

## **Case Comment: *La Dolce Vita* and Design: Italian Court Confirms Copyright of Concept Store**

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On April 30, 2020, the Italian Supreme Court of Cassation (the highest court of appeal in the country) issued its decision in *Kiko SpA v Wycon SpA*, a long-standing copyright case involving competing retailers in the global cosmetics industry.<sup>1</sup> In particular, the Italian Supreme Court confirmed that copyright protection extended to the “concept-store” design that was created for and implemented in the Kiko retail locations.

*Kiko* reaches beyond Italian borders. The Italian Supreme Court relied on recent decisions of the European Union for both general and specific principles of intellectual property law, and applied those cases to confirm the Kiko copyright claim. *Kiko* is also relevant to Canadian copyright law and, in particular, recent case law on the protection of buildings as “architectural works.” Whether a *Kiko*-style case would be decided similarly in Canada is an open question.

### **1.0 Background of the Cosmetics Design Dispute**

In 2005, Kiko hired an architectural design firm to work on a new project for Kiko’s retail chain of stores. In 2006, at a commission cost of €70,000, Kiko obtained the resulting work product entitled “Interior Design for Stores under the Kiko-Makeup-

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<sup>1</sup> Italian Supreme Court of Cassation, *Kiko SpA v Wycon SpA* (30 April 2020), no 8433 [*Kiko*], available at <<https://drive.google.com/file/d/1fICXafahdDOue6FoBx6VAIEgQoCj7OPn/view>>.

Milano Brand.” This interior design concept was then implemented uniformly in Kiko stores.

In 2013, Kiko sued competitor Wycon and sought injunctive relief and damages against Wycon for the following: copying the layout of the Kiko stores contrary to Italian copyright law; unfair competition; and breach of the exclusive economic rights of Kiko to exploit the interior design of Kiko stores.<sup>2</sup>

In 2015, the Court of Milan granted Kiko’s claims based on copyright and unfair competition and awarded damages to Kiko of more than €700,000 (that is, 10 times the commission design fee of €70,000). Wycon was enjoined from using the Kiko concept-store design in any Wycon stores, and was subject to a penalty of €10,000 for each Wycon store that was still furnished in the infringing layout after the effective date of the injunction.

In 2018, the Court of Appeal of Milan generally dismissed Wycon’s appeal, except that Wycon was given a longer period of time (150 days) to comply with the injunction requiring the removal of the impugned furnishings from Wycon stores.

As further detailed below, the Italian Supreme Court confirmed the existence of copyright protection for the Kiko concept-store design, while remitting to the lower courts the questions of unfair competition and quantum of damages.

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<sup>2</sup> The Italian *Copyright Act* is available at <[http://www.interlex.it/testi/141\\_633.htm#2](http://www.interlex.it/testi/141_633.htm#2)>.

## 2.0 “Concept-Store” Design in Issue

The “concept-store” design owned by Kiko and copied by Wycon consisted of the following features:

An open-space entrance with large backlit graphics on both sides, inclined side display units with panels of transparent perforated Plexiglas housing in which products are inserted, curved “islands” placed in the centre of the store to hold the products and provide supporting counters, TV screens recessed into the inclined display units, use of the same colours (white, black, pink/purple) in combination and dance-floor-style lighting.<sup>3</sup> [Translated from original Italian.]

The Italian Supreme Court expressly adopted, and repeatedly referred to, this description in its ruling.

## 3.0 Key Copyright Findings in Favour of Kiko Design

Wycon raised, without success, a number of grounds of appeal based on the nature and scope of copyright protection for the concept-store design.

First, Wycon argued that Kiko’s interior design project was merely an idea for a template store that could be varied in the circumstances and that it lacked the fixed expressive elements required for copyright protection. This argument was rejected on the basis that the concept store was indeed “well defined” and intended to be reproduced with “identical features in the concrete design of Kiko retail stores.” Accordingly, the design

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<sup>3</sup> *Kiko*, *supra* note 1 at 4. All translations from *Kiko* are by the author.

did not consist of merely “abstract instructions” intended to be modified in different contexts or for different structures.<sup>4</sup>

Second, Wycon argued that the concept-store design did not qualify as an “architectural work” with full protection of Italian copyright law, but rather could only be protected, to a lesser extent, as an industrial design.<sup>5</sup> Once again, this argument was rejected. The court confirmed that an interior design can be protected as an “architectural work” of copyright where the visually appealing design shows a clear “stylistic key” or reveals the “personality of the author” in the organization and combination of individual elements giving rise to a functional and harmonious space.<sup>6</sup>

The court also observed that today’s notion of “architecture” is very broad and covers

intellectual activity directed at creating and modifying spaces for human use in the physical environment, landscape, cityscape, buildings, and also in the organization of interiors.<sup>7</sup> [Translated from original Italian.]

Third, Wycon pointed to other forms of intellectual property, which were either not available to or not pursued by Kiko in its retail strategy, as a basis for undermining the copyright claim. For example, reference was made to Kiko’s failed attempt in 2016 to obtain a 3D European Union trademark for its storefront layout (as seen from a frontal view of the store only). The proposed EU trademark was not available owing to lack of

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<sup>4</sup> *Ibid* at 13.

<sup>5</sup> Article 2.5 of the Italian *Copyright Act* protects “architectural works”; article 2.1 protects “industrial designs.”

<sup>6</sup> *Kiko*, *supra* note 1 at 14.

<sup>7</sup> *Ibid* at 16.

distinctiveness. However, the Italian Supreme Court found that the trademark issue was *not* determinative of the question of copyright (for the whole interior design of the store).

Fourth, Wycon argued that the Kiko design consisted of generic and technically necessary features that do not qualify for copyright protection. This functionality argument was rejected on the basis that it misconstrued the findings of the lower appellate court. In particular, the appellate court found that the original selection, organization, and combination of individual elements in the concept-store design were entitled to protection notwithstanding that each element viewed on its own might be generic on a functional level. As a result, the Italian Supreme Court found that the appellate court had *not* concluded that each and every element of the concept store was merely functional.<sup>8</sup>

Fifth, Wycon argued that the appellate court had erred by finding infringement in the absence of reproduction of the entire subject work, and based only on similarities between the Kiko and Wycon stores. The Italian Supreme Court rejected this ground of appeal on the basis that

the exclusive right of an author is infringed not only where the work is copied in its entirety, namely where there is an abusive reproduction, but also where there is partial copying as assessed in summary fashion without the need to examine analytically the quality and quantity of each similarity or difference in the second work as compared to the first one. ... *[T]he essential features of the earlier work are found in the subsequent one.*<sup>9</sup> [Translated from original Italian; emphasis added.]

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<sup>8</sup> *Ibid* at 21–22.

<sup>9</sup> *Ibid* at 23–24.

Ultimately, the Italian Supreme Court dismissed Wycon's appeal on copyright infringement, but it allowed the appeal on the quantum of damages and on liability for unfair competition.

On the issue of damages, the Italian Supreme Court noted that a lower court must describe, at least in summary fashion, the criteria used to determine the quantum and to avoid settling on an arbitrary amount. Here, the damages were simply assessed as the architect's fee paid by Kiko (€70,000) multiplied by a factor of 10.

On the issue of unfair competition, the Italian Supreme Court noted that it was insufficient that the parties had adopted similar marketing and promotional activities that may be common in the marketplace (for example, employee uniforms, product packaging, gift wrapping, and online communications). Wycon admitted that it had similar practices, but it denied that Kiko had proprietary interests in those elements.

#### **4.0 Recent European Union Copyright Cases Followed in *Kiko***

In its reasoning, the Italian Supreme Court relied on two decisions of the Court of Justice of the European Union (CJEU).

The first decision was *Apple Inc v Deutsches Patent-und Markenamt*.<sup>10</sup> There, the CJEU gave a preliminary ruling on trademark questions related to the refusal of the German Patent and Trademark Office to register a 3D trademark representing an Apple flagship

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<sup>10</sup> *Apple Inc v Deutsches Patent-und Markenamt*, C-421/13 (10 July 2014) [*Apple*].

store. The same trademark had already been registered in the United States, and Apple sought to expand its international registrations.

The CJEU confirmed that a representation or sign “which depicts the layout of a retail store by means of an integral collection of lines, curves and shapes” *may* constitute a trademark that distinguishes the products or services of one firm from another.<sup>11</sup>

However, even though a sign is generally capable of constituting a trademark, it will not *necessarily* have a distinctive character sufficient for registration in every case. Finally, the court confirmed that a trademark for a store layout *may* also be registered for incidental services offered, and not only for the products actually sold, in the retail store.

The Italian Supreme Court referred to the *Apple* case in drawing a distinction between the requirements of trademark law on the one hand and copyright law on the other. The fact that Kiko failed to secure a trademark for its concept-store design did *not* determine the separate copyright question.

The second decision relied on by the Italian Supreme Court was *Cofemel - Sociedade de Vestuário v G-Star Raw CV*.<sup>12</sup> There, the CJEU was asked by the Supreme Court of Portugal to interpret the scope of copyright protection for competing clothing designs. G-Star, which produced and sold jeans, sweatshirts, and T-shirt designs under the G-STAR brand, sued Cofemel for copyright infringement for the manufacture and sale of competing clothing products under the TIFFOSI brand.

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<sup>11</sup> *Ibid* at para 19.

<sup>12</sup> *Cofemel - Sociedade de Vestuário v G-Star Raw CV*, C-683/17 (19 September 2019) [*Cofemel*].

The CJEU had to decide whether, in light of EU law, Portuguese law could restrict copyright protection for industrial (clothing) designs on the condition that “over and above their practical purpose, they generate a specific and aesthetically significant visual effect.”<sup>13</sup> This question was answered in the negative, not because of the overlapping nature of protection, but on the basis of the precise legal test to be applied.

Specifically, the CJEU confirmed that the concept of “work” as protected by copyright must meet two conditions: (1) there must be an original subject matter, in the sense that it is the result of the author’s own intellectual creation; and (2) the classification as a protected “work” is reserved to those elements that are the expression of such intellectual creation.<sup>14</sup> Where the subject matter has been dictated by purely “technical” considerations or constraints, which have left no room for “creative freedom,” the originality condition will not be met.<sup>15</sup>

At the same time, the CJEU confirmed that copyright protection and industrial design protection pursue different objectives. There may still be “cumulative” protections in the right circumstances:

[T]he protection of designs, on the one hand, and copyright protection, on the other, pursue fundamentally different objectives and are subject to distinct rules. ... [T]he purpose of the protection of designs is to protect subject matter which, while being new and distinctive, is functional and liable to be mass-produced. ... For its part, the protection attached to copyright, the duration of which is significantly greater, is reserved to subject matter that merits being classified as works. ...

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<sup>13</sup> *Ibid* at para 26.

<sup>14</sup> *Ibid* at para 29.

<sup>15</sup> *Ibid* at para 30.

*It follows that, although the protection of designs and the protection associated with copyright may, under EU law, be granted cumulatively to the same subject matter, that concurrent protection can be envisaged only in certain situations.*<sup>16</sup> [Emphasis added.]

The Italian Supreme Court referred to these principles of “originality” and “cumulative” protection as supporting Kiko’s copyright claim. As already noted, the failure of the Kiko concept-store design to qualify for trademark protection did not undermine its status as an original and protected work of copyright.

Together, the *Apple* and *Cofemel* decisions stand for the following propositions under EU law: (1) a retail store layout is eligible for intellectual property protection, including but not limited to trademark rights; and (2) a design destined for use in the retail sector is eligible for copyright protection provided that the conditions for “originality” of the work are met. In combination, these cases previewed the result in *Kiko*: copyright protection for an interior design featuring a retail concept store.

## **5.0 Similarities to Canadian Copyright and Architectural Works**

A question arises whether *Kiko* could have been similarly decided under Canadian law, particularly in light of the Federal Court’s landmark decision in *Lainco Inc v Commission scolaire des Bois-francs*.<sup>17</sup> There, the Federal Court held that a steel structure for an indoor soccer complex was protected as an “architectural work” under the *Copyright*

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<sup>16</sup> *Ibid* at paras 50, 52.

<sup>17</sup> *Lainco Inc v Commission scolaire des Bois-francs*, 2017 FC 825 [*Lainco*].

*Act*.<sup>18</sup> The decision is significant because it is one of few reported cases in Canada finding copyright for a building.

Many of the copyright principles applied in *Lainco* are comparable to those outlined in *Kiko*. The Federal Court found that the Lainco structural design for its building (“the Lainco Design”) was eligible for copyright protection under the *Copyright Act* for the following reasons:

- the choice and layout for the Lainco Design were the result of the designer’s “talent and judgment” and represented an independent work;
- the Lainco Design was *not* the result of a purely “mechanical” effort or intellectual exercise, nor was it dictated by merely “technical” considerations;
- the “arrangement, or choice and combination,” of structural elements in the Lainco Design was sufficiently original, even if the elements themselves were already known or commonly used; and
- an “architectural work”—such as the sports complex adapted from the Lainco Design—necessarily has functional features, but these do not prevent the other eligible features (original choice and arrangement of elements) from being protected by copyright.

Some of the defendants in *Lainco*, similar to the defendant in *Kiko*, argued that the copyright claim was precluded because the structural elements in the Lainco Design

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<sup>18</sup> *Copyright Act*, RSC 1985, c C-42.

fulfilled a strictly utilitarian (or functional) purpose. The court rejected this position, which was based on section 64.1 of the *Copyright Act*:

However, the approach used [by the defendants] totally discharges the aesthetic or architectural dimension that a structure may, in drawings, possess. As we have seen, that is the case here. It seems to me that adopting this approach could ultimately have the effect of eliminating most architectural works from the scope of the [*Copyright Act*]. *Thus, if the choice and combination of structural elements that are otherwise utilitarian gives the overall structure that they make up an architectural or aesthetic value, and if that choice and combination are the result of the author's skill and judgment, I do not see why the work should not benefit from copyright protection.*<sup>19</sup> [Emphasis added.]

In a lengthy analysis of both factual and expert evidence, the Federal Court found all defendants severally liable for infringing the Lainco Design. The analysis made a number of fundamental points.

First, the court confirmed that unauthorized reproduction of a two-dimensional work, such as a design, in a three-dimensional form, such as a building (and vice versa), can give rise to copyright infringement. It follows that all material forms of the Lainco Design were covered by copyright, including the plans and resulting building structures.

Second, the defendants were liable for participating in the design, manufacture, and/or installation of an infringing sports structure that substantially copied the plaintiff's structure as adapted from the Lainco Design.

Third, despite some differences between the parties' buildings, the defendants' complex reproduced the "distinctive aesthetic appearance" of the plaintiffs' complex such that the

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<sup>19</sup> *Lainco*, *supra* note 17 at para 127. Section 64.1 of the *Copyright Act* provides an exception to copyright infringement for "useful article features." This exception was found *not* to apply in *Lainco*.

“visual impact inside the two structures is essentially the same.”<sup>20</sup> In this regard, the court considered the point of view of a user of the sports complexes, who would be unable to differentiate the structural designs.

On the basis of *Lainco*, it is arguable that a *Kiko*-style case could be decided with a similar outcome in Canada—namely, copyright protection could be afforded to a retail concept-store design. However, this assumes that the work(s) in question would qualify as an “architectural work” or plan, based on the definition and scope of these concepts under the *Copyright Act* and according to the case law. A number of key questions would likely arise:

- Are the choice and layout for the store design the result of the designer’s “talent and judgment,” and are they capable of being an independent work (architectural plan)?
- Does the structural store layout adapted from the design contain features that are eligible for copyright protection—that is, is it an original choice, combination, or arrangement of structural elements (architectural work)?

Presumably, a combination of factual and expert evidence would be required to answer these questions, as was the case in *Lainco*.

Another “twist” to the *Kiko* case in Canada would be the potential application of section 64(2) of the *Copyright Act*, which precludes a copyright claim for designs that are

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<sup>20</sup> *Lainco*, *supra* note 17 at para 192.

produced in quantities of “more than fifty.”<sup>21</sup> Kiko, like many global retailers, operates hundreds of retail stores worldwide; section 64(2) would put it over the limit of 50 copies. However, given the further exception under section 64(3) of the *Copyright Act* for “architectural works,” a mass-produced store design could, in theory, still be treated similarly to the Lainco Design.<sup>22</sup>

On the other hand, a *Kiko*-style case could be decided differently in Canada such that copyright protection might *not* be extended to a retail concept-store design. For example, if the store design and resulting layout were dictated by merely technical or functional considerations related to the space itself, the test in *Lainco* would not be met. Along the same lines, unless the elements of the retail-store layout are arranged or combined in a sufficiently original manner, the threshold for copyright protection would not be met.

## 6.0 Conclusion and Takeaway

The *Kiko* decision highlights core concepts of copyright as applied to retail designs, which are not only relevant to Italian and EU law, but also of interest to Canadian law. As retailers increasingly seek international protection for their intellectual property, they will benefit from knowing what opportunities for exclusivity exist in other jurisdictions. As courts increasingly apply international norms in the field of intellectual property, the

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<sup>21</sup> Section 64(2)(a) of the *Copyright Act* provides an exception to infringement for a design that is applied to an “article reproduced in a quantity of more than fifty.” A defendant such as Wycon could rely on this exception where an interior design is applied to “more than fifty” retail stores.

<sup>22</sup> Section 64(3)(d) of the *Copyright Act* provides that section 64(2) does *not* apply to “an architectural work that is a building or a model of a building.” A plaintiff such as Kiko could rely on this further exception to argue that an interior design is still a protected “architectural work,” regardless of the number of retail locations.

existence of comparable cases and predictable outcomes will benefit judges, advocates, and litigants.