
(2015) 07 BOM CK 0209

In the Bombay High Court

Case No : Notice of Motion No. 1290 of 2014 in Suit No. 784 of 2014

eXEGESIS Infotech (india) Pvt. Ltd. and Others

APPELLANT

Vs

Medimanage Insurance Broking Pvt. Ltd.

RESPONDENT

Date of Decision : 15-07-2015

Acts Referred:

Copyright Act, 1957 — Section 17, 18

Citation : (2016) 2 BomCR 303 : (2015) 3 MIPR 49 : (2015) 63 PTC 612

Hon'ble Judges : S.C. Gupte, J

Bench : Single Bench

Advocate : Rahul Ajatshatru i/b Anand and Anand, for the Appellant; Rashmin Khandekar, Mahua Roy Choudhari and Nidhi Tandon instructed by Solomon and Co., Advocates for the Respondent

Judgement

S.C. Gupte, J—This Motion seeks an interlocutory injunction in a copyright infringement and breach of confidence action. The copyright and confidence are claimed in respect of software programme architecture or source code in the Plaintiffs' proprietary software.

2. The Plaintiffs claim to have created an indigenous software named "INTRACT" in or around the year 2001. This particular software comprises of twenty five different feature-based software modules dealing with various aspects of database management that could be deployed at a client's end for the purpose of implementing what is known as Enterprise Resource Planning ("ERP"). The Plaintiffs claim copyright in the source code or programme architecture of each of these modules. In or around 2006, the Plaintiffs also finalized proprietary software algorithms for running of all technical operations of the software by the names of "CRATOR" and "SEEQUER". The Plaintiffs claim to be the authors and copyright owners in the source codes of "CRATOR" and "SEEQUER". The Plaintiffs have also registered these latter source codes with the Copyright Office in India. The Copyright Office has issued registration certificates in this behalf (Reg.Nos.SW-3581/2007 and SW-3582/2007) in favour of the Plaintiffs. It is the

Plaintiffs" case that based on these, the Plaintiffs make various customized softwares for their clients. Such softwares include the software algorithms of "CRATOR" and "SEEUER" together with combinations of various modules out of the twenty five modules of INTRACT. The technical part consists of the software algorithms of "CRATOR" and "SEEUER" which run the software or make it operational, whilst the utility part contains the various feature-based modules (i.e. a combination some or all of the twenty five modules of INTRACT). These latter modules are further customized according to the particular needs of the respective clients.

3. It is the Plaintiffs" case that in 2008, the Defendant approached the Plaintiffs for preparation of a web based ERP software for "automation" of the marketing and operations part of their business of insurance broking. After considering the Plaintiffs" proposal, the Defendant commissioned the Plaintiffs for coding of a customized software for use of the Defendant. The Plaintiffs claim to have, as part of this software development, between November 2008 and November 2013, created a unique software for the Defendant integrating fourteen feature-based modules. It is their case that out of these fourteen modules, three modules were specifically developed by the Plaintiffs for the Defendant, whilst the remaining eleven modules were developed and customized using the Plaintiffs" existing Source Code Library. (The customized unique software thus prepared for the Defendant is hereinafter referred to as the "impugned software".) It is further the Plaintiffs" case that after the Defendant started using the impugned software, on the pretext of doing load testing of the software, the Defendant procured from the Plaintiffs the source code, the technical details, software architecture and other details in respect of certain portions of the impugned software. The Plaintiffs claim to have shared with the Defendant the source code of requested portions in good faith, which included the confidential architecture solely designed and developed by the Plaintiffs and used in the impugned software. It is the grievance of the Plaintiffs that the Defendant is now attempting to disclose, share and deal in the source codes so disclosed in confidence without permission or licence from the Plaintiffs in violation of the Plaintiffs" copyright as well as in breach of confidentiality. So also, though the Plaintiffs have not disclosed or delivered the source code of the proprietary software of "CRATOR" or "SEEUER" which is deployed within the impugned software to the Defendant, the Plaintiffs apprehend that the Defendant may obtain the source code or architecture of the software by reverse engineering and then misuse the same. The Plaintiffs have, therefore, approached the Court with a case of copyright infringement. The Plaintiffs also claim to be entitled to protection of confidentiality.

4. Learned Counsel for the Defendant submits at the outset that the Defendant seeks or claims no right to the Plaintiffs" proprietorship software of "CRATOR" or "SEEUER" or its source code. The Defendant has categorically stated so even in its affidavit. Therefore, there is no need to consider any relief in respect of these two softwares or their architecture or source code. In any event, admittedly the

source code of these softwares was not shared by the Plaintiffs with the Defendant.

5. The case really pertains to the impugned software which is customized for the Defendant. In other words, the only question that really falls for the consideration of the Court is whether the Plaintiffs have made out any case of infringement of copyright and/ or breach of confidentiality in respect of the impugned software including its source code. The contention of the Plaintiffs is that they are authors of the impugned software and own copyright in it. Though the Plaintiffs were commissioned and have customized this software for the Defendant at or for a fee, the Plaintiffs would submit, the literary work (forming part of the source code) was not made in the course of the Plaintiffs' employment under any contract of service. Secondly, it is submitted that what the Plaintiffs created for the Defendant was a customized software, and though the Defendant is entitled to this software, the source code for the software does not belong to the Defendant and very much forms part of the Plaintiffs' property. It is claimed that this source code was parted with by the Plaintiffs to the Defendant in circumstances of confidence and the Defendant cannot breach this confidence. On the other hand, the Defendant claims that the software was created in the course of the authors' employment under a contract of service, to which clauses (a) or (b) of Section 17 of the Copyright Act, 1957 ("the Act") do not apply, and in the premises, the Defendant as the employer is the first owner of the copyright in it under clause (c) of Section 17. Secondly, it is submitted that there is, in any event, a contract between the parties that the Defendant would be the owner of the copyright in the impugned software. Thirdly, it is submitted that there is no case made out for breach of confidentiality. The Plaintiffs have neither identified the alleged confidential information or its confidentiality nor have they shown that any such information was actually communicated to the Defendant under any obligation of confidence and was being used by the Defendant unauthorizedly.

6. There are various tests formulated by courts to consider whether there is any "contract of service" between the author and his purported employer (in the course of which the work is created). These include the control test, where the courts consider whether the employer has the right to control not just what the author does, but the manner of his doing it; the organization test, where the focus of the inquiry is whether the author is a part of the organization of the employer or not, when the copyrighted work was done; and a host of other factors such as (a) who is the appointing authority, (b) who is the paymaster, (c) who can dismiss, (d) how long alternative service lasts, (e) the extent of control or supervision, (f) the nature of the job, eg. whether professional or skilled or otherwise, (g) nature of establishment, (h) the right to reject, etc. (See *Zee Entertainment Enterprises Ltd. Vs. Mr. Gajendra Singh and Others*, (2007) 6 ALLMR 532 : (2007) 6 BomCR 700 : (2007) 109 BOMLR 2072 : (2008) 36 PTC 53 No single factor may be determinative and the result may usually be derived from a holistic consideration of all relevant factors. The pleadings of the parties

here do raise a grave controversy on all these issues and, I must admit, the matter involves many difficult aspects, some of which may possibly have to await a trial. The Plaintiffs would submit that in the present case, the Defendant had no control over the manner in which the commissioned work, namely, development of the impugned software, should be accomplished by the Plaintiffs; that the Plaintiffs could not be said to be forming part of the organizational set up of the Defendant; that none of the several factors outlined in (a) to (h) above pointed towards the contract between the parties being a "contract of service". It is submitted that the work performed by the Plaintiffs was skilled and professional and was done under a contract on a principal to principal basis between two independent corporate entities. This seems to be arguable. Yet, at the same time, what the Defendant submits also seems to be equally arguable. It is the Defendant's case that the Plaintiffs were employed on a "work for hire" basis; that the entire work was to be, and in fact, done under the Defendant's control and supervision; that the Defendant was completely involved in the software development work and gave all material inputs for creation of the software. It is submitted that applying the relevant principles of applicable law, the relationship between the parties was nothing but a "contract of service". From the material placed on record, this also seems plausible. On a balance of probabilities, at this prima facie stage, it cannot be said with any certainty that the Plaintiffs have made out a case of copyright ownership, so as to claim an injunction. I am most certainly of the view that this will have to be determined at the trial. I am also of the view that this interlocutory application, in the meantime, can be disposed of on an altogether different point as explained below.

7. Section 17 deals with the aspect of the first vesting of the copyright in a work, i.e. a literary, dramatic, musical or artistic work or a cinematographic film or record. Its provisions are, however, subject to any contract to the contrary. At the outset, Section 17 declares that subject to the provisions of the Act the author of a work is the first owner of the copyright in it. Clauses (a) to (dd) contain the various provisos to this central rule. These deal with individual cases of different types of works created under diverse circumstances. For example, proviso (a) deals with the special case of a literary, dramatic or artistic work made by the author in the course of his employment by the proprietor of a newspaper, magazine or similar periodical under a contract of service or apprenticeship, for the purpose of publication in a newspaper, magazine or similar publication. The ordinary rule stated at the outset does not apply in such a case. Instead the proprietor of such newspaper, magazine, etc. is the owner of the copyright insofar as such copyright relates to the publication of the work in any newspaper, magazine or similar periodical, or to the reproduction of the work for the purpose of such publication, though in all other respects, the author continues to be the first owner of the copyright in the work. This special rule itself is subject to an exception, namely, there being any agreement to the contrary. Proviso (b) is subject to the provisions of clause (a) and deals with the case of a photograph taken, or a painting or portrait drawn, or an engraving or a

cinematograph film made, for valuable consideration at the instance of any person. In such a case, such person, and not the author, is the first owner of the copyright therein. This again is only in the absence of an agreement to the contrary. We are directly concerned here with clause (c), which applies in a case where clauses (a) and (b) do not apply. Under clause (c), if any work is made in the course of the author's employment under a contract of service or apprenticeship, the employer shall, in the absence of any agreement to the contrary, be the first owner of the copyright therein. An "agreement to the contrary" is, thus, a decisive factor, which prevents the application of the special rules in the provisos. Such agreement may be express or implied. Thus, even if the work be created in the course of an undoubted contract of service, the author may reserve the copyright unto himself. Conversely, even if there be no contract of service, the parties are free to agree that the employer may have the copyright. It is important to remember that this "agreement to the contrary" is distinct from "assignment of copyright". Section 17, which provides for such agreement to the contrary, deals with the question of the first ownership of the copyright. Section 18, on the other hand, deals with assignment of copyright by the owner. It provides for another mode of acquiring copyright in a work. The author or the employer, as the case may be, can become either the first owner of the copyright in the work by virtue of an agreement to the contrary under Section 17 or can become an assignee by virtue of an assignment from the first owner under Section 18.

8. The facts of the present case clearly suggest that there is an overwhelming prima facie case of an agreement between the parties that the Defendant shall be the first owner of the copyright in the work, namely, the impugned software. In the first place, the correspondence between the parties since December 2010 clearly suggests that the parties were contemplating a written contract to govern their relationship. By an email dated 7 December 2010, the Defendant sent a copy of the draft agreement to the Plaintiffs. Pursuant to a reminder sent on 4 March 2011, the Plaintiffs confirmed by an email of the same date that they had consulted their lawyers on the draft, who had advised them against executing any backdated agreement, since it would bind them. The Plaintiffs did confirm in this email that they had not installed any copy of the impugned software anywhere else. Later, by an email dated 13 October 2011, the Defendant sent a draft agreement which was said to "document the past" and which was "actual". Clause 3.1 of this agreement acknowledges that "the services being rendered by it (i.e. Plaintiff No. 1) are on a "work for hire" basis" and that all intellectual property rights with respect to such services including the intellectual property in the software "shall vest solely and exclusively with the company" (i.e. the Defendant) and the Plaintiffs "shall have no right, title or interest over the same". Consequential provisions in support of such exclusive right of the Defendant are to be found in the clauses following clause 3.1, namely, clauses 3.2 and 3.3. There is no caveat to this by the Plaintiffs. Thus, though this agreement never came to be executed, it is quite clear that the Defendant had

not only asserted ownership of copyright in the impugned software, but claimed that such ownership was part of the original understanding and that the Plaintiffs did not contest this at any time contemporaneously. Thereafter, a new MOU was forwarded by the Defendant with its email of 4 November 2011. This MOU contained a provision that whilst the Plaintiffs own the rights for background technologies used for development of the software, the Defendant "would own this software and the intellectual property rights (IPR) of this software would be with Medimanager (the Defendant) alone". This MOU was sent back with minor changes by the Plaintiffs, hoping to "sign off today". This draft, though it sought to delete the reference to the ownership of intellectual property rights, acknowledged the ownership of the Defendant of the software and simultaneously provided that in the event of termination of the contract between the parties, the Plaintiffs "should handover the original software source code to Medimanager and cooperate with them for smooth transition of change of vendor". The parties finally signed a Memorandum of Understanding ("MOU") which had, in keeping with the correspondence of the parties outlined above, the following clauses acknowledging the Defendant's ownership of the software:

(5) Medimanager will hold the complete ownership of the software & Exegesis will own the rights for background technologies used for development of this software.

(6) Exegesis promises not to develop any similar software as per the scope mentioned above (& also similar to scope & modules to be agreed mutually in future) for any direct competitors of Medimanager in Insurance Broking & Healthcare field for next 72 months from date of this MOU. However, this agreement can be further extended mutually.

(7) In case, due to any dispute or otherwise, Exegesis wishes to not work with Medimanager for development of software, they could terminate this contract with 3 months notice without assigning any reason. However, they should handover the original software source code to Medimanager & cooperate with them for smooth transition of change of vendor without any undue service disruption, which may cause inconvenience to Medimanager customers & partners. In such circumstances, this MOU would be null & void and both parties will be absolved of conditions stated within this MOU.

The correspondence referred to above, culminating in the execution of the above MOU, clearly makes out a case for complete ownership of the impugned software by the Defendant. Such ownership would obviously include the intellectual property in the software. The Plaintiffs' copyright exists, and is acknowledged, only in respect of the background technologies used for the development of the software.

9. The Plaintiffs have, in their pleadings in the Notice of Motion, sought to wriggle out of this agreement by claiming that the MOU was signed under an assurance by the Defendant that the document would have no legal effect. Such a claim is

not only opposed to the common course of events and conduct between two independent contracting parties operating at arm's length but also flies in the face of the extensive correspondence referred to above.

10. It is also the Plaintiffs' case in support of their claim in confidentiality that, on the pretext of doing load testing of the impugned software, the Defendant procured from the Plaintiffs the source code or software architecture in respect of certain portions of the impugned software. It is submitted that such source code was shared by the Plaintiffs with the Defendant in good faith and in circumstances of confidence; and the Defendant is attempting to disclose, share and deal in such source code or architecture without permission or licence from the Plaintiffs. In the first place, the identity of the source code purportedly disclosed has not been established by the Plaintiffs. The Plaintiffs have relied on correspondence by way of email between the parties dated 24 June 2011, 25 June 2011, 27 June 2011, 28 June 2011 and 1 July 2011, in this behalf. (Para 18 of the plaint read with Exhibit "F"). The first email from this series of mails (email dated 24 June 2011) is from a contractor engaged by the Defendant for load testing, calling for certain details, which does suggest that certain structural details concerning the impugned software were called for by the former from the Defendant for load testing work. This email is followed by the Defendant's email of 25 June 2011 to the Plaintiffs, requisitioning the details required. In reply, the Plaintiffs by their email of 27 June 2011 seem to have suggested some steps to be taken (rather than parting with the structural details called for) for the purpose of accomplishing the task. This email is followed by an email from the Defendant of 27 June 2011, inquiring as to whether the steps suggested by the Plaintiffs would be sufficient for the task on hand. Then follows the email from the third party contractor to the Defendant, again of 27 June 2011, calling for some other details. This request seems to have been forwarded by the Defendant to the Plaintiffs on the same day. The response of the Plaintiffs is by an email addressed to a concerned person, probably suggesting some alternative to achieve the desired load testing. Finally, we have the email of the Plaintiffs of 1 July 2011, forwarding some details regarding certain servers and designs. It cannot possibly be deduced from this correspondence that the source code or software architecture of the entire impugned software was shared by the Plaintiffs with the Defendant. The sharing of the source code or software architecture claimed by the Plaintiffs is a matter of dispute and this dispute does not get resolved by the material produced before the Court. The evidence is inadequate even to draw any prima facie conclusion about the fact of the Plaintiffs having parted with the source code of the impugned software to the Defendant through the above referred to correspondence. The next act of sharing of the source code is said to have been done in February 2013 (para 23 of the plaint). The allegation is that in February 2013, the Defendant requested the Plaintiffs for the source code of the Defendant's website, administration panel of the impugned software and one "DLL File" and the Plaintiffs shared the source code of the "above requested portions" of the impugned software except the

property "DLL File". Even this is disputed by the Defendant. There is nothing to show that this was done. But more importantly, this at best shows that the source code of "some portions" of the impugned software were purportedly divulged to the Defendant (without any proof thereof). There is not even an alleged case that the entire source code of the impugned software was divulged. There is nothing to suggest that any such purported divulgence was in circumstances of confidence. Besides, quite apart from establishing the parting with of the confidential source code, the Plaintiffs have been unable to show how the Defendant is making use of any of the supposed confidential information without the Plaintiffs' authority or licence. The allegation in this behalf seems completely to be a shot in the dark. The Plaintiffs cannot get any injunctive relief on the basis of this material.

11. In *Beyond Dreams Entertainment Pvt. Ltd. Vs. Zee Entertainment Principles Ltd.* Notice of Motion (L) No. 785 of 2015 in Suit (L) No. 251 of 2015 decided on 25 March 2015, this Court outlined the three essential elements of a claim for protection of confidence as follows;

"8. There are three important elements of such a claim for protection of confidence. Firstly, it must be shown that the information itself is of a confidential nature. Secondly, it must be shown that it is communicated or imparted to the defendant under circumstances which cast an obligation of confidence on him. In other words, there is a relationship of confidence between the parties. Thirdly, it must be shown that the information shared is actually used or threatened to be used unauthorizedly by the Defendants, that is to say, without the licence of the Plaintiff. Each of these three basic elements involve their shown peculiarities and sub-elements, which shall be noted presently."

12. None of these three elements is shown to exist in the present case. The information purportedly divulged is neither properly identified nor its confidentiality established. It is not shown to have been communicated to the Defendant under circumstances of confidence. There is no case that the information is actually used or threatened to be used by the Defendant unauthorizedly. There is no case for protection of confidence, in the premises.

13. The Plaintiffs have also tried to suggest that the Defendant may obtain the source code or architecture of the background software deployed in the impugned software by a process of reverse engineering and then use the same. In the first place, such a claim is highly speculative. Secondly, by some work carried out on the software, by whatever engineering process, reverse or otherwise, the Defendant is able to crack the background technology or architecture, then the knowledge so derived would be entirely theirs. No one can possibly prevent them from using such knowledge, much less through a claim of copyright infringement. A copyright claim involves copying of a literary or artistic work and not producing the same work independently of the first work.

14. In that view of the matter, there is no case made out for grant of any

injunctive relief. The Notice of Motion is, accordingly, dismissed by merely recording the Defendant's statement that they have no claim to the Plaintiffs' proprietorship software of "CRATOR" or "SEEQUER" or its source code, which statement is accepted by this Court. There shall be no order as to costs.