
(2009) 07 DEL CK 0096
In the Delhi High Court
Case No : CS (OS) No. 702 of 2004

Microsoft Corporation

APPELLANT

Vs

Mr. I. Sadiq Batcha and Others

RESPONDENT

Date of Decision : 01-07-2009

Acts Referred:

Copyright Act, 1957 — Section 13(1), 14, 17, 2, 20(1)
Delhi High Court Act, 1966 — Section 5(2)

Citation : (2009) 40 PTC 477

Hon'ble Judges : Manmohan Singh, J

Bench : Single Bench

Advocate : Praveen Anand, for the Appellant; Ex-parte, for the Respondent

Final Decision : Allowed

Judgement

Manmohan Singh, J.—The defendants are ex-parte. The plaintiff has filed a suit for permanent injunction restraining the infringement of Copyrights, Registered Trademarks, Passing off, Rendition of Accounts of Profits, delivery up etc. The plaintiff, Microsoft Corporation is the Company organized and existing under the laws of the State of Washington, USA.

2. As per plaint, the plaintiff has been carrying on business in the field of development of computer programs (software) and the manufacture and sale of software, pre-recorded onto tapes, disks, diskettes, cartridges, cassettes with read-only memories such as compact discs, related user manuals and instructional guides. The plaintiff, in addition to the above, is also involved in the development, manufacture and sale of computer hardware, principally the Mouse, Keyboard and Joystick, among other hardware accessories. Documentation, namely reference user, instructional and general utilities manuals and data sheets for computer hardware and software manufactures, producers and users, are also developed, manufactured and sold by the plaintiff.

3. The plaintiff has a subsidiary in India, Microsoft Corporation India Private

Limited, having its office at The Great Eastern Centre, Nehru Place, New Delhi - 110 019, which was set up in the year 1989.

4. The plaintiff averred in the plaint that the products of the plaintiff, namely software and hardware, are sold either as retail or OEM (Original Equipment Manufacturer) products. An OEM dealer is one who has an agreement with the plaintiff to sell its products only when it is accompanied by the sale of a personal computer or are accompanied by components that go towards upgrade of a computer.

5. Apart from computer software, the plaintiff also manufactures a large range of computer peripherals (hardware). The plaintiff has established its reputation for technological expertise in hardware by developing and launching a series of successful devices including the ergonomically designed Mouse and Keyboard for the last more than two decades.

6. The software of the plaintiff is sold either as retail, or as OEM. Besides the difference mentioned therein, there are key features which characterise retail and OEM software. OEM software consists of CD (s) containing the software, a Registration Card, a User Manual containing a licence Agreement a Certificate of Authenticity (CoA) and significantly, a statement on the CD and the accompanying manual which reads "For distribution only with a new PC" manufactured in specified countries.. The aforesaid listed contents are packaged in "shrink-wrap" plastic that is designed to fit snugly around the contents. The trademark MICROSOFT is mentioned clearly and conspicuously on all the contents. Retail software is sold in a glossy box which bears with the plaintiff's trademark MICROSOFT. The box contains a User Manual, a CoA, and End User License Agreement (EULA), a Registration Card, and a Compact Disc (CD) containing the software.

7. The programs are available in different versions and for use on different hardware and software platforms. The core of the plaintiff's activities relate to development of new software and operating systems with a view to simplify the use of computers in the modern world, in conformity with its motto "software for people, not computers". To this end, the plaintiff has developed infer alia the following computer programs that are applied and used in various fields:

- Microsoft Office
- Microsoft Windows
- Microsoft Windows NT
- Microsoft Database and Development Tools
- Microsoft Home
- Microsoft Word and Microsoft Word for Windows
- Microsoft Excel (Spreadsheet program)

A few other popular programs of the plaintiff are:

Microsoft MS-DOS (Disk Operating System)

Microsoft Project (of business project planning system)

Microsoft Power Point (Presentation Program)

Microsoft Mail (Electronic mail program)

Microsoft Multiplan (spreadsheet program)

Microsoft works (integrated program including a word processor, spreadsheet, databases and communications package.)

Microsoft Publisher

Microsoft Desk Top Publishing

Microsoft Outlook

8. It is stated in the Plaint that the plaintiff's computer programs are "works" that have been first published in the USA. These programs have been created by employees or the plaintiff, for the plaintiff. Under the US Copyright Law US Code Title 17, Section 20(1)(b), the copyright in a work created by an employee belongs to the employer under the " Work for Hire" doctrine. The computer programs along with the User Instruction Manuals constitute "computer software" and are "original literary" works as contemplated u/s 2(o) and Section 13(1)(a) of the Copyright Act, 1957. The plaintiff is the owner of the copyright in aforesaid works.

9. As India and the USA are signatories to both the Universal Copyright Convention as well as the Berne Convention, protection is afforded to the plaintiffs works since they are created by authors or member countries and originate from and are first published in the said member countries. This is by virtue of Section 40 of the Copyright Act, 1957 read along with the International Copyright Order, 1991.

10. The plaintiff being the owner of the copyright in the aforesaid literary works within the meaning of the proviso to Section 17 of the Copyright Act, 1957. it is entitled to all the exclusive rights flowing from such ownership as set out in Section 14 of the said Act.

11. The copyright owned by the plaintiff in its software can be broadly divided under two heads: Copyright in the Computer Programs existing mainly in the Object Code and Source Code versions.

12. The reproduction in any material form, including publication, performance, dissemination, translation, adaptation, the use, distribution, sale, offer for sale of any of the above material without the plaintiff's consent, would amount to infringement of the plaintiff's copyright as contemplated u/s 51 of the Act. These

acts of infringement are further divided into two categories namely: a primary act of infringement committed by a person who reproduced the computer programs in a material form or publishes, translates or adapts the said computer program; and a secondary act of infringement which is committed by a person who makes for sale or hire or lets for hire or by way of trade, displays or offers for sale or hire or distributes for the purposes of trade, infringing copies of the computer program.

13. As stated earlier, the plaintiff is the largest computer Software company in the world with rapidly growing sales. The statement in this regard has already produced.

14. The plaintiff invests huge sums of money in developing its products. A statement of expenses incurred on the same has also been produced.

15. In the year 1970, the plaintiff adopted the trademark MICROSOFT in respect of the goods manufactured and sold by it. The word MICROSOFT has also been used by the plaintiff not only as a trademark but also as a prominent key, and leading portion of its corporate name.

16. The trademark MICROSOFT has been continuously and extensively used during the course of trade by the plaintiff since the day of its adoption, so much so, that the said trade mark has come about to be exclusively identified and recognised by the purchasing public as exclusively relating to the goods of the plaintiff.

17. The plaintiff submits that the plaintiff has acquired statutory rights to the exclusive use of the trade marks MICROSOFT & MICROSOFT GW-BASIC by virtue of registrations granted under the provisions of the Trade and Merchandise Marks Act, 1958, the details of which are as under:

Trade Mark T.M.No. Class Date Goods

Microsoft 430449B 9 30.11.84 Computer programs pre- recorded on tapes, disks, diskettes, cartridges etc.,

Microsoft 430450 16 30.11.84 Computer hardware and software manuals, computer documentation etc.,

Microsoft 437500 9 9.5.85 Computer programs pre- GW Basic recorded on tapes, disks, diskettes, cartridges etc.,

Microsoft 437501 [6 9.5.85 Computer hardware and GW Basic software manuals, computer documentation etc.,

18. The abovesaid trade marks are valid and subsisting. Being Part A registrations, and being more than seven years old, they are conclusively valid under the provisions of Trade Marks Act, 1999.

19. The plaintiff is the exclusive right to use the same, upon or in relation to the registered goods, and consequently the use of the word MICROSOFT by any

trader upon or in relation to any computer software, without the consent of the plaintiff, would amount to infringement of the aforesaid trade marks. The use of the word MICROSOFT on inter alia, diskettes, compact disc, labels, cartons etc., would therefore amount to infringement of the plaintiffs registered trade marks.

20. The plaintiff submits that the plaintiff has acquired a substantial reputation and goodwill. The great demand of the plaintiff's products, i.e., Software and Hardware, have has in fact resulted in large- scale piracy and counterfeiting of the same in several countries including India.. Such counterfeit products are available at substantially lower prices than the original products. Computer software is capable of being copied easily. Pirates hardly need to invest any money on either the creation or development of these programs, or on the marketing of the same. The reduced prices lure the customers to purchase these pirated products.

21. The plaintiff has been constantly protecting its copyrights and trademarks, and has, from time to time, prosecuted several infringing parties in India. Investigations have been conducted on behalf of the plaintiff.

22. As per plaint, Defendant No. 3, M/s SSS Systems Pvt. Ltd., located at #164, Peters Road, Opp. New College, Royapettah, Chennai - 600 014 is a company engaged in computer assembling and retailing. Mr. I. Sadiq Batcha, Defendant No. 1 and Mr. Thasthageer, Defendant No. 2 are the Managing Director and the Joint Managing Directors respectively of Defendant No. 3.

23. It is mentioned in the plaint that in July 2001, the plaintiff received information that the Defendants are infringing the plaintiff's copyrights, trademarks and other intellectual property rights by carrying on the business of Hard Disk Loading, i.e., were pre-loading various software of the plaintiff Company on to the computers that were being assembled and sold by them. The said software, was not accompanied by the original Media, being the Compact Disc (s)1 Floppy Disks, Certificate of Authenticity (COA), End User License Agreements (EULAs), User Instruction Manuals, Registration Cards.

24. In order to ascertain if the Defendants were indeed involved in such infringing activity, a representative of the plaintiff was sent to the outlet of the Defendants to place an order for a computer with the Defendant No. 3. Accordingly Mr. Ravi Pawar, the said representative visited the premises of Defendant No. 3, M/s. SSS Systems, No. 164, Peters Road, Opp. New College Royapettah, Chennai-600002 on 11th July 2001.

25. He met Mr. Madan Mohan, Sales person, of Defendant No. 3, and inquired about a Pentium computer. Mr. Ravi was informed that an Intel Pentium III computer system of the required configuration would cost Rs. 32,500/-. Mr. Ravi was issued a quotation having reference No. RY/OI-02/SH/I69 for the said computer. On various visit and enquiry Mr. Ravi observed that many software were installed by the Defendants, which are unlicensed and/or pirated versions of the plaintiff softwares. Details are given in Para 26-32 of the Plaint.

26. It is averred in the plaint that on 13th August 2001, the plaintiff addressed a letter to the defendants informing them that by their actions they have infringed the intellectual property rights that vest in the plaintiff. The defendants through the said letter were called upon for a settlement meeting on 1st August 2001, and were also informed that a failure on their part to attend the said meeting would leave the plaintiff no choice but to resort to suitable legal action to protect its rights. But, the Defendants chose to ignore the said legal meeting and did not come for the said settlement meeting.

27. It is stated by the plaintiff that on a comparison of the software being sold by the defendants, and software originating from the plaintiff, it was found that the software supplied by the defendants was pirated versions of original plaintiff's computer programs. The following were the distinguishing features found:

- . The software supplied by the defendants does not have the accompanying User's Manual and was not shrink wrapped;
- . The software supplied by the defendants does not have Software License Agreements as in the case of the plaintiff's software; and
- . The software supplied by the defendants does not have the order number, which is always present on the software of the plaintiff;

28. As per plaintiff, the above features mentioned led to the conclusion that the software supplied by the defendants are pirated versions and therefore, the defendants have violated the copyright in computer programs of the plaintiff. Hence, the present suit has been filed by the plaintiff.

29. The suit as well as the interim application for injunction was listed before court on 26th November, 2001 when summons were issued to the defendants in the suit and notices were issued in the application and an ex parte ad interim injunction was passed in favour of the plaintiff and against the defendants restraining them from manufacturing, selling, offering for sale unauthorized copies of software and hardware of the plaintiff and the defendants were further restrained from distributing to the public the counterfeit/unlicensed version of the plaintiffs software pre-loaded into the hard disc of the computers in any manner. In terms of Section 5(2) of the Delhi High Court Act as amended by the Delhi High Court(Amendment) Act and interims of office order dated 28th August, 2003 the suit was transferred to the District Court as its valuation was below Rs. 20 lacs. Prior to the transfer, the defendants filed the written statement and denied all the allegations made by the plaintiff against the defendants.

30. By order dated 7th April, 2004 passed by the Additional District Judge, Delhi, the amendment sought by the plaintiff to revalue the pecuniary jurisdiction from Rs. 5,00,100/- to Rs. 20,00,100/- was allowed. Subsequently the suit was transferred to this Court and re- numbered being CS(OS) No. 702/2004. The defendants were given time to file the amended written statement but no

amended written statement was filed, despite the matter was adjourned many times in this regard.

31. The issues were framed on 16th May, 2006 and the plaintiff was given 8 weeks time to produce the evidence by way of affidavits. As no one appeared before the Court on 25.9.2006, the defendants were proceeded ex parte. The ex parte evidence by way of affidavits has been filed by the plaintiff by way of affidavits of Mr. Anand Banerjee alongwith certified copies of the various documents, copy of affidavit of Mr. Ravi Pawar, an employee of EIPR India Ltd who had made the investigation and affidavit of Mr. Sunil John.

32. The plaintiff has also filed the affidavit of Mr. Sanjiv Sharma, Chartered Accountant who has given the approximate average market price of the Microsoft products of which pirated/unlicensed copies were distributed illegally by the defendants. In the evidence, the plaintiff has in fact proved the facts stated in the plaint and has also exhibited the following documents in support of his case.

33. The evidence filed by the plaintiff has gone unrebutted as no cross-examination of the plaintiffs witnesses were carried out, therefore, the statements made by the plaintiff are accepted as correct deposition. Under these facts and circumstances, the plaintiff is entitled for a decree for permanent injunction in terms of Para 46(a) to (d) of the plaint.

34. As regards the relief claimed in Para 46(e) is concerned, the plaintiff has prayed damages to the tune of Rs. 20 lacs to be paid by the defendants on account of passing off their pirated software as that of the plaintiff and conversion damages for copying the plaintiffs program on the hard disk of the computer.

35. On the question of damages, the learned Counsel for the plaintiff has referred various judgments in support of his submission pertaining to the aspect of damages. Some of the decisions which have been referred are as under:

(i) In *General Tire v. Firestone* (1975) 1 WLR 819, it was observed that the general rule is that the measure of the damages is, as far as possible, that sum of money, which will put the injured party in the same position, as he would have been if he had not suffered the wrong. Extent of loss suffered or, the advantage gained by the defendant by his wrongful act at the cost of the plaintiffs

(ii) In *Meters Ltd. v. Metropolitan Gas Meters Ltd.* (1911) 28 RPC 157 (UK), it was held that in the case of an infringement of patent, damages were computed as follows:

(No. of infringing articles) x (the sum that would have had to be paid in order to make the manufacture of that article lawful) - Where the defendants were acutely aware of the implications of their act and committed them willfully and intentionally in flagrant violation of the plaintiff.s copyright and trademark, substantial additional damages are awarded.

(iii) In Microsoft Corporation v. Kamal Vahi and Ors. CS (OS) No. 817 of 2004 it was observed that compensatory damages are awarded based on a calculation of a percentage of revenue that would have been earned if the defendants had not indulged in the infringing activity.

(iv) In Microsoft Corporation Vs. Deepak Raval , it was observed that where the defendants fails to respond and are recklessly indifferent as to whether or not the goods they are selling counterfeit, dishonest intention may be inferred and the defendants can be said not to be honest traders

(v) In Amar Nath Sehgal Vs. Union of India (UOI) and Another, it was observed that compensatory damages may be paid where the acts and commissions of the defendants violate the established rights of the plaintiffs.

(vi) In Microsoft Corporation v. Goodview Electronics Pty Ltd. [2001] FCS 1852 factors to be taken into account in awarding additional damages were laid down:

- Flagrancy of the infringement.
- Any benefit shown to have accrued to the defendant by using of the infringement.

Similar view has been laid down in the case of Microsoft Corporation v. Glostar Pty Ltd. [2003] FSR 210.

(vii) In Microsoft Corporation Vs. Mr. Kiran and Another, it has been held that wilfully, intentionally and flagrantly violating the copyrights and trademark is deliberate and calculated infringement.

36. The plaintiff has also relied upon the decision rendered by this Court in CS(OS) No. 2065/03. The claim of the plaintiff is that the plaintiff is entitled for a sum of Rs. 29,19,600/- as per the affidavit of Mr. Sanjiv Sharma filed by the plaintiff who has given the estimate/approximate average market price of the licensed Microsoft product of which pirated/unlicensed copies were distributed illegally by the defendants by way of hard disk loading on continuous and repeated basis. The said figures of calculation given by the plaintiff is approximate.

37. Keeping in view the infringement committed by the defendant which has gone unrebutted and since the claim is based upon assessment of the plaintiff, I am of the opinion that a sum of Rs. 5 lacs can be reasonably awarded to the plaintiff as compensatory damages and a sum of Rs. 5 lacs as punitive/exemplary damages as well as damages on account of loss of reputation and goodwill of the plaintiff. This prayer made in Para 46(e) is granted to the above extent. The plaintiff is also awarded Rs. 50,000/- as costs of the suit.

38. The decree be drawn accordingly. The suit as well as the pending applications are disposed of accordingly.