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## **Italian Supreme Court, decision n. 8433/2020: the layout of a store can be protected (also) as a work of architecture under copyright law**

On 30 April 2020, the Italian Supreme Court (Corte di Cassazione) ruled on the protectability of an interior design project as a work of architecture pursuant to Article 2(5) of the Italian Copyright Law ("ICL").

To this end, the artistic work must be creative, *i.e.* an expression of the author's style, organized and characterized by well-defined and replicable elements. As pointed out by the Court, it does not matter if the elements constituting the work are simple or common, as long as their combination is original and not imposed by technical-or functional constraints.

### **Background**

This dispute involves the companies Kiko Spa ("Kiko"), an Italian company producing and marketing cosmetic and perfumery products, and Wjcon SpA - later to become Wycon - ("Wycon"), a competitor.

In 2005, Kiko entrusted an architectural firm with the re-design of its shops; since 2006, Kiko has also been the owner of a design for its shops.

In 2013, Kiko sued Wycon before the Court of Milan, claiming injunctive and compensatory relief after ascertaining:

- Unfair competition pursuant to Article 2598(1), (2) and (3), of the Italian Civil Code ("ICC"), due to:
  - undue reproduction, in the stores, of elements presenting an original combination, characterizing Kiko's stores;
  - exploitation of the layout, which was the result of investment and research activities; and
  - parasitic behavior, due to the continuous and systematic imitation of its own initiatives.
- Infringement of its economic rights pursuant to Article 2(5) ICL.

The Court of first instance granted Kiko's applications under Article 2(5) ICL and Article 2598(3) ICC for parasitic competition, while it rejected the applications under Article 2598(1) and (2) ICC for confusing imitation and misappropriation. As a result, Wycon was prevented from further use of the concept store's interior design project, with a penalty of €10,000.00 in case of non-compliance and a fine of over €700,000.00 for damages suffered by Kiko.

In particular, the Court noted that:

- the project commissioned by Kiko, which was the owner of the exploitation rights, presented enough elements of creativity given by the choice, combination, coordination and overall conformation of the elements used for the furnishing of Kiko stores<sup>1</sup>, which were not imposed by technical constraints; as such, those elements were capable of making it original and creative and, therefore, worthy of protection as a work of architecture;
- Wycon had misappropriated all said elements, since the differences were completely irrelevant and, therefore, unsuitable to exclude the counterfeiting of the project;

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<sup>1</sup> Namely: "the open space entrance with two large backlit graphics on the sides, inside the side displays consisting of continuous and inclined structures with walls characterized by transparent perforated plexiglass housing in which the products are inserted, "islands" on the curved edge positioned in the center of the shops to contain the products and provide shelves, the presence of numerous TV screens embedded in the inclined displays, uses of combinations of the same colors (white, black, pink / purple) and disco effect lights".

- Wycon had also constantly followed in the footsteps of its competitor, thus determining parasitic competition.

Wycon challenged the decision before the Court of Appeal of Milan ("CoA"), which rejected the appeal (with the exception of the deadline for the removal of furniture - increased from 60 to 150 days).

Wycon then appealed to the Supreme Court, submitting 12 grounds of appeal. Kiko cross-appealed the decision submitting a single ground of appeal.

### **The decision of the Supreme Court**

Among the 12 grounds of appeal, first of all it is worth mentioning the ground relating to **Kiko's standing to sue** – challenged by Wycon – which the Supreme Court considered unfounded.

Wycon challenged Kiko's standing to assert its exploitation rights for the creative work consisting in the architectural firm's project - concerning the shop as a whole and the individual furnishing components and their overall sizing.

The Cassazione agreed with the conclusions of the CoA, according to which Kiko is the owner of the exploitation rights for the work, in its capacity as the client of the creative work in question, which was created by the architectural firm in exchange for a sum of money.

The client is the exclusive owner of the exploitation rights of the creative work commissioned to the self-employed worker (author) who, for its part, undertakes to carry out a creative activity in exchange for a sum of money so that the client can economically exploit the results; the author is entitled only to moral rights.

Moreover, according to the Court, Article 110 ICL, based on which "*the transmission of the rights of use must be proven in writing*" is applicable only in the case of conflict between titles. Conversely, it is not applicable if the rights arise directly on the client's behalf<sup>2</sup>, as a natural effect of the self-employment relationship or the professional work contract (as in the present case), since there is no transfer of such rights at the will of the parties; nor is it applicable in actions brought by the copyright holder against third parties, who have unlawfully used the work<sup>3</sup>.

Another important ground of appeal is that by which Wycon challenged that **the interior design project was sufficiently defined and, therefore, protectable**.

On the one hand, the Court of first instance considered the interior design to be independently protectable under Article 2(5) ICL as a "*successful and creative combination of specific elements*"<sup>4</sup>. Wycon, on the other hand, maintained that it was not a furniture project, which was well-defined in all its formal expressive connotations, stable and reproducible in a constant way: the concept store was not outlined in the interior design project, but arose in practice only in the stores created by Kiko, as shown in the photos produced during the trial.

Recalling that the idea in itself cannot be protected, since it needs to be exteriorized in an expressive form<sup>5</sup>, the Supreme Court pointed out that, in the work at issue, the CoA identified a creative act, albeit minimal, required for copyright protection<sup>6</sup>. The project at issue constituted, according to the CoA, a specific form of expression of the author, characterized by elements that had been chosen, coordinated and organized by the author himself in a creative way and - as far as possible, respecting the structural limits of the environment - constantly realized and reproduced according to the original design and, therefore, replicable.

The Cassazione considered Wycon's ground to be inadmissible, taking into account that it was based on factual elements, which cannot be assessed by the Court.

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<sup>2</sup> See Supreme Court 24 June 2016, n. 13171; and, similarly, Supreme Court 18633/2017 re: procurement contract concerning a format.

<sup>3</sup> See Supreme Court n. 3390/2003

<sup>4</sup> See footnote n. 1

<sup>5</sup> See Supreme Court n. 15496/2004

<sup>6</sup> See Supreme Court n. 11953/1993; Supreme Court n. 5089/2004; Supreme Court n. 25173/2011).

Wycon also challenged the **protectability of the interior design as a work of architecture**: the interior design project of the Kiko shops would not be protectable under Article 2(5) ICL because it lacks the identification of a specific building area in which the work should be incorporated and the organisation of space by means of fixed structural elements.

Conversely, according to the CoA, an interior design project can be protected as a work of architecture under Article 2(5) ICL if there is "*a unified design, in a scheme that is visually relevant in itself, revealing a clear 'stylistic key', of individual components organised and coordinated to make the environment functional and harmonious, i.e. the author's personal touch*" [free translation from Italian]. The incorporation of the work with the building or the fact that the individual furnishing elements constituting it are simple, common or already used in the sector is irrelevant. What matters is the original combination, which is not imposed by the need to solve a technical-functional issue.

Indeed, in order for a work of art to be protected, it is necessary for it to be expressed in a new and complete specific form and external representation, and to present elements or an original combination, which is the result of the author's creativity<sup>7</sup>. In other words, the project or work of interior architecture can only be protected if it is identifiable and recognizable as a unitary work of art based on the author's choices of overall composition of the elements (colours, materials, dimensions, proportions, etc.). The exclusive rights concern the entirety, the unitary work of organization of the space, the joint use of the furnishing elements according to the same organizational design.

The CoA considered how the architect, in its project, had organized the space according to a precise combination of elements<sup>8</sup> that, albeit common, on the whole is original, being the result of creative, non-functional and non-trivial choices.

In this regard, first of all the Cassazione refers to the judgment of the Court of Justice of the EU ("CJEU") in the Apple case (C-421/2013), referring to the protectability of a store layout as a trademark in the presence of the requirement of distinctiveness and provided that "*it departs significantly from the norm or customs of the economic sector concerned*", clarifying that the distinctive capacity of a trademark does not directly and necessarily overlap with the concept of creative act in copyright.

The Court also recalls the CJEU judgment in the Cofemel case (C-683/2017), in the part where it provides that a work of art can be cumulatively protected both under design law and copyright law. Said forms of protection have different objectives and are subject to different regimes. In order to obtain copyright protection, the work must reflect the personality of the author and his creative freedom, without constraints of any kind, including those of technical nature, and the work must be identifiable in a precise and objective manner.

This is the principle of law enunciated by the Italian Supreme Court, which considered the ground for appeal unfounded:

*"when it comes to copyright, a project or work of interior design, in which there is a unitary design project, adopting a scheme in itself well-defined and visually relevant, revealing a clear "stylistic key", concerning components that are organized and coordinated to make the environment functional and harmonious, or the personal touch of the author, is protectable as a work of architecture, pursuant to Article 2(5) ICL ("the drawings and works of architecture"), being irrelevant the requirement of the inseparable incorporation of the furnishing elements with the building or the fact that the individual furnishing elements constituting it are or not simple or common and already used in the interior design field, provided that it is the result of an original combination, which is not imposed by the author's desire to solving a technical-functional issue"* [free translation from Italian].

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<sup>7</sup> Among the others: Supreme Court n. 15496/2004; Supreme Court n. 25173/2011; Supreme Court n. 13524/2014; Supreme Court n. 14635/2018

<sup>8</sup> See footnote n. 1

Wycon also challenged the **author's plagiarism**, which the CoA deemed to exist even in the absence of a complete reproduction of the work itself with differences in detail, based on an assessment of similarity between the Kiko and Wycon stores.

First of all, the Court clarified that exclusive rights are infringed both if the work is copied in its entirety (abusive reproduction) and if there is a counterfeit activity bearing some differences; in the latter case, what matters is the possibility to identify, in the later work, the essential features characterizing the earlier work (*i.e.*, differences of mere detail that do not have any creative contribution), according to an overall assessment. Moreover, if the work is not highly creative, minimal variations may be sufficient to exclude counterfeiting. On the contrary, there is creative elaboration, with consequent absence of infringement of the exclusive rights, if the original work is developed adopting a recognizable creative contribution.

Having said that, the Supreme Court clarified that plagiarism refers to infringement of the moral right of authorship, while counterfeiting refers to infringement of exclusive rights because the work of others is exploited economically without the owner's authorization to obtain economic benefits. For plagiarism, counterfeiting or even plagiarism-counterfeiting to occur, the essential elements of the earlier work must coincide with those of the later work. It is therefore necessary to take into consideration "*not the inspiring idea or the individual elements of the work but the original composition and organisation of all the elements that contribute to the creation of the work itself*". In other words, it is necessary to verify whether "*as a result also of a technical elaboration, even if within an ideal path already taken from other paths, having assessed the set of elements characterizing the object, the expressive capacity of the work changes, which means the capacity to arise emotions in the public, through the aesthetic characteristics of the work, and a new creativity worthy of autonomous protection is achieved*".

The CoA had considered the Wycon store layout as a substantial reproduction of the structural elements of the Kiko stores, both in the overall impression and in the structural composition, without pointing out the small differences in the shape of the individual components.

The Supreme Court also rejected this ground of appeal.

Finally, the Court offered some useful clarifications regarding **unfair parasitic behaviour**.

According to Wycon, the CoA failed to rule on the facts and exceptions put forward in support of the absence of the conditions of parasitic competition, having failed to verify the originality of Kiko's initiatives that had been imitated and the existence of the constituting elements of parasitic competition.

The Supreme Court considered Wycon's grounds of appeal to be well-founded on this point, recalling its own established case law<sup>9</sup> about the requirements for parasitic competition to exist:

- several unlawful acts, which represent a continuous and repeated imitation of the competitor's initiatives, are needed and, therefore, a systematic exploitation of others' work and creativity;
- the activity can imitate the competitor's initiative in a single moment;
- systematicity and continuity can also be simultaneous and, therefore, not necessarily repeated over time, and expressed in the quantitative characteristics of the imitation.

The Supreme Court therefore partially accepted Wycon's appeal, referring the case back to the CoA for further assessment on the facts of the unfair competition and the quantification of the damages, considering that the calculation of the latter was not based on proper criteria.

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<sup>9</sup> See Supreme Court n. 5852/1984; Supreme Court n. 9387/1994