

SUPREME COURT OF INDIA

Diyora and Bhanderi Corporation through its partner

Vs.

Sarine Technologies Ltd.

C.A.No.7304-7305 of 2018

(Abhay Manohar Sapre and Uday Umesh Lalit,JJ.,)

30.07.2018

JUDGMENT

Uday Umesh Lalit,J.,

SLP(Civil)No.17685-86 of 2018

1. Leave granted.

2. Commercial Trade Mark Suit No.8 of 2017 was filed by the respondent herein ('plaintiff', for short) in the Court of District Judge, Surat contending inter alia that it had validly subsisting Copyright in Advisor™ software both in Israel as well as in USA; that it had secured registration in USA in the 6th version (or version 6.0) of its Advisor™ software bearing registration No.TX8-252-522; that as per International Copyright Order, 1999 this right also extended to India, being a Member Country under the Berne Copyright Union in like manner as if it was published in India and that the petitioners ('defendants', for short) herein had infringed the copyright of the Plaintiff over Advisor™ software. According to the plaintiff said software, using a three dimensional representation helps in analyzing how best a raw precious stone can be cut and polished so that best quality diamonds and precious stones could finally emerge and thus helps in deriving maximum advantage. The plaintiff prayed inter alia for permanent injunction against the defendants in respect of "Advisor™ software, for which copyright subsists under common law and also version 6.0 whereof, the code for which also includes programming from previous versions, has been registered in the USA copyright No.TX8-252-522". The plaintiff also filed an application for interim injunction (Exh.-5) and prayed for following relief:-

“(i) An order of ex-parte ad interim injunction be passed in favour of the Plaintiff and against the defendants, their affiliates, subsidiaries, related parties, officers, directors, representatives, agents, distributors, assigns, nominees and customers restraining them from directly or indirectly, jointly or severally, using distributing, selling, offering for sale any inclusion scanning services that infringe the Plaintiff's copyright as well as any future machine/device that incorporates the copyrighted software of the

Plaintiff and infringes the copyright of the Plaintiff in its Advisor™ software, for which copyright subsists under common law and also version 6.0 whereof, the code for which also includes programming from previous versions, has been registered in the United States of America as Copyright No.TX8-252-522; And be made absolute till final decision of the suit.”

3. The matter was contested and the trial court by its order dated 22.09.2017 dismissed the application for interim injunction. In an appeal preferred by the plaintiff, the High Court by its order dated 21.12.2017 set aside the order passed by the trial court and remitted the matter back to the trial court for fresh consideration. It was observed by the High Court as under:-

“[6.1] In any case as observed hereinabove whether the source code or the object code of the plaintiff’s software and the defendants’ software are the same or not or the defendants have copied the source code or the object code of the plaintiff’s software or not would go to the root of the matter. The source code or the object code of the plaintiff’s and defendants’ software are required to be compared by calling upon both of them to provide their respective source code and object code which can be sent to any impartial and independent expert for comparison. Therefore, we are of the opinion that without further entering into the merits of the case and /or expressing anything on merits, the matter is required to be remanded to the learned Judge, Commercial Court for deciding the application Exh.5 afresh and after calling upon both, the plaintiff and the defendants to provide their respective source code and object code to the Court so that the same can be sent to any impartial and independent expert for comparison. On the aforesaid ground alone the impugned order passed by the learned Judge, Commercial Court deserves to be quashed and set aside and the matter is required to be remanded to the learned Judge, Commercial Court for deciding the application Exh.5 afresh and after undertaking the exercise as stated hereinabove.

[7.0] In view of the above and for the reasons stated above, present Appeal from Order succeeds. Impugned order passed below Exh.5 application by the learned Judge, Commercial Court, Vadodara in Commercial Trade Mark Suit No.8/2017 is hereby quashed and set aside and the matter is remanded to the learned Judge, Commercial Court, Vadodara for deciding the application Exh.5 afresh in accordance with law and on its own merits, however while deciding the application Exh.5, the learned Judge, Commercial Court to call upon the plaintiff and the defendants to provide their respective source code and object code of their respective software to the Court and the Court may send the same to some impartial and independent expert for comparison with the source code and object code of the plaintiff. The aforesaid exercise shall be completed within a period of 4 weeks from the date of receipt of the present order and/or the receipt of the writ of the present order. Present Appeal from Order is allowed to the aforesaid extent. No costs.”

The aforesaid order was challenged in this Court by the defendants but this Court did not find any ground to interfere and the Special Leave Petition was dismissed on 16.03.2018.

4. While the matter thus stood remitted to the trial court, following orders were passed by the trial court:-

a) On 12.02.2018 a local Commissioner was appointed and both the parties were directed to provide source code and object code of their respective software to the local Commissioner. Paragraph 12 of the order was as under:-

“12. The Court Commissioner is directed to furnish the source and object code of defendants’ software “Work Manager” in sealed cover on 21.02.2018. Plaintiff is also directed to submit the certified copy of the copyrighted software’s source code and object code in sealed cover on 21.02.2018.” The parties were also directed to furnish the names of experts for comparing source code and object code.

b) On 28.02.2018 some directions were passed. One such direction was, “The plaintiff is further directed to furnish on affidavit that whatever source code and object code is registered, the same has been furnished to the Court Commissioner.”

c) On 16.03.2018 the trial court appointed one Mr. Robert “Bob” Zeidman whose name was suggested by the plaintiff as technical expert to compare the software of the plaintiff and defendants and “to report the Court as to whether the source code and object code of the defendants have infringed the copyright of the plaintiff”. The order indicates that names of three Institutions namely Centre for Development of Advanced Computing (C-DAC), Department of Computer Science and Engineering Indian Institute of Technology, Bombay and Department of Computer Science and Engineering Indian Institute of Technology, Madras were suggested by the defendants but were objected by the plaintiff on grounds inter alia that the Advocate for the defendants was associated with these Institutions and there was an apprehension regarding impartiality, independence of those Institutions. This objection was rejected by the trial court saying that merely because one of the Advocates had got educated from these Institutions would not mean that these Institutions could be won over by the defendants. The trial court however found that the profiles of the professors of the Institutions which were attached with the application, did not reveal that they could conduct the task of comparison of source code and object code. The trial court thus found said Mr. Zeidman to be the most competent person to undertake the task of comparing the software of source code and object code of the plaintiff and the defendants.

5. The order dated 16.03.2018 passed by the trial court appointing said Mr. Zeidman as an expert was challenged by the defendants by filing Special Civil application No.4468 of 2018 in the High Court of Gujarat at Ahmedabad. One of the objections raised by the defendants was that if their software were to be shared with third parties, knowingly or unknowingly, the defendants would face tremendous prejudice and hardship. The submission was rejected by the High Court. It also observed that it was open to the trial court to appoint any expert available in India or any other foreign expert and the trial court having found Mr. Zeidman to

be the most appropriate person, such assessment made by the trial court was not erroneous on any count. The High Court thus dismissed said Special Civil Application by its order dated 01.05.2018.

6. After the disposal of the matter by the High Court on 01.05.2018, an application was preferred by the defendants and one of the prayers was:-

“(d) Direction be issued to compare the source code and object code of the defendants’ software with the certified copy of the Registered Advisor Software 6.0 only, in consonance with the order of this Hon’ble Court dated 12.02.2018.”

It was contended that the plaintiff had submitted additional material to be compared by the expert and that the matter be confined to source code of software Advisor 6.0. This matter was dealt with by the trial court by passing following direction in its order dated 04.05.2018:-

“Having considered the submissions, in these circumstances, it is made clear that the expert shall compare registered object code and source code of the software of the plaintiff with the defendants’ software. The other material/additional material (which is not in accordance to the orders of the court) produced by the plaintiff in the sealed cover need not to be considered by the expert. It is made clear that this Court has passed the order for comparison of the source code and object code in respect of registered version of the plaintiff. The orders dated 12.02.2018 and 28.02.2018 passed by this court and order dated 21.10.2017 of the Hon’ble High Court be complied with in letter and spirit. It is again made clear by the court that at the time of deciding the logistic for comparison of source and object code, the Court will decide that what material is required to be sent for comparison in compliance of the orders. Further, keeping in view the confidentiality of source code, the certified copy of the software advisor 6.0 be kept in sealed cover. The separate order for safe custody of the software will be passed today.”

7. On 07.05.2018, an email was addressed by the counsel for the defendants to said Mr. Zeidman asking him whether he was willing to visit India or the software be sent to him to undertake the task of comparing the software and further as to what would be his professional fees and other miscellaneous costs. Various emails have been placed on record to show that the defendants were in touch with said Mr. Zeidman regarding his visit and engagement as an expert to undertake the task.

8. On 01.06.2018 while considering the application filed by the plaintiff regarding logistics how the expert would carry out the exercise of comparison, it was observed by the trial court:-

“However, the outcome of the aforesaid remains that the expert may compare the source code and object code of the defendants with that of the plaintiffs source code

and object in the Advisor™ software (all previous and existing) whether registered or otherwise.”

9. The aforesaid order dated 01.06.2018 was challenged by the defendants in the High Court by preferring Special Civil Application No. 9010 of 2018. The defendants also challenged the validity of the provisions of Section 8 of the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015. The basic submission of the defendants was that the scope of the matter which was clearly restricted to comparison of source code and object code in respect of registered version of the plaintiff as against the source code and object code of the software of the defendants vide order dated 04.05.2018, was sought to be expanded by the order dated 01.06.2018. As against the source code and object code in respect of registered version of the plaintiff, the comparison could now be with all previous and existing software whether registered or otherwise. The objection was rejected by the High Court on the ground that while exercising power under Article 227 of the Constitution, the High Court could not act as a Court of Appeal. Since no submissions were advanced regarding validity of the provisions of aforesaid Section 8, the High Court felt it unnecessary to go into the validity of said provision.

10. These orders dated 01.05.2018 and 04.07.2018 passed by the High Court have now been called in question by the defendants by filing aforementioned Special Leave Petition Nos.17685-17686 of 2018 which were filed on 10th July, 2018. The matter came up before this Court on 16.07.2018. The learned Senior Counsel who appeared on caveat at that stage submitted that the expert in question Mr. Zeidman had already arrived to conduct the comparison and that the plaintiff would be put to great prejudice if the work of comparison were to be suspended pending consideration by this Court. This Court, therefore, passed following order on 16.07.2018:

“Issue notice.

Let counter affidavit be filed by the respondent within two days. Rejoinder affidavit be filed within three days thereafter. In the meantime, status quo as of today shall be maintained by the parties in relation to the subject matter of the case. We also direct that the entire expenditure of to and fro passage of the expert shall initially be borne by the respondent in the present matter and in case we dismiss the matter, then the petitioners shall reimburse the expenses entirety for being paid to the respondent.

List these matters on 24th July, 2018”

11. The parties having exchanged pleadings the matter was immediately taken up for hearing. Mr. Mukul Rohatgi, learned Senior Advocate appearing for the defendants submitted inter alia:

(a) The apprehension expressed regarding impartiality and independence of institutions of repute suggested by the defendants was completely uncalled for. The profile of the concerned professors indicated tremendous experience of the gentlemen in question in matters of decoding software and appropriate comparison;

(b) In matters such as this, an expert should not normally be taken from outside the country inasmuch as various confidential materials and data would have to be shared with such expert to enable him to conduct the exercise of comparison. If at a later point in time such material and data is found to be in possession of any third parties, it would be impossible to hold such a foreign expert responsible and the processes of the courts of the country would not be able to reach such an expert and grant appropriate relief.

(c) The matter as regards the scope of comparison having been concluded by directions issued by the trial court on 4.05.2018 there was no occasion for the trial court to expand the scope vide order dated 1.06.2018.

12. Mr. Gopal Jain, learned Senior Advocate who appeared for the plaintiff, in reply submitted:

(a) The record indicated that the appointment and engagement of Mr. Zeidman as an expert to undertake the task of comparison was accepted and acquiesced in by the defendants. Various emails emanating from the defendants were pressed into service in support of this submission.

(b) In any case, the process undertaken by the expert for comparison was such that a separate laptop was to be used to make the appropriate comparison. Such laptop would be without any internet connection and would always be in the custody of the local commissioner. After the day's work regarding comparison, the entire material would be erased. These precautionary steps would ensure that the data submitted by either of the parties would not be compromised in any situation.

(c) The scope of the matter was rightly extended inasmuch as the complaint of the plaintiff was not only based on registered copyright but also under common law and as such it was the specific case of the plaintiff that the earlier or antecedent versions of version 6.0 were also required to be compared in order to place complete picture before the Court.

13. We have gone through the entire record and considered the rival submissions. In our view, two issues arise for consideration:

(I) The propriety and correctness of the order appointing said Mr. Zeidman as an expert in the matter; and

(II) Whether the scope of the comparison ought to be restricted to version 6.0 in respect of which the plaintiff has registered copyright.

14. As regards the first submission, we certainly do not approve the nature of objection which was raised by the plaintiff when names of three reputed institutions were suggested by the defendants. These institutions are of great repute and standing and merely because one of

the Advocates had studied in those institutions was no ground to have any apprehension about impartiality and integrity of those institutions. Secondly the professors whose names were suggested are also individuals of great standing and repute. They are experts in their field, specially in computer software and decoding of software. If the idea was only to compare the software, we see no reason how those experts could in any way be said to be lacking in requisite experience in that behalf. This is not to suggest that Mr. Zeidman does not have the requisite experience. The point is that the other professors were not lacking in any way in terms of experience and standing. Be that as it may since Mr. Zeidman was appointed, the correspondence and emails on record suggest that such appointment was accepted by the defendants. The defendants were in touch with said Mr. Zeidman to ensure how best the exercise of comparison could be undertaken. The correspondence and emails suggest that the appointment and engagement of said Mr. Zeidman was not only accepted but the defendants had clearly acquiesced in such arrangement. Mr. Gopal Jain, learned Senior Advocate is, therefore, right in his submission that at this length of time, there would be no reason to upset the arrangement. We, therefore, reject the submission of Mr. Rohtagi, learned Senior Advocate and affirm the appointment of Mr. Zeidman as an expert. The safety arrangements which have been put in place, as indicated by Mr. Jain, learned Senior Advocate do ensure safety and security of the data that may be exchanged by the parties in order to facilitate the task of comparison. The objection raised by Mr. Rohatgi, learned Senior Advocate as regards security of the data therefore needs to be rejected. At this stage, a clarification is necessary. The task entrusted to the expert is to compare the respective softwares and make an appropriate report. Whether that amounts to infringement or not is for the Courts to decide.

15. As regards the second issue, the case that was projected by the plaintiff was undoubtedly based on the right emanating from registered copyright and also under the rights in common law. But at the interim stage, it was not the content and extent of the right under common law which was gone into to consider whether prima facie case was established by the plaintiff. The matter went on the aspect of registered copy right and rights emanating thereunder. The trial court, therefore, was justified in restricting comparison of the source code and object code in respect of the registered version of the plaintiff vide its order dated 4.05.2018. That order was never challenged by the plaintiff. Having accepted that order, there was no occasion or reason for the plaintiff to seek expansion of the scope. The trial court was in error in expanding the scope of the order by its order dated 1.06.2018. We therefore, accept the submission of Mr. Rohatgi, learned Senior Advocate on this issue and direct that the comparison shall be restricted to source code to object code in respect of registered version of the plaintiff.

16. We now come to the last aspect which was dealt with in the order of this Court on 16.07.2018. In terms of said order which was passed at the instance of the defendants, the entire expenditure of to and fro passage of the expert would be reimbursed by the defendants to the plaintiff in case the challenge were to fail. However, out of two issues which arose for our consideration, we have accepted the submission of the defendants as regards second issue. We, therefore, direct the plaintiff to indicate the sum that it had expended for to and fro

passage of the expert within 3 days from the date of this Judgment and one half of that amount shall be made over by the defendants to the plaintiff within 7 days thereafter.

17. We make it clear that we have not gone into the factual controversy in the matter and merits of the case shall be gone into uninfluenced by any observations in this Judgment or in the Judgments under appeal.

18. With these observations present appeals stand disposed of. No costs, apart from what has been indicated in the preceding paragraph.