ring back tunes are portions of sound-recordings of songs/dialogues, which the subscriber can choose for his caller to hear in lieu of the default ringing sound

whereas mobile radio/Juke Box are services where a subscriber can dial in to listen to songs of his choice or the genre of his choice. Vide deed of assignment dated 7th August, 1978, the predecessor of the Plaintiff granted certain rights in the film Sholay to Polydor of India (now rights acquired by M/s Universal Music India Pvt. Ltd.). The case of the Plaintiff is that the assignment extended only to (i) the right to make records for sale and distribution and (ii) the right to communicate the sound-recordings by way of radio broadcast, and the remaining rights were reserved by the predecessor of the Plaintiffs and they have continued to exploit those remaining rights. This is also their case that rights in respect of value added services for mobile phones neither existed nor were in contemplation of parties at the time of assignment. It is alleged that Defendant Nos. 1 and 2 i.e. Vodafone Essar Mobile Services Ltd. and Vodafone Essar Ltd. have been commercially exploiting the copyright work of the film Sholay on mobile and digital platforms without obtaining any license or permission from Plaintiff No. 1 and are offering value added products in the form of ringtones, true tones, callback/ringback/caller tunes etc. created from the soundtrack of the film Sholay to their subscribers, thereby infringing the copyright which the Plaintiff No. 1 holds in the film Sholay. The Plaintiffs have sought injunction against infringement of their copyright in the film Sholay by the Defendants, by offering the above referred value added services.

I.A. No. 3258/2011 has been filed by them seeking an interim injunction in this regard.

2. On an application filed by Universal Music India Pvt. Ltd. and Phonographic Performance Pvt. Ltd., they were impleaded as Defendant Nos. 3 and 4 in the suit. The suit has been contested by all the four Defendants.

3. The case of Defendant Nos. 3 and 4, however, is that the Plaintiffs have no title to the sound-recording of the film Sholay since it stood assigned to Defendant No. 3 in the year 1978. They have disputed that the rights to them were confined to physical records and radio transmission. It is also alleged that the rights assigned to Defendant No. 3 were exploited by it in terms of the agreement and requisite royalty was also paid to the Plaintiffs. It is further alleged that Defendant No. 3 executed a deed in title to Defendant No. 4 Phonographic Performance Pvt. Ltd., which is a company engaged in the business of carrying on copyright business of its members in sound-recordings and under that authorization Defendant No. 4 has been authorized to administer recording and reproduction rights for ringtones in respect of the music catalogue of Defendant No. 3. Another authorization Agreement is alleged to have been executed by Defendant No. 3 in favour of Defendant No. 4 in respect of broadcast/telecast/public performance/simulcast/webcast, true tones/master tones, ring back tones etc. Defendant No. 4 has been authorized by Defendant No. 3 to grant licenses to make, market and sell true tones/master tone/ring back tone etc, using sound- recording of Defendant No. 3.

4. In their reply to the application of the Plaintiffs for grant of interim injunction, Defendant Nos. 1 and 2 have claimed that vide an agreement dated 15 th September, 2006 with Defendant No. 4 Phonographic Performance Pvt. Ltd., they have been granted all rights for exploitation of sound- recording on mobile cellular service.

5. It would, thus, be seen that the main dispute between the parties is as to whether an absolute right to use the sound track, including songs and music by way of ringtones, true tones, callback/ringback/caller tunes etc (for the sake of convenience is hereinafter referred to as "digital rights") were assigned to Polydor of India vide Assignment Deed dated 7th August, 1978 or the right to use sound track on digital and mobile platform continue to vest in the Plaintiff company.

6. Section 18 of the Copyright Act, 1957, which has not been amended at any point of time, to the extent it is relevant, provides that the owner of the copyright in the work may assign, the copyright to any person, either wholly or partially and either generally or subject to limitations and either for the whole of the copyright or any part thereof. It further provides that where the assignee of a copyright becomes entitled to any rights comprised in any copyright, he becomes the owner of the copyright so assigned and in respect of the rights which are not assigned, the assignor is treated as the owner of the copyright.

7. It would thus be seen that the producer of the film Sholay could have assigned the copyright in the sound- recording of the film either wholly or partially. The rights could have been assigned for a particular duration or for a particular territory. If the producer, while executing Assignment Deed in favour of Polydor of India assigned all its rights in sound-recording of the film Sholay to Polydor, the Defendants would have absolute right to enjoy all rights to the extent they pertain to sound-recording of the film, and that would include use of the sound-recording of the film on digital and/or mobile platform. If on the other hand, the assignment to Polydor of India did not extend to all the rights in the sound-recording and the residual rights were retained by the assigner, the assignee or any one claiming under it would be entitled to exploit only those rights, which were actually assigned. The question as to whether the assignment to Polydor of India extended to all the rights in the sound-recording or extended only to some of them would depend solely on the construction of the terms of the Assignment Deed.

8. The relevant clauses of the Assignment Deed dated 7th August, 1978 read as under:

(c) The Assignor has agreed to assign to the Assignee the rights hereinafter specified for the consideration hereinafter appearing:

NOW THIS DEED WITNESSETH:

1.(a) In this deed wherever the context so admits the words and expression shall have the meaning assigned to them by or under the copyright Act 1957 and the several International Conventions relating to copyrights and rights similar thereto to which the Union of India is a party or a signatory;

(b) Without prejudice to the generality of the foregoing sub-clause the following words and expressions shall also have the meaning set forth against them:

(i) "Work" shall mean Cinematograph Film entitled "Sholay" starring sanjeev Kumar, Dharmendar, Amitabh Bachchan, Hema Malini and others, and directed by Ramesh Sippy, in which copyrights and other similar rights for the time being subsist or are capable of subsisting and of which the Assignor is the owner and/or the Author;

(ii) "Record" shall mean and include disc, tapes, including magnetic tape (whether reel to reel, endless loop in cassette or cartridge form, or otherwise howsoever) or any other device of whatsoever nature in which sounds are embodied so as to be capable of being reproduced therefrom and all such devices as presently known or that may hereafter be developed and known but excluding the sound track associated with a Cinematograph Film.

2. In consideration of a sum of Rs. 10,000/- paid by the Assignee to the Assignor on or before the execution hereof (the receipt of which the Assignor doth hereby admit and acknowledge) and in consideration of the covenant on the part of the Assignee to pay to the Assignor the royalties as hereinafter provided, the Assignor as beneficial owner hereby assigns to the Assignee the copyright in the work throughout the world but limited to the right (i) to make or authorize the making of records embodying the recording in any part of the sound track associated with the work which shall include the right to make records of all the dialogues of the work or any part thereof either by itself or in conjunction with the musical portion of the work or any part thereof (ii) to make any other Record embodying the same recording (iii) to cause the recording embodied in the record to be heard in public and (iv) to communicate the recording embodied in the Record by radio diffusion. Save as aforesaid the Assignor reserves to himself the copyright in the said work.

5. The Assignee shall be the owner of the original plate and any extensions or modifications thereof which are made under the provisions of this agreement.

6. The Assignee shall without prejudice to the generality of the rights that they may be entitled to as assignee of the copyrights and other similar rights as hereinbefore provided shall in particular have the following rights, viz:

(a) Right in any part of the world, to make or cause to be made Records of the work or any part thereof; to distribute and sell such records and expose or offer for sale such Records for performance in public or otherwise, cause such Records to be heard in public;

(b) the right to decide at what price and under what labels the said Records shall be sold;

(c) right to use the name of the Assignor and/or Artistes and/or musicians and/or other personnel and photographs or other likenesses of such artistes, musicians or personnel for all advertising and publicity matter and for Record sleeves and for any other matter connected with the making distribution and sale of the said Records;

(d) the right to assign or grant licence to any person firm or company in any part of the World in respect of the aforesaid rights or any of them upon such terms and conditions as the Assignee shall deem fit.

8. (a) In consideration hereof the Assignee shall pay to the Assignor a royalty at the rate of 10% (ten percent) in respect of each of the Record sold in any part of the world by the Assignee or any other person, firm or company. For the purpose of reckoning the aforesaid percentage the price to be reckoned shall be the net selling price at which records are supplied by the Assignee to the dealers in Bombay, exclusive of all levies of excise and other taxes.

(e) The Assignee shall furnish to the Assignor half yearly statement showing the number of records sold and the royalty which shall have become payable as hereinbefore mentioned during the previous half yearly period. Such statement shall be accompanied by the royalty payable by the Assignee to the Assignor.

(f) It is hereby agreed that a Certificate of the Auditors of the Assignee certifying the royalty due and payable by the Assignee to the Assignor hereunder shall be final and binding upon the parties.

9. After considering the various Clauses contained in the Assignment Deed, in the light of other facts and circumstance of the case, I am of the view that at this stage, it would be difficult to take a final view as regards the extent of the rights assigned to Polydor of India, under the Deed of Assignment dated 7th August 1978, the document being capable of both the interpretations, one that all the rights in the sound-recording, including the rights to exploit the sound-recording through applications, which were neither available nor in contemplation of the parties at the time of execution of the Assignment Deed, were assigned to Polydor and other being that the rights assigned by the producer comprised only the right to make "record", as defined in the agreement, for sale and distribution and the right to make the sound-recording by way of broadcast, and the remaining rights including the right to use the sound-recording through applications which were known at the time of execution of the Assignment Deed continued to remain with the assignor.

10. The following terms of the Assignment Deed, in my view, indicate that the rights to use the sound-recording of the film Sholay on digital and/or mobile platform continued to vest in the assignor:

(a) The assignor, after assigning rights limited to making or authorizing the making of records, to make any other record embodying the same recording, to cause the recording embodied in the record to be heard in public and to communicate the same by radio diffusion, has reserved the residual rights to himself. The learned Counsel for the Defendants contended that the residual rights envisaged in this Clause mean the remaining rights in the film Sholay and not the remaining rights in the sound-recording. This, however, was vehemently contested by the learned Counsel for the Plaintiffs, who contended that the rights to exploit the film in any case were not the subject matter of the assignment and, therefore, the rights reserved under Clause 2 are those rights in the sound-recording, which were not expressly assigned to Polydor of India. If contention accepted by the learned Counsel for the Plaintiffs is accepted, it would be difficult to dispute that some rights in the sound-recording of the film Sholay continued to vest in the assignor even after execution of the Deed of Assignment dated 7th August 1978. If this is so, it would be difficult to dispute the claim of the Plaintiffs in respect of the use of the sound-recording through digital and mobile media since no other residual right in the sound-recording has been pointed out by the Defendants.

(b) The expression "record" has been defined to include disc, tapes or any other device in which sounds are embodied, so as to be capable of being reproduced therefrom and all such devices as were known to the parties at the time of the assignment or which could thereafter be developed or known. The contention of the learned Counsel for the Plaintiffs is that the general expression "any other device" in Clause 1 (b) (ii) of the Assignment Deed has to be read ejusdem generis with the words disc and tapes and if this is done it would mean only a physical device and not a digital device. In support of his contention he has relied upon ejusdem generis rule which applies not only to construction of statutes, but also to construction of contracts and lays down that where several words preceding a general word point to a confined meaning, the general word shall not extend beyond those subjects. In other words, the general words following specific words in a contract need to take their colour from the specific words preceding them, since they are intended only to guard some accidental omission while meaning the specific words and are not intended to extend to the object of a wholly different nature. If this rule is applied, the word "record" would comprise physical device and not a digital device (c) Clause 8(a) of the Assignment Deed provides that for the purpose of reckoning the royalty, the price of the record shall be the net selling price at which the records are supplied by the assignee to the dealers in Bombay, exclusive of all levies and excise and other taxes. This Clause in the Assignment Deed does tend to indicate that the parties, at the time of executing the Assignment Deed, had only physical device in mind since it is physical device such as records, tapes and C Ds which are capable of being supplied to dealers and are liable to levy all excise, etc.

11. The following terms of the Assignment Deed and their possible interpretation, to my mind, indicate that the intention of the parties was to assign all the rights in the

sound-recording of the film Sholay to Polydor of India:

(a) Clause 5 of the Assignment Deed provides that assignee shall be the owner of the original plate and any extensions or modifications thereof made under the agreement. This, according to the learned Counsel for the Defendants, indicates that all the copyrights in the sound-recording were to vest in the assignee, though, it was contested by the learned Counsel for the Plaintiffs, who stated that the plate is meant for the purpose of making copies from it and ownership in the plate would not mean ownership of all the copyrights in the sound-recording.

(b) If, in the context of the scientific age we are in, the word "device" used in Clause 1(b)(ii) of the Assignment Deed is interpreted to include digital device considering that it is only another facet of the physical device and, therefore, should be included in the definition of record as given in the Deed, that would give right to the Defendants to exploit the sound- recording on digital as well as mobile platform.

(c) No specific right was retained by the assignor as far as sound-recording of the film was concerned and, therefore, the exclusive right to exploit the sound-recording of the film in any manner came to be vested in the licensee and, therefore, exploitation by use of scientific and technological device developed after the assignment can be done by the assignee and not by the assigner. It can, if this argument is accepted, be said that the assignment did not restrict the right of the assignee to exploit the right by existing technology but also covered the exploitation by the technology which could be developed in future.

12. The documents filed by the parties show that vide letter dated 21st September 2010 Universal Music India Pvt. Ltd. sent a royalty statement from the period 1st October 2011 to 30th March 2010 to Sippy Films and along with a cheque of Rs. 20,16,535/- towards royalty due, as per the statement. The statement pertains to royalty of physical as well as digital and other media. The Plaintiffs vide their letter dated 17th January 2011 accepted the aforesaid cheque as part payment of royalty dues, but, did not claim that Universal had no rights to exploit the sound-recording through digital media. However, admittedly, royalty in respect of the use of the sound-recording through digital media was not remitted to the Plaintiff company prior to 21st September 2010. Though it can be said against the Plaintiff that it accepted royalty in respect of digital media without any protest, the Defendants have also not explained why the royalty payment was not made within the time stipulated in the Deed of Assignment and why half yearly statement in terms of Clause 8(e) of the Deed was not sent to the Plaintiff. It has also come in evidence that the Plaintiff had earlier permitted Mobile 2 Win to use the sound-recording of the film Sholay through digital/mobile media, which made them available, on the network of Defendants No. 1 and 2 and Others. A perusal of the advertisement of Mobile 2 win dated 15th September 2004 would show that true tones/ringback tones of the film Sholay were available on Hutch predecessor of Vodafone, which shows that the Plaintiff company had exploited these rights through Mobile 2 Win at

that time.

13. Admittedly, sound-recording of the film Sholay is already being used by the Defendants on digital/mobile platforms. The Assignment Deed provides for payment of specified royalty to the assigner. The amount of royalty is 10% of the net selling price, which goes up to 15% if the sale touches 1 million units. As and when the sale reaches 1 million, an additional royalty of 10%, making an aggregate of 20% is payable for every unit sold in excess of 1 million units. If the Plaintiffs assign right to use the sound-recording through digital/mobile media to some other person, they would be entitled only to royalty agreed with the assignee. During the course of arguments, it was informed by the learned Counsel for the Plaintiff that the Plaintiff company has been offered 25% of the sale price as royalty for exploitation of the sound-recording through digital/mobile media. Even the Defendants did not dispute the right of the Plaintiff company to get royalty in terms of the agreement between the Plaintiffs and Polydor of India. In these circumstances, the balance of convenience is in favour of allowing the Defendants to continue to use the sound-recording through digital/mobile media while simultaneously safeguarding the financial interest of the Plaintiff company.

14. It was contended by the learned Counsel for Defendants 3 and 4 that the Plaintiff is guilty of laches as it did not come to Court for more than six months after receipt of letter dated 11th August 2010 from Universal wherein Universal had asserted its right for exploitation of the sound-recording of the film through digital media. A perusal of the documents shows that an e-mail was sent by the Plaintiff company to IN.com on 10th August 2010 stating therein that Universal Music did not have right to stream their music and their right under the agreement of 1978 was to manufacture and sell discs and transmit the sound track over radio stations only. In reply, Universal maintained that they had exclusive right to exploit the work in any manner and their rights include the digital rights.

Since this is a case for infringement of the copyright, a delay of about six months in approaching the Court, in my mind, cannot be said to be so fatal to the Plaintiff as to disentitle it from seeking injunction against the alleged infringement.

15. It was also contended by the learned Counsel for Defendants 3 and 4 that the Plaintiff is guilty of suppression of material facts as it did not implead Universal as a Defendant while filing the suit. In this regard, I find that though Universal was not impleaded as a Defendant, the Plaintiff company had referred to the Deed of Assignment in para 13 of the plaint and it was clearly stated that vide this Deed certain rights were assigned to Polydor of India which now stands acquired by Universal Music India. Some of the salient features of the Assignment Deed were also mentioned in the plaint and a copy of the Deed was filed along with the plaint. In these circumstances, it is difficult to say that the Plaintiff company is guilty of suppression of material facts.

16. The learned Counsel for the Plaintiff has referred to [Raj Video Vision Vs. K. Mohanakrishnan and Another](#), Herber L. Cohen dba Bizzare Music Co. v. Paramount Pictures Corp. 845 F.2d 851, Warber Bros. Pictures v. Columbia Broadcasting Systems Inc. 216 F.2d 945 and International Film Distributors v. Shri Rishi Raj, FAO(OS) No. 81/2002, whereas the learned Counsel for Defendants No. 1 and 2 has referred to [State of A.P. Vs. Nagoti Venkataramana](#), Video Master v. Nishi Production 1998 (18) PTC (Bom) and the learned Counsel for Defendants No. 3 and 4 has referred to [Indian Performing Right Society Ltd. Vs. Eastern Indian Motion Pictures Association and Others](#), [Entertainment Network \(India\) Ltd. Vs. Super Cassette Industries Ltd.](#), , Federation of Hotels and Restaurant Association of India v. Union of India, WP(C) No. 452 of 1999, decided on April 7, 2011, M/s International Film Distributors v. Shri Rishi Raj, FAO (OS) No. 81 of 2002, decided on 23rd October, 2008, Super Cassette Industries Ltd. v. Punit Goenka and Anr. 2009 (40) PTC (Del), M/s Phonographic Performance Ltd. v. Lizard Lounge, RFA(OS) No. 57 of 2008, decided on 03rd November, 2008, AA Associates v. Prem Goel, 94 (2001) DLT 671, Anand Virji Shah v. Ritesh Sidhwani, Suit (L) No. 2993 of 2006, decided by Bombay High Court on 17th October, 2006, Shemaroo Video P. Ltd. v. Movie Tee Vee, Suit No. 1902/2005, decided by Bombay High Court on 06th October, 2005, Maganlal Savani v. Rupam Pictures (P) Ltd. Bombay High Court 2000 PTC 556, [Entertaining Enterprises, Madras and Others Vs. State of Tamil Nadu and Another](#), Dyson Holdings Ltd. v. Fox (1976) 1 QB 503 [Delhi Development Authority Vs. Durga Chand Kaushish, Padma Srinivasan Vs. Premier Insurance Company Limited](#), , [Universal Petrochemicals Ltd. Vs. Rajasthan State Electricity Board](#),

In none of these cases, the terms of the agreement between the parties were identical to the terms of the Assignment Deed in the case before this Court. Hence, they do not apply to the case before this Court, which has to be decided on an interpretation of the terms and conditions contained in the Deed of Assignment dated 7th August 1978.

17. For the reasons given in the preceding paragraphs, it is directed that the Defendants 1 and 2 can continue to use the sound-recording of the film Sholay through digital and mobile media subject to the following conditions:

(a) Defendant No. 3 Universal Music India Pvt. Ltd. will continue to pay royalty to the Plaintiff company in terms of Deed of Assignment dated 7th August 1978 and this payment would also cover royalty for use of the sound-recording through digital/mobile media on the network of Defendant Nos. 1 and 2. The arrears of the royalty will be paid to the Plaintiff within four weeks.

(b) The difference between the royalty paid to the Plaintiff in terms of (a) above and the royalty calculated at the rate of 25% of the receipts of Defendant Nos. 1 and 2 from use of the sound-recording of the film Sholay through digital/mobile media, will be deposited in this Court by way of a demand draft in the name of the Registrar General of this Court. The arrears of difference w.e.f. the date Defendant Nos. 3 and

4 allowed the sound- recordings to be exploited by Defendant Nos. 1 and 2 on digital/mobile platform, till the date of this order will be calculated by the Defendants and deposited within four weeks.

(c) Henceforth, the royalty to the Plaintiffs in terms of the Deed of Assignment will be paid regularly within the time stipulated in the Deed, whereas the amount of difference calculated in terms of this order shall be deposited in this Court on quarterly basis, within one month from the close of each quarter.

(d) Defendant Nos. 3 and 4 shall not allow any other person to use the sound track of the film Sholay, on digital/mobile platform, except on the terms identical to (a) to (c) above.

The IAs stand disposed of.