

Gen. Docket No. 8050/2022



**REPUBLIC OF ITALY
IN THE NAME OF THE ITALIAN PEOPLE**

**COURT OF VENICE
IP CHAMBER / SPECIALISED BUSINESS LAW DIVISION**

The Court, represented by:

- | | |
|-----------------------|----------------------------|
| - Ms. Lina Tosi | President, reporting Judge |
| - Ms. Maddalena Bassi | Judge |
| - Mr. Fabio Doro | Judge |

sitting in closed session, has handed down the following

JUDGMENT

in the civil proceedings under Gen. Docket No. 8050/2022 of the General Register, instituted by writ of summons

by

VERO UK LIMITED, based in 1370 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester, England, GL3 4AH,

represented by the lawyers Fabrizio Tarocco (tax code: TRCFRZ71M20L219V; certified e-mail: fabriziotarocco@pec.ordineavvocatitorino.it; fax 011-5184587), Dario Candellero (tax code: CNDDRA74D02G674C; certified e-mail: dariocandellero@pec.ordineavvocatitorino.it; fax 011-5184587) and Alessio Chiabotto (tax code: CHBLSS9120L219N;

certified e-mail: alessiochiabotto@pec.ordineavvocatitorino.it; fax 011-5184587) of the Court of Turin, with law offices in Turin, Corso Galileo Ferraris n. 43,

Plaintiff

against

Sistema S.r.l., based in Conegliano, via C. Vazzoler n. 24, tax code 04739940262

Represented by the lawyer Mr. Giuseppe Rossitto, (tax code RSS GPP 64A27 I754K), with offices in Siracusa, viale Scala Greca n. 406.

Defendant

Closing applications made pursuant to Article 127-ter of the Italian Code of Civil Procedure, with judgement reserved by order of 19 October 2023, notified on the same day.

Closing applications for the plaintiff:

on the merits:

- to ascertain and declare that the defendant's unauthorised use of the plaintiff company's computer programmes infringe Article 64-bis of the Italian Copyright Act (LDA) and, accordingly:

i) to order the defendant to remove any unlawfully installed copies of the plaintiff company's computer programmes from its servers and computers, in accordance with Articles 158-159 of the Italian Copyright Act;

i) to restrain the defendant from continuing and repeating the offences ascertained, with a penalty payment warning provided for (of Euro 10,000.00 or any other amount deemed fair and equitable) for each individual breach or non-compliance subsequently ascertained or for each day of delay in implementing the order, in relation to each individual copy of computer programs unlawfully installed, pursuant to Article 156 of the Italian Copyright Act;

ii) to declare the defendant obliged and to order the defendant to repay the plaintiff any loss incurred pursuant to Article 158 of the Italian Copyright Act, in an amount currently quantified at

Euro 852,998.40, plus statutory interest and revaluation, or in such other amount that is established during the proceedings, to be awarded also on an equitable basis;

iii) to order the publication of the operative part of the judgment, in accordance with Article 166 of the Italian Copyright Act, with characters twice the size of standard-sized characters, in the daily newspaper 'Il Corriere della Sera', such publication to be organised by the plaintiff and paid for by the defendant;

in any event: with award of costs, duties and fees for the main trial proceedings and also for the interim proceedings, plus reimbursement of overheads pursuant to Article 2 of Ministerial Decree 55/2014, of VAT and of Lawyers' National Insurance Fund (C.P.A.) expenses.

Closing applications for the defendant:

to dismiss the plaintiff's claim as unfounded and inadmissible and, in the alternative, to request that any damages awarded be contained within equitable limits.

With award of costs, duties and fees of the proceedings.

GROUND

The plaintiff instituted proceedings on the merits by a writ of summons, following pre-trial disclosure proceedings Gen. Docket no. 4760/2022 (the file has been duly acquired) which it brought against the defendant on 5/7/2022; an order of disclosure¹ was granted, and it was carried out on 13/7/2022.

The plaintiff states that it operates in the production and distribution of industrial automation systems in the fields of Computer Aid Design and Computer Aided Manufacturing, aimed to support processes of design, production, programming and control of machine tools. It states that it belongs to the Swedish group Hexagon and that, in particular, it is the owner of exploitation rights in "VISI" software programmes which it distributes under licence, and which consist of suites of programmes for the design of plastic and sheet metal moulds; programmes which the defendant allegedly used without authorisation. The plaintiff claims the aforementioned protections of law.

The defendant entered an appearance, querying the plaintiff's ownership of the rights which it asserted; arguing that it had made use of the programmes in question for commercial purposes, having only

¹ (Translator note: disclosure [descrizione] refers to a pre-trial procedure that can involve the search, description and seizure of intellectual-property related material)

downloaded "demos" for the trial period; and that it had removed the programmes. It disputes the charge, which it claims requires specific premeditation to be proven pursuant to Article 161(4) of the Italian Copyright Act (Royal Decree 633/1944); and it also disputes the amount of the loss, having particular regard to the purchase price of the programmes adduced by the plaintiff, which it declares to have been "arbitrarily created".

The case was quickly prepared for trial through the taking of witness evidence, and judgement was reserved as indicated above; the parties were granted the normal deadlines to submit closing statements and replies.

Neither jurisdiction, nor competence, nor the applicability of Italian law to the matter at hand were contested in the case. These issues were dealt with in the description order handed down *ex parte*, to which reference is made in full.

The plaintiff asserts rights to the "VISI" programmes in question. It produces US registration certificates as proof of its entitlement, which indicate it as Author and Claimant and which reference several VISI programmes marked, in the first place, by the year of reference. This programme is evidently produced in increasingly updated versions. The U.S. certification comes from a country other than the country where the plaintiff is based and other than Italy, but which is nevertheless a party to the Berne Convention on Copyright, which obliges each signatory to grant copyright protection on their territory (according to their national law) to authors from other contracting countries (Article 5: *Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin of the work in question, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention*). Article 186 of the Italian Copyright Act refers to the application of international conventions, and Italy is a party to the Berne Convention.

On the merits, the disclosure proceedings yielded conclusive evidence that the defendant - a company whose corporate purpose (Chamber of Commerce company search record) is the "*Construction of moulds, equipment and machine tools; - metal and mechanical processing, on its own behalf and also for third parties; - assembly of components, welding and processing for third parties*" - unlawfully used on 6 computers in its offices the same number of copies of the VISI programme, in various versions of VISI (and even more than one per host computer) mostly from 2017. In his report describing the

operations carried out and the results of the description procedure, the bailiff's assistant the technical expert Mr. Daniele Zabeo, stated that:

- *“One or more installations of the software in a 'cracked' version are found in all of the hosts [computers] described, facilitating the use of the product over many years despite the expiry of the maintenance period as indicated in the picture”;*
- *“The executable files of the programme are found to have been altered in order to simulate the required licence key, by means of malicious files (malware) that alter the host and the infrastructure connected to it, enabling the software to be run in "full mode" instead of in trial or limited mode”.*
- *“The licence key verification is thus circumvented by running the application in full version, giving access to all available modules”.*

These objective findings - which explain why 'demo' versions had to be used - were made after the applicant provided evidence of a *prima facie* case in the interlocutory proceedings by furnishing a report drawn up by the company

ITCA, which it appointed, stating that seven terminals using the same number of programmes had been found at Sistema, although Sistema held no licence.

This ITCA report and also the explanatory technical report of Mr. Roberto Porta showed that Vero UK uses content in its software that enables the remote detection (through telemetry and monitoring systems) of its program's use in individual computers connected to the network (from Porta's report: "The system identifies precisely where and how the software applications subject to copyright protection are used, so that the rights holder can determine whether or not the assigned licence is being correctly used. The system is designed - when the software is initially installed and at subsequent activations - to transmit specific information identifying the hardware of the personal computer on which the software is installed and executed").

The plaintiff produced a similar ITCA report in its preliminary pleading no. 1, providing evidence of the defendant's permanent use (even after the description procedure) of unlicensed VISI versions; the report of 19/4/2023 determines that such use occurred on various computers until 1/2/2023.

The Defendant submitted witness evidence to prove that the unlawfully used programs would have been uninstalled in September 2022, and that it currently uses another program on license (Cad Cam Rhino Sum 3D), but the witnesses' positive replies (heard on 7/9/2023) - do not go as far as affirming that the removal was total (the witnesses refer to removal from 5 computers only), nor that the use of different licensed programs excluded (even after September 2022) any unauthorised use of VISI programs. Indeed, the ITCA report of 19/4/2023 says something quite different.

There is no certainty, therefore, that the illegal conduct has ceased; indeed, it is quite possible that it was resumed, consequently the plaintiff is entitled to be granted an order to desist from the unlawful conduct and to be granted the injunction as requested.

The defendant's reference to the specific intent provision of Article 161(4) of the Italian Copyright Act is misplaced, as it is not the case that unlawful conduct must be linked with specific premeditation. The subsection lays down a general rule to the effect that the judicial remedies provided for by the entire section of the Copyright Act to which it belongs, apply to infringements of another's copyright over computer programs, one of such infringements being the "possession for commercial purposes" of unauthorised copies. This is the possession that applies to the defendant herein, and it is possession for commercial purposes i.e. for the purpose of carrying on its business activities.

The injunction carries an appropriate penalty, which is calculated at Euro 100.00 per day for each day of delay in implementing this order, and Euro 10,000 for each subsequent infringement, in relation to each individual programme copy.

Compensation for loss must also be paid, herein claimed in an amount equal to the public price of a licensed copy in respect of each of the illicitly used programmes (in fact, only one copy is considered for each computer). This claim refers to compensation for pecuniary loss, which comprises actual loss (non-payment of production costs) as well as lost profits (loss of profit from licensing).

Note, in this regard, that the VISI programme consists of a multiplicity of modules (it is a suite), as is apparent from the 2021 price list furnished by the plaintiff and also from the investigations of the technical expert, Mr. Zabeo, concerning the programmes found installed in Sistema. Indeed, scrolling through the list of modules in the list and the (equally long) list of modules found installed during the disclosure procedure, many names clearly coincide.

The total price of the complete set of modules in the 2021 price list is Euro 142,166.40. Obviously this price list is self-originating and it could not be otherwise; it has not been effectively contested by the defendant, who is in a good position to do so as these products are being normally traded.

This price should guide the decision regarding damages, since the illicitly used programme is a Visi 2017, and is therefore an older version than that indicated in the price list. Regarding when the unlawful activity commenced, the ITCA report produced in the interlocutory proceedings pointed to uses dating from January 2022, but it could go back further in time, as a 2017 version was in use (which the technical expert Mr. Zabeo, in the case presented in his report, found was deceptively changed from 31/12/2017 to 1/11/2046). By deceptively transmuting the licence deadlines, Sistema was able to take advantage of a tool that clearly suited its purposes and which it could operate for its business ends without obtaining the latest updates.

The sum of € 100,000.00 per illegitimate copy is deemed to be a conservative estimate, in any case, which sum shall be deemed to be all-inclusive and calculated to today's date.

The insidious nature of the offence justifies adequately publicising the judgment.

Costs to be borne by the losing party, including for the interlocutory phase (which had no recourse to a preliminary evidentiary phase), and taking into account the short evidentiary phase on the merits; as well as the value of the proceedings.

FOR THESE REASONS

By a conclusive ruling, the Court

- 1) Orders the defendant Sistema S.r.l., based in Conegliano (TV), VAT no. 04739940262, to remove from its servers and computers any unlawfully installed copies of computer programs owned by the plaintiff company Vero UK Limited;
- 2) Enjoins the defendant from continuing and repeating the unlawful acts ascertained;
- 3) Stipulates a penalty - in the event of the continuance or repetition of the unlawful conduct - of Euro 100.00 for each day of delay in implementing the order (unlawful continuance) and for each program copy; and of Euro 10,000.00 for each subsequent infringement or non-compliance, for each computer program copy unlawfully installed;
- 4) Orders the defendant to compensate the plaintiff for loss incurred in the amount of Euro 600,000.00;
- 5) Orders the publication of the operative part of the judgment, with characters twice the size of standard-sized characters, in the daily newspaper 'Il Corriere della Sera', such publication to be organised by the plaintiff and paid for by the defendant;
- 6) Orders the defendant to pay the costs of the assistant appointed for the disclosure procedure, as duly settled;
- 7) Orders the defendant to pay the plaintiff the costs of the proceedings, settled in relation to the interim disclosure procedure at Euro 4,200.00 in fees, Euro 572.00 in outlays, plus 15% overheads, VAT and Lawyers' National Insurance Fund (CPA), and settled in relation to the merits at Euro 24,000.00 in fees, Euro 3,399.00 in outlays, plus 15% overheads, VAT and Lawyers' National Insurance Fund.

Venice, 24/1/2024

The President Ms. Lina Tosi, reporting judge