



International Distribution Institute

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**IP protection of the layout of offline and online shops:
the brand owner's perspective**

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The Topic

Several companies have started seeing the shop layout (not only of brick and mortar but also of online shops) as an important asset and this leads them to increase the level of protection through the registration of IP rights (e.g. design, copyright, three-dimensional trademark etc.). There are of course pros and cons in making this decision: what are the main evaluations made by the brand owner in this framework?

My in-house experience

- The **case KIKO vs Wycon** is a clear example of shop layout protection IP rights.
- During the time the lawsuit was filed by KIKO, my role was Legal IP & IT Manager at Percassi and KIKO was a subsidiary of Percassi Group.
- I developed and implemented a global strategy to ensure protection and enforcement of IP rights, including trademarks, copyright, design and patents.
- On July 10, 2014 the European Court of Justice made a significant decision allowing **the registration of Apple's flagship as a trademark.**

My in-house experience

In agreement with the company, I decided to **launch a strategy** to protect the layout of the KIKO store, which involved the following elements:

- Firstly, I adopted a global mindset
- I then started to file the registration of the KIKO store layout as a trademark in Italy and in EU
- I conducted investigation activities to check competitor's stores and products
- I understood the possibilities of protection and potential disputes
- I utilized the best communication channels to inform customers and competitors about the IP assets and the rights of the owner
- Finally, I drafted and enforced internal policies and governance for the IP assets

My in-house experience

The **challenges** I faced in enforcing the protection strategy of the store layout included:

- To maintain an approach that guaranteed a **consistent reproduction** of the layout of the shop
- To keep the creativity of my colleagues under control and their desire to modify and enhance the shop layout
- To address the **architectural problems** such as finding spaces/shops that allowed and maintained the **uniformity of the store layout**
- To coordinate legal activities in different jurisdictions

Relationships with different stakeholders

In the protection strategy of the store layout, it was crucial to constantly manage relationship with:

Internal stakeholders: CEO, managing director, construction team, marketing and communication team, CFO

External consultants: litigators and trademarks and patents consultants

Like an orchestra conductor, I endeavoured to guide and coordinate all parties to achieve a common goal: protecting our asset, the original layout of KIKO store.

What was the process that led to choosing one protection over another?

The process that led the selection of one form of protection over another involved the following factors:

- Result predictions on protection
- Economic damage caused by the right's violation
- Legal costs
- Final decision from the company

KIKO vs Wycon lawsuit

The Background

KIKO and Wycon are two well-known Italian companies active in the production and distribution of cosmetics.

In 2013, KIKO sued Wycon before the **Court of Milan**, alleging that:

- (i) The layout of Wycon's stores was almost identical to that of Kiko's, and therefore it was infringing on its **exclusive rights** to the plans and layout of the store; and
- (ii) Wycon had undertaken a series of commercial initiatives (e.g., the contents and style of its online commercial communication, the choice of shop salespeople's uniforms, the shape of its shopping bags and of the cosmetic products themselves) that basically amounted to a **slavish imitation of Kiko** and, ultimately, **an unfair, parasitic competition**.

KIKO vs Wycon lawsuit

The Court of Milan's decision:

The Court of Milan accepted the claims made by KiKo (**no. 11416 /2015**).

In particular, regarding copyright, the Court established that the choice, combination, coordination and overall shape of the elements used to furnish the Kiko shops presented **sufficient elements of creativity**.

According to the Court:

- These elements were not imposed by the need to solve a particular technical problem
- They were constantly created and reproduced in the various points of sale, such as to make the architectural project original and creative, therefore worthy of protection pursuant to **article 2, no. 5 Law 633/1941 (Italian Copyright law)**

KIKO vs Wjcon lawsuit

The Court of Appeal's decision:

However, Wycon challenged the first instance decision before the Court of Appeal, arguing that:

- The layout of the Kiko stores could not be protected so much as a work of architecture pursuant to article 2, no. 5 Italian Copyright Law as they would **lack a specific building surface in which the work should be incorporated** and the organization of this space using fixed structural elements.
- The layout of the Kiko shops could be protected, at the most, in the individual furnishing elements as **works of industrial design** pursuant to **article 2, no. 10, Italian Copyright Law**, a rule which requires, however, the further requirement of the **artistic value of the work**.

The Court rejected the Wycon's requests (**n. 1543/2018**) who then finally filed an appeal to the Italian Supreme Court.

KIKO vs Wjcon lawsuit

The Supreme Court's decision

It is important to note that the Italian Supreme Court (**Corte di Cassazione**) in the Italian jurisdiction can only check whether the Courts of Appeals have correctly applied the law, without the opportunity to re-examine any facts of the case.

In its decision (n. **8433/2020**) the Italian Supreme Court confirmed the ruling made by the Court of Appeal of Milan that ruled Kiko's concept store plans and layout were eligible for copyright protection according to the article 2, n. 5, Italian Copyright law.

This article is included in the **protection of copyright "architectural drawings and works"**.

KIKO vs Wjcon lawsuit

However, the Supreme Court's decision left some issues unresolved.

Wycon appealed the decision on two additional main grounds:

- (i) Firstly, the Court of Appeal failed to provide adequate reasons why Wycon was deemed to have committed acts of unfair parasitic competition against KIKO. Wycon disputed the failure to ascertain originality of the imitated KIKO's initiatives, since according to Wycon they were completely trivial and frequent activities in the sector.
- (ii) Secondly, the Court of Appeal used incorrect criteria to calculate the amount owed by Wycon to KIKO as compensation for damages.

KIKO vs Wjcon lawsuit

In response, the Supreme Court stated that:

- For the purpose of verifying the existence of a **parasitic unfair competition**, an assessment of the originality of the imitated initiatives should be carried out by the Courts, however it didn't happen.
- The Court of Appeals calculated damages in order to define what is known as the "**price of consent**" based on incorrect parameters. Without considering the price Wycon hypothetically would have paid to obtain license to use the layout from Kiko.

As a result, the decision was partially overturned, and the case was sent back to the Court of Appeals for re-examination with reference to these two grounds.

Did the lawsuit act as a driving force for the business?

In my personal opinion:

- It became more of a relevant case law rather than a business driver.
- In fact, there was not a strong disclosure in the market nor media attention.
- There was no impact on the products, initiatives or the communication activities that were considered by Kiko as unfair competition.
- However, I can say that most of the store modifications made by Wycon were relevant to change the customer perception of the two stores layout.



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