

IN THE SUPREME COURT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF
SRI LANKA

1. Mudali Peruge Manel Rupa
Ranjani Kulatunga,
No.50, Dambagola Road,
Galewela.
2. Gamini Dharmabandu
Sudasinghe,
No.458/2, Kumarawatta
Mawatha,
New Town, Mulleriyawa.

PLAINTIFFS

SC (CHC) APPEAL NO.05/2013

HC (CIVIL)NO.06/2008/IP

VS.

1. Printcare Group
No.77, Nungamugoda Road,
Kelaniya.
2. Printcare Packaging (Pvt)
Ltd,
No.21, Pushmarama
Mawatha,
Pahala Biyanwila,
Kadawatha.
3. Niranjan Aluvihare,
Publisher,
Printcare Packaging (Pvt)
Ltd,
No.21, Pushmarama
Mawatha,
Pahala Biyanwila,
Kadawatha.

DEFENDANTS

AND NOW BETWEEN

1. Printcare Group
No.77, Nungamugoda Road,
Kelaniya.
2. Printcare Packaging (Pvt)
Ltd,
No.21, Pushmarama
Mawatha,
Pahala Biyanwila,
Kadawatha.
3. Niranjan Aluvihare,
Publisher,
Printcare Packaging (Pvt)
Ltd,
No.21, Pushmarama
Mawatha,
Pahala Biyanwila,
Kadawatha.

DEFENDANTS-

APPELLANTS

VS.

1. Mudali Peruge Manel Rupa
Ranjani Kulatunga,
No.50, Dambagola Road,
Galewela.
2. Gamini Dharmabandu
Sudasinghe,
No.458/2, Kumarawatta
Mawatha,
New Town, Mulleriyawa.

PLAINTIFFS-
RESPONDENTS

Before : Vijith. K. Malalgoda, PC, J.
E. A. G. R. Amarasekara, J.
Yasantha Kodagoda PC, J.

Counsel : Thishya Weragoda with Ms. Sewwandi Marambe instructed by
D.L. & F de Seram for the Defendant-Appellants.
Dr. S.F.A. Coorey with Ms.Sudarshani Coorey for the Plaintiff-Respondents.

Argued On : 01.07.2020

Decided On : 17.07.2024

E.A.G.R. Amarasekara J.

The Plaintiff-Respondents (hereinafter sometimes referred to as the Plaintiffs) by Plaintiff dated 18.02.2008 filed in the Commercial High Court, alleged that the Appellants have failed to pay royalties for the year 2008 under an agreement for class textbooks titled " පළමු පොත් සඳහා ගිවිසුම ", marked as 'Pe1' in the Plaintiff and at the trial.

The Plaintiffs in their Plaintiff had pleaded;

- a. That the 3rd Appellant as the employee or the agent of the 1st Appellant and/or the 2nd Appellant Company had entered into the aforesaid contract marked 'Pe1' dated 25.10.2006 in relation to the printing of the Health and Physical Science class text book of Grade 6 in Sinhala and Tamil of which book the Plaintiffs were the joint authors.
- b. That in terms of the clause 8 of the agreement, the Royalties due to Authors were to be calculated as 15% of the amount that was to be paid by the Educational Publications Department to the Defendant Appellant Company, whereas the said amount, that was to be paid by the Educational Publications Department to the Defendant Appellant Company, was computed by multiplying the price of a book into the number of books printed.
- c. That each Plaintiff was entitled to the payment of 50% of the money so provided as royalties by the Educational Publications Department.

- d. That the royalties due to the Plaintiffs for the year 2007 were paid by the Defendant Appellant Company amounting to Rs.1,509,450/- and that such sum was equally distributed between the two Plaintiffs, as Rs. 754,725/- each.
- e. That in terms of Clause 10 of the said Agreement marked 'Pe1', when Health and Physical Science class text book of Grade 6 is reprinted, each Plaintiff has to be paid royalties in equal amounts as royalties, total of which is equal to 15% of the income received by the Printer. The said royalties were always to be calculated as 15% of the amount provided by the Educational Publications Department which in turn was calculated by multiplying the number of books printed by the price of a book.
- f. That the Health and Physical Science class text books of Grade 6 were reprinted for the year 2008 by the Defendant Appellants, in the amounts of 360,000 Sinhala copies and 138,000 Tamil copies, and that 15% of the amount paid to the Defendants Appellants by the Educational Publications Department for such re-print should be paid to the Plaintiffs as authors' royalties, according to the said Agreement marked 'Pe1' but the Defendant Appellants failed to pay the royalties and they are also in violation of section 14 of the Intellectual Property Act No.36 of 2003.
- g. That the Plaintiffs sent Letters of Demand dated 30.10.2007 in this regard to the Defendant Appellants and that the Defendant Appellants are liable to pay the royalties for the year 2008 which amounts to Rs. 2,071,520/=.

The Defendant Appellants in their answers *inter alia* took up the position;

- That the Plaintiffs' action is misconceived in Law,
- That the Plaintiffs' action does not conform to the mandatory provisions of the Civil Procedure Code: especially to the mandatory provisions of section 40 and 46,
- That no cause of action has been revealed against the Defendants,
- That there is a misjoinder of Defendants as well as a misjoinder of causes of action,
- That the Plaintiffs are fraudulently seeking to obtain money from the Defendants by fraudulently and / or illegally misinterpreting the provisions of the agreement marked 'Pe1',
- That in terms of the said agreement, the Defendants are not obliged to pay any sum of money to the Plaintiffs with regard to any printing work done for the year 2008,
- That pursuant to the said agreement, the Plaintiffs have no right whatsoever under the Intellectual Property Act and /or all such rights have been assigned to the State by the Plaintiffs via the 2nd Defendant,

- That the full and final payment has been made for the services rendered by the Plaintiffs and the Plaintiffs have accepted such payments,
- That in terms of the Intellectual Property Act reading with the provisions of the said agreement, the Defendants have no obligation whatsoever to make such payments as prayed by the Plaintiffs.

Even though it is averred in the answer that the Plaintiff is contrary to section 40 and 46 of the Civil Procedure Code, other than the statements to the effect that no cause of action has been revealed in the Plaintiff and there are misjoinders of causes of action and parties, no other specific error has been revealed in the answer. Further, it can be noted that statements to say that there is no cause of action revealed in the Plaintiff and there is misjoinder of causes of actions in the Plaintiff itself is contradictory.

It appears that the following were among the admissions between the parties;

- The Jurisdiction of the Court,
- The agreement marked 'Pe1',
- That the Royalties were paid to the Plaintiffs for the year 2007 in terms of the agreement,
- That the relevant text books for the year 2008 were printed for the Educational Publications Department.

The learned Judge of the Commercial High Court of the Western Province Holden in Colombo by his Judgment dated 11.06.2012 decided in favour of the Plaintiffs. Being aggrieved by the said judgment, the Appellants have preferred this appeal to this Court.

Copyright is a type of Intellectual Property that protects the original works of authorship with the creation of the work in a tangible form of expression. Copyright consists of economic rights and moral rights- vide sections 9 and 10 of the Intellectual Property Act No.36 of 2003 (hereinafter referred to as the Act). The economic rights contain a bundle of rights that can be used for monetary gains, which, among other things, includes reproduction, translation, adaptation and the public distribution of the original and each copy of the work by sale, rental export or otherwise.

In terms of section 14 of the Act, generally, the Author who created the work is the original owner of the economic rights- vide section 14(1). If it is a joint authorship, like in the matter in issue, the co-authors shall be the original owners of the economic rights- vide section 14(2).

In a collective work who initiated and directed the creation of the work shall be the original owner of the work- vide section 14(3). However, with regard to the matter at hand, no stance has been taken that it was a collective work and had been initiated and directed by the Defendants or the Educational Publications Department. In terms of section 14(4), if the work is created by an employee while in the course of his employment or if the work is created pursuant to a commission, unless provided otherwise by a contract, the original owner of the economic rights shall be the employer or the person who commissioned the work shall be the owner of the economic rights as the case may be.

Whether the Plaintiffs as the joint authors conveyed their economic rights fully or subject to any condition has to be decided as per the agreement marked 'Pe1' during the trial, as it is the only agreement between the parties to the litigation which decides the obligations between the Plaintiffs and the Defendants. Even if, one can argue that it is a work commissioned by the Defendants to the Plaintiffs in accordance with the agreement the Defendants had with the Educational Publications Department, 'Pe1' becomes the contract in the background which decides the extent of economic rights that was conveyed to the Defendants or the obligations if any on the part of the Defendants with regard to the economic rights relating to the relevant work.

As per the facts pertinent to the case at hand, after a bidding process the Defendants were selected for the printing and supplying of the Health and Physical Science class text book of Grade 6 in Sinhala and Tamil of which book the Plaintiffs were the joint authors for the year 2007. Relevant Text book bidding document had been marked as 'Pe5' at the trial. However, the Plaintiffs were not parties to the bidding process or any agreement based on that. 'Pe5' contains conditions that may be relevant to the contract between the Defendants and the Educational Publications Department. Thus, the Plaintiffs are not bound by any term or condition contained in the said document marked 'Pe5'. However, the learned High Court Judge correctly observed certain conditions that the Defendants should have been aware and vigilant with regard to and while entering into contracts with the Authors in relation to the supplying and printing of the relevant text books. They are mentioned below;

- That the supplier is wholly responsible for ensuring that the publishing rights in the titles are assigned to it by an agreement with the author(s), and for the remuneration of the author(s) by means of royalties, fees or both. The rate of any royalties to be paid to author(s) and the timing of payment of these royalties are to be agreed between the supplier and the authors- vide page 26 of 'Pe5' marked 'Pe5a',
- That the cost of all royalties must be included in the bid price- vide page 16 of 'Pe5',
- That the supplier shall have re-supply rights for two years. In that period, corrections and charges to the goods may be required- vide page 28 of 'Pe5',
- That, at the second and third reprints, if the supplier declines to carry out the reprint ordered, the purchaser will make alternative arrangements to get the books printed by

a qualified publisher by calling fresh quotations and following the accepted tender procedure- vide page 29 of 'Pe5'.

Further to the above, this Court also observes what is mentioned below under general conditions of the contract;

- That it is the Responsibility of the bidder to obtain permission to reproduce the copyrighted materials. The necessary fees for permission to use the copyrighted materials in the territories where the textbooks are to be used is deemed to be included in the Total Bid Price.
- That the supplier shall indemnify the purchaser against all third-party claims for infringement of copyright arising from the use of the goods or any part of thereof in the purchaser's country.

While the terms 'supplier' and 'bidder' mentioned above refers to the Defendants in the context of the instant case, the term 'purchaser' refers to the Commissioner General of Educational Publications on behalf of the Educational Publications Department.

The above will not bind the Plaintiffs as they were not party to the bidding or any contract entered between the Defendants and the Educational Publications Department. However, the above shows that it was the responsibility of the Defendants when they entered into a contract with the Plaintiffs to make suitable arrangements with regard to the payment of fees and royalties and the timing of such payments and not to burden the Educational Publications Department in that regard except including the cost in the Total Bid Price. When looking at the bidding documents, one can understand that the Educational Publications Department expected the Defendants to obtain economic rights from the relevant authors and then convey it to the Educational Publications Department. If there is any failure on the part of the Defendants in bargaining and entering into the contract with the Educational Publications Department with regard to the payments to the Plaintiffs, it is the fault of the Defendants and as there is no agreement between the Plaintiffs and the Educational Publications Department, Plaintiffs cannot be blamed for it. In the same way, if the Defendants in entering into a contract with the Plaintiffs or tendering the Total Bid Price to the Educational Publications Department did not observe the above conditions imposed on them by 'Pe5', it is the fault of the Defendants and not of the Plaintiffs. The Defendant Appellants who entered into the agreement marked 'Pe1' is obliged to honour the terms contained in the said agreement.

In the above backdrop, it is necessary to look into the relevant contract marked 'Pe1' between the Plaintiffs and the Defendant Appellants which was signed by the 3rd Defendant Appellant representing an institute named Printcare Packaging. The letter head on which the 'Pe1' was printed shows that it was the letter head of the 2nd Defendant Appellant which was a 'Printcare Company' indicating that the 2nd Defendant Appellant belonged to the 1st Defendant Appellant,

and the documents marked V7(iii) and V7(iv) and marking ‘Pe3a’ on the impugned infringing publication ‘Pe3’ also indicate the 2nd Defendant Appellant’s involvement in this transaction between the Defendants and the Plaintiffs. It must also be noted that the 1st Defendant filed its answer along with the 2nd Defendant and has not clearly stated that it had no involvement in the agreement marked ‘Pe1’ with the Plaintiffs where the Plaintiffs had stated in their Plaint that the 3rd Defendant entered into the said agreement as an employee or agent of the 1st and/or 2nd Defendant Companies. Thus, I do not see any material sufficient to say that there is a misjoinder of parties.

It is pertinent to observe with regard to the agreement marked ‘Pe1’ that the Plaintiffs had agreed to convey the complete rights to the institution named Printcare Packaging subject to the conditions mentioned in the said agreement. That agreement contains the Plaintiffs’ consent given to transfer those rights to the Government and to publish the work which is the subject matter of the said agreement. Relevant part of the agreement is quoted below;

“ ප්‍රකාශකගේ වියදමින් දෙමල / ඉන්ග්‍රීසි බසට හෝ මෙකී භාෂා දෙකටම පරිවර්තනය කරනු ලැබූ ඉහත හඳුන්වා දුන් කෘතිය සම්බන්දයෙන් ප්‍රකාශක වෙත පහත සඳහන් කොන්දේසිවලට අනුව කිසිදු වෙනස්කිරීමකට යටත් නොවන සම්පූර්ණවූ අයිතිය රජයට පවරනු ලැබීමට හා ප්‍රකාශනයට පත් කිරීමට ප්‍රින්ට්කෙයාර් පැකේජින් ආයතනයට පැවරීමටත් මින් එකඟ වනු ලබයි .” (Highlighted by me).

This ‘Pe1’ is not an agreement between the Government and the Plaintiffs but an agreement between the Defendants and the Plaintiffs. In terms of the Intellectual Property Act, any transfer, any assignment or licence relating to economic rights has to be in writing, signed by the transferor and the transferee, assignor and the assignee or licensor and the licensee as the case may be- vide section 16(2) of the Act. Even though there is a clear transfer of rights to the Defendants subject to certain conditions according to the above quoted paragraph, no document made after entering into ‘Pe1’ that confers such rights to the Government directly by the Plaintiffs or by the Defendants as per the consent for such purpose included in the above quoted paragraph has been marked in evidence. It must be noted no one has placed his signature on ‘Pe1’ on behalf of the Government. Thus, there is no acceptable proof of transfer of rights to the Government as per the consent expressed in the quoted paragraph above. Mere laymen’s view expressed while giving evidence that may suggest that the economic rights are with the Government will not prove such rights are now vested with the Government when such transfer has to be done in writing in terms of section 16(2). Things contained in a document has to be proved by tendering the document. On the other hand, even if it is assumed that the Defendants transferred such rights to the Government in writing after acquiring such rights through ‘Pe1’ or that the rights so acquired by the Defendants were transferred to the Government due to the effect of the agreement the Defendant had with the Government after accepting their bid in terms of the bid documents marked ‘Pe5’, the Government cannot have a better ownership of economic rights than what the Defendants obtained through ‘Pe1’. The conditions in ‘Pe1’ indicates what was conveyed to the Defendants was not an absolute transfer of economic rights but a transfer of economic rights subject to certain conditions.

The conditions contained in 'Pe1' clearly indicate that the Defendants are bound to pay what the parties termed as royalties whenever the relevant work is reprinted in terms of the condition No.10 of the agreement marked 'Pe1'. It is the responsibility of the Defendants to take necessary steps to claim or obtain necessary payments from the Educational Publications Department as per any agreement they had with the Government. As per the bid documents marked 'Pe5', it was the responsibility of the Defendants to include the amounts to be paid as royalties in the Total Bid Price. When entering into 'Pe1' with the Plaintiffs, instead of agreeing to a one-time payment, the Defendants have agreed to pay royalties even when the work is reprinted. Thus, the Defendants should have included necessary amounts in the Total Bid Price when they have the right to re-supply for two years as per the bid documents. It is the Defendants who have agreed to pay what the parties termed as royalties even when a reprint is done. There is no dispute that the royalties were paid for the 1st print done for 2007. If the said condition was not there, the Plaintiffs would not have considered the transferring of economic rights to enable the Defendants or the Educational Publications Department to reprint the work. It is the Defendants through the 3rd Defendant entered into the agreement marked 'Pe1'. The dispute is with regards to the 2nd Print for 2008 for which the royalties as agreed were not paid. As per the said agreement, the Defendants are liable to pay as agreed for any reprint they do. There is no contractual nexus between the Educational Publications Department and the Plaintiffs to sue the said Department based on the obligations created through 'Pe1'. As this action in the original court was based on 'Pe1', I do not see any grounds establishing that there is a non-joinder of parties. Perhaps, the Plaintiffs' may have a cause of action against the Educational Publications Department too due to the following reasons;

1. There is no evidence of absolute transfer of economic rights in writing by the Plaintiffs to the Educational Publications Department as envisaged by section 16(2) of the Act.
2. There is no evidence to indicate that after getting economic rights in terms of 'Pe1' subject to the condition of paying royalties even for reprints of the work, that the Defendants transfer such rights in writing to the Educational Publications Department as envisaged by the aforesaid section of the Act.
3. Even if it is assumed that economic rights that were conveyed to the Defendants subject to certain conditions in 'Pe1' were transferred to the Educational Publications Department, it is clear that the Plaintiffs did not intend to transfer economic rights absolutely to the Defendants without any condition. However, the transfer was subject to certain conditions, especially subject to payments of the amount what is termed as royalties in 'Pe1'. Hence, the Defendants could not have transferred economics rights of the work absolutely to the Educational Publications Department since the Defendants cannot transfer a better ownership than what they have. Their ownership was subject to payments of said royalties as per 'Pe1' for every reprint. Thus, if the Educational Publications Department had economic rights, it is subject to the conditions to pay royalties in 'Pe1'. (However, as mentioned above, the arrangement between the Educational Publications Department and the Defendants appears to be that the Defendant to include the cost of royalties in the Total Bid Price and to indemnify the said Department with regard to liabilities on Intellectual Property Rights and the Defendants to pay the royalties to the Plaintiffs.)

However, it is also pertinent to note that misjoinder or non-joinder of parties cannot defeat an action- vide section 17 of the Civil Procedure Code. If one wants to take up such objection, he must take it at the earliest opportunity and before hearing and if not so taken, such objection is deemed to be waived- vide section 22 of the Civil Procedure Code. The Defendants have waited until the raising of issues which is the commencing step of the trial. If the Defendants were so interested in this objection, they could have invited the Court prior to the commencement of the trial to make a ruling on that objection and/or moved to add parties in terms of section 18 of the Civil Procedure Code.

The learned High Court Judge correctly observed that, even though that the Defendants had taken up the position that they bid for the 2nd Print for the year 2008 and the royalties were not included in the Total Bid Price resulting that no amount was included in the amount paid to them to pay as royalties, no evidence had been led at the trial to establish that 2nd Print for the year 2008 was offered after tendering of a new bid. Thus, this 2nd print for the year 2008 could have been given to the Defendants on the agreement entered after the bidding in terms of the bidding documents marked 'Pe5' since it refers to the entitlement of the Defendants to do the 2nd Print. Even if the 2nd print for the year 2008 was done after tendering and accepting a new bid, it was the responsibility of the Defendants as per their obligations in terms of 'Pe1' to include the amount to be paid what they have termed as royalties in the Total Bid Price in the new bid.

As said before, this case is based on the obligations created by the agreement marked 'Pe1', since the agreed amount was not paid for the 2nd Print made for the year 2008, in terms of the conditions in 'Pe1', the Plaintiffs are entitled to the relief they claimed against the Defendants. The Defendants attempt to state that they are not liable as now the economic rights are with the Educational Publications Department cannot succeed since there is no proof tendered as to the following facts;

- That the Plaintiffs in writing transferred economic rights absolutely to the Educational Publications Department directly in terms of section 16(2) of the Act or,
- That the Defendants after entering into 'Pe1', in writing transferred economic rights absolutely to the Defendants in terms of said section 16(2), and the Defendants had absolute economic rights of the work without being subject to any condition to transfer such rights absolutely to the Educational Publications Department,
- That even if it is assumed that in terms of any agreement that was entered between the Educational Publications Department and the Defendants following the acceptance of bid in terms of the bid documents marked 'Pe5', the economic rights the Defendants acquired in terms of agreement marked 'Pe1' deemed to be transferred to the Educational Publications Department, the Defendants had economic rights absolutely without being subject to any condition to convey such economic rights absolutely to the Educational Publications Department.

In terms of Pe1, the transfer of economic rights of the work was subject to certain conditions, especially to pay what has been termed as royalties to the Plaintiffs when it is reprinted and it is the Defendants who have agreed to pay that amount as per the arrangements made between the Educational Publications Department and the Defendants and the Defendants and the Plaintiffs through separate agreements.

The Defendants in their further written submissions have indicated that it is only the owner of a copyright who is entitled to license a copyrighted work can claim royalties if the reproduction of the work was licensed. In relation to the above stance, the Defendants have cited from law books and many case laws including “**Copinger and Skone James on Copyright**” by Garnet, Davis & Harbottle, 16th Edition, Sweet & Maxwell India 2011 at pp 348-350, **JHP Limited V BBC Worldwide Limited [2007] EWHC 751etc.** It seems that the Defendants state so to indicate that it is only the person or entity that has economic rights can claim the royalties and the Plaintiffs are now devoid of its economic rights as it has assigned them to the Educational Publications Department. However, the position stated in the answer as well as the previous written submissions filed by the Defendants dated 13th January 2020 appears to be that the Plaintiffs transferred the economic rights to the Educational Publications Department via 2nd Defendant Appellant Company. Again, in their written submissions, in reply to a stance taken by the Plaintiff Respondents, the Defendants attempt to indicate that as per section 14(4) of the Act, the Plaintiffs have not reserved any economic rights in their favour and the Government is the full owner of the economic rights. Whatever the position is, as said before the transfer of economic rights in writing in terms of section 16(2) to the Educational Publications Department, where the Assignor and Assignee have signed, has not been placed in evidence; Even it is assumed that the economic rights which the Defendants got through ‘Pe1’ was transferred to the Educational Publications Department, what the Defendants acquired through ‘Pe1’ was subject to the condition of paying the amount as agreed for the reprints. The transfer of economic rights through ‘Pe1’ to the Defendants or the agreement to transfer economic rights to the Educational Publications Department contained in the agreement marked ‘Pe1’ was subject to certain conditions and the said condition to pay when the reprint is done contains part of consideration which the Defendants are obliged to pay when the reprints are done. Thus, I do not see any relevance of what is quoted from case laws or from law books as the issue involved in this matter depends on what has been agreed by the parties through ‘Pe1’.

The Defendants state that the Educational Publications Department had got another printer to do a 3rd Print for which the Plaintiffs have not been paid royalties, and that indicates that the Plaintiffs do not have economic rights to claim royalties now. It is for the Plaintiffs to decide on their rights to sue a person or entity. However, that cannot be a ground to absolve the Defendants from their obligations towards the Plaintiffs in terms of the agreement marked ‘Pe1’. Parties have marked several other documents at the trial which have not been referred to above in this Judgment. Anyhow, they do not contain any material that affects the reasonings elaborated above.

For the forgoing reasons, I do not see sufficient material to interfere with the conclusions reached by the learned Commercial High Court Judge in his Judgment dated 11.06.2012.

Hence this appeal is dismissed with costs.

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Judge of the Supreme Court

Hon. Vijith. K. Malalgoda PC, J.

I agree.

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Judge of the Supreme Court

Hon. Yasantha Kodagoda PC, J.

I agree.

.....
Judge of the Supreme Court.