

Starbucks vs. Ethiopia Case Study February 2011

Each year, the world produces about [7 million tons](#) of coffee.¹ Together, we drink [500 billion cups](#) of coffee annually.² The potential for profits to be derived from this massive coffee trade are obvious. The money to be gained (or lost) as a result of the intellectual property strategies employed by the multi-national coffee purchasers, and the coffee-producing countries that supply, them is less obvious. This case study examines the dispute over the right to use the term “Sidamo” in describing coffee products between the Government of Ethiopia and the coffee giant Starbucks.

The Making of a Coffee Titan.

Starbucks opened its first shop in Pike Place Market in Seattle in [1971](#).³ It has now expanded to more than [16,000 locations in over 50 countries](#),⁴ the result of CEO and Chairman Howard Schultz’s desire to “t[ake] the quality coffee bean tradition of Starbucks and merge[] it with the charm and romance of the European coffeehouse.”⁵ Schultz’s idea was initially ridiculed as little more than a “[West Coast Yuppie fad](#).”⁶

Schultz proved to be a visionary. Under his inspired leadership, Starbucks has become one of the best-known global brands. An entire book has been devoted to the task of “explor[ing] how Starbucks served as the apotheosis for the exploding meanings of buying in our possibly fading consumer saturated-culture.”⁷ As rock legend Alice Cooper remarked in 2009, “[\[a\]s Starbucks goes, so goes America](#).”⁸

Part of Starbucks’ success lies in the appeal of its brand. When people talk about a firm’s “brand”, they are typically speaking of the “[successes of a trademark in terms of contribution to](#)

¹ Coffee Consumption, http://www.worldmapper.org/posters/worldmapper_1038_coffee_consumption_ver2.pdf (last visited August 10, 2010).

² Anton Foek, *Trademarking Coffee: Starbucks Cuts Ethiopia Deal*, CORPWATCH, May 8, 2007, <http://www.corpwatch.org/article.php?id=14474>.

³ Our Company, <http://www.starbucks.com/about-us/company-information> (last visited August 10, 2010).

⁴ Company Profile, <http://assets.starbucks.com/assets/company-profile-feb10.pdf> (last visited August 10, 2010).

⁵ JOSEPH A. MICHELLI, *THE STARBUCKS EXPERIENCE: 5 PRINCIPLES FOR TURNING ORDINARY INTO EXTRAORDINARY 2* (2007).

⁶ Cora Daniels, *Mr. Coffee: The man behind the \$4.75 Frappuccino makes the 500*, CNN.COM, Apr. 14, 2003, http://money.cnn.com/magazines/fortune/fortune_archive/2003/04/14/340892/index.htm.

⁷ BRYANT SIMON, *EVERYTHING BUT THE COFFEE: LEARNING ABOUT AMERICA FROM STARBUCKS 2* (2009)

⁸ Cal Fussman, *Alice Cooper: What I've Learned*, ESQUIRE, Jan. 2, 2009, <http://www.esquire.com/features/what-ive-learned/alice-cooper-quotes-0109>.

[market share, sales, profit margins, loyalty and market awareness.](#)”⁹ Starbucks has succeeded, by and large, in branding itself as a socially responsible firm. The company’s [website](#) states that it is “committed to buying and serving the highest-quality, responsibly grown, ethically traded coffee to help create a better future for farmers.”¹⁰

In 2009, Starbucks’ [brand value](#) was worth more than 3.2 billion dollars.¹¹ Like all firms, Starbucks works hard to cultivate and defend its brand as a matter of intellectual property strategy. As of August 2010, Starbucks has [filed](#) 241 trademark applications with the United States Patent and Trademarks Office (USPTO).¹² Moreover, the firm has not been shy about protecting its intellectual property in court, having once [sued](#) to prevent a woman named “Sam Buck” from calling her coffee shop “Sambucks.”¹³ Occasionally, however, vigorous defense of the firm’s trademarks backfires, as was the case in a trademark dispute with the government of Ethiopia over a specialty coffee “Sidamo.”

“Sidamo” refers to a type of coffee grown in the Sidamo region of Ethiopia. Ethiopia, declared by some to be the birthplace of coffee, is one of the poorest countries in the world. Of its population, [44 percent](#) lived below the national poverty line in 2000.¹⁴ Coffee is Ethiopia’s [primary export](#). The economic performance of the country is heavily dependent on its coffee sector.¹⁵ Starbucks is a major global purchaser specialty coffees, which often sell for a premium on the retail market.

Ethiopian farmers have not always been in a position to benefit from the high prices commanded by their superior coffees. For example, a pound of Starbucks’ roasted Shirkina Sun-Dried Sidamo sold for as much as \$26 in 2007, while the average amount returned to the farmers who produced the coffee was [\\$1.45](#).¹⁶ Struck by this disparity, the government of Ethiopia

⁹ *The Role of Trademarks in Marketing*, Feb. 2002 WIPO MAG. 10, http://www.wipo.int/sme/en/documents/wipo_magazine/02_2002.pdf.

¹⁰ Being a Responsible Company, <http://www.starbucks.com/responsibility> (last visited August 10, 2010).

¹¹ Interbrand, Best Global Brands 2009 Rankings, http://www.interbrand.com/best_global_brands.aspx (last visited August 10, 2010).

¹² USPTO, Trademark Electronic Search System, <http://tess2.uspto.gov/bin/gate.exe?f=searchss&state=4009:kj4p4g.1.1> (Search for “Starbucks” and click “Live” radio button).

¹³ Ruth David, *Struck by Starbucks*, FORBES.COM, Mar. 15, 2007, http://www.forbes.com/2007/03/15/starbuck-starstruck-patent-markets-equity-cx_rd_0314markets5.html.

¹⁴ TASSEW WOLDEHANNA, THE EXPERIENCES OF MEASURING AND MONITORING POVERTY IN ETHIOPIA iv (2004), http://www.worldbank.org/afr/padi/ethiopia_paper.pdf.

¹⁵ Dominic Rushe, *Starbucks Brews Battle with Ethiopia*, THE AUSTRALIAN, March 10, 2007, <http://www.theaustralian.com.au/business/starbucks-brews-battle-with-ethiopia/story-e6frg8zx-1111113129153>.

¹⁶ Stephan Faris, *Starbucks vs. Ethiopia*, FORTUNE, Feb. 26, 2007, http://money.cnn.com/magazines/fortune/fortune_archive/2007/03/05/8401343/index.htm.

began working with [Lightyears IP](#)¹⁷ and [Arnold & Porter, LLP](#),¹⁸ to register three trademarks associated with coffee-producing regions: [Yirgacheffe, Harrar and Sidamo](#).¹⁹ The idea was that the trademarks could help to boost the price of specialty coffee and, ideally, allow the country to increase revenue from specialty coffees by an estimated [\\$88 million per year](#).²⁰

To this end, the government created the [Ethiopian Coffee Trademarking and Licensing Initiative](#), which seeks to trademark names like Sidamo in foreign countries.²¹ Regardless of whether the trademarks are successfully registered, the initiative also attempts to convince major coffee retailers to sign [trademark license agreements](#)²² recognizing Ethiopia's exclusive ownership of Sidamo and other coffee names. Since 2007, more than [sixty companies](#)²³ have signed license agreements and trademarks have been either registered or applied for in [ten countries](#).²⁴

While Ethiopia was pursuing its own trademarking initiative, Starbucks had applied for trademark registration of "[Shirkina Sun-Dried Sidamo](#),"²⁵ a coffee blend produced as part of the company's Black Apron Exclusives line of limited edition coffee. When Ethiopia attempted to trademark "Sidamo", the USPTO notified the government that its trademark was considered substantially similar to Starbucks' application and was suspended until the resolution of Starbucks' application.

Representatives of the government of Ethiopia, no doubt displeased with this result, [requested](#) that Starbucks withdraw its application.²⁶ Starbucks' [response](#) was to attempt to persuade the government of Ethiopia that a certification mark or geographic indication would be

¹⁷ Lightyears IP, Ethiopian Fine Coffee, <http://www.lightyearsip.net/projects/ethiopiancoffee/> (last visited August 10, 2010).

¹⁸ Arnold & Porter, Pro Bono, <http://www.arnoldporter.com/probono.cfm> (last visited August 10, 2010).

¹⁹ Stephan Faris, *Starbucks vs. Ethiopia*, FORTUNE, Feb. 26, 2007, http://money.cnn.com/magazines/fortune/fortune_archive/2007/03/05/8401343/index.htm.

²⁰ Stephan Faris, *Starbucks vs. Ethiopia*, FORTUNE, Feb. 26, 2007, http://money.cnn.com/magazines/fortune/fortune_archive/2007/03/05/8401343/index.htm.

²¹ Ethiopian Coffee Network, What's this all about?, <http://www.ethiopiancoffeenetwork.com/about.shtml> (last visited August 10, 2010).

²² Ethiopian Coffee Network, Trademark License Agreements, <http://www.ethiopiancoffeenetwork.com/licensing3.shtml> (last visited August 10, 2010).

²³ Ethiopian Coffee Network, <http://www.ethiopiancoffeenetwork.com/> (last visited August 10, 2010).

²⁴ Ethiopian Coffee Network, FAQ, <http://www.ethiopiancoffeenetwork.com/faq.shtml> (last visited August 10, 2010).

²⁵ USPTO, Trademark Electronic Search System, <http://tess2.uspto.gov/bin/gate.exe?f=searchss&state=4010:h25n2p.1.1> (search for "Shirkina Sun-Dried Sidamo").

²⁶ Stephan Faris, *Starbucks vs. Ethiopia*, FORTUNE, Feb. 26, 2007, http://money.cnn.com/magazines/fortune/fortune_archive/2007/03/05/8401343/index.htm.

more appropriate.²⁷ This was also the position of the Specialty Coffee Association of America, which argued that: “The World Trade Organization recommends using certification marks for the protection of geographical indications of origin as a means of protecting the intellectual property rights of agricultural producers.”²⁸ A certification mark informs purchasers that goods or services meet certain standards, while a geographic indication marks a product as coming from a specific region.²⁹ However, by trademarking “Sidamo,” Ethiopia does not need to certify every bag of coffee produced, as with a certification mark, nor is it restricted to producing the coffee only in the Sidamo region.³⁰

Perhaps most important, the registration of Sidamo as a trademark prevents others from using the name with respect to coffee without the permission of the government of Ethiopia. Although Starbucks ultimately withdrew its application for “Shirkinia Sun-Dried Sidamo,” the National Coffee Association filed a [letter of opposition along with hundreds of pieces of evidence](#),³¹ claiming that “Sidamo” was a word for a generic type of coffee that came from a region in Ethiopia and thus unable to be registered as a trademark. The USPTO then [denied](#) the trademark registration.³² Ethiopia [appealed](#),³³ and ultimately won the right to use Sidamo as a registered trademark.

Although Starbucks had legal grounds for attempting to trademark Shirkinia Sun-Dried Sidamo, the company soon found itself faced with a barrage of negative publicity. Part of the backlash was directed against the coffee industry in general; consider the 2006 documentary

²⁷ Stephan Faris, *Starbucks vs. Ethiopia*, FORTUNE, Feb. 26, 2007,

http://money.cnn.com/magazines/fortune/fortune_archive/2007/03/05/8401343/index.htm.

²⁸ INTELLECTUAL PROPERTY RESEARCH INSTITUTE OF AUSTRALIA, SIDAMO: A TEACHING CASE FOR WIPO 13 (2009),

http://www.wipo.int/export/sites/www/academy/en/ipacademies/educational_materials/cs4_sidamo.pdf

²⁹ Maria Brownell, *Coffee Trademark Licensing for Farmers: Brewing a Farmer-Owned Brand*, 14 DRAKE J. AGRIC. L. 291, 303-07 (2009).

³⁰ INTELLECTUAL PROPERTY RESEARCH INSTITUTE OF AUSTRALIA, SIDAMO: A TEACHING CASE FOR WIPO 7-9 (2009),

http://www.wipo.int/export/sites/www/academy/en/ipacademies/educational_materials/cs4_sidamo.pdf

³¹ USPTO, TDR Database, Administrative Response,

http://tmportal.uspto.gov/external/PA_TOWUserInterface/OpenServletWindow?serialNumber=78589307&scanDate=2006081734846&DocDesc=Administrative+Response&docType=ADR¤tPage=1&rowNum=13&rowCount=21&formattedDate=17-Aug-2006

³² USPTO, TDR Database, Administrative Response,

http://tmportal.uspto.gov/external/PA_TOWUserInterface/OpenServletWindow?serialNumber=78589307&scanDate=2006081734846&DocDesc=Administrative+Response&docType=ADR¤tPage=1&rowNum=13&rowCount=21&formattedDate=17-Aug-2006

³³ USPTO, TDR Database, Response to Official Action,

http://tmportal.uspto.gov/external/PA_TOWUserInterface/OpenServletWindow?serialNumber=78589307&scanDate=2007011841387&DocDesc=Response+to+Office+Action&docType=ROA¤tPage=1&rowNum=12&rowCount=21&formattedDate=17-Jan-2007

entitled [Black Gold](#), an “eye-opening expose of the multi-billion dollar [coffee] industry.”³⁴ Much of the public ire was directed at Starbucks. After the initial difficulties with Ethiopia’s Sidamo trademark, Oxfam became involved, running an advertisement in the *Seattle Times* that accused Starbucks of refusing to “sign an agreement recognizing Ethiopia’s ownership of the country’s coffee--the same coffee that millions of poor farmers depend on to make a living.”³⁵

This criticism stung precisely because Starbucks had often touted its socially responsible business practices. An Oxford Business School scholar slammed Starbucks for “brand hypocrisy.”³⁶ As another author observed, “consumers paid Starbucks a little extra to absolve themselves of the sins of twenty-first-century globalization and alleviate their guilt over world-wide inequities. Would they still be willing to do this if it looked like the company wasn’t doing right by Ethiopia . . . ?”³⁷

Starbucks was further hampered by what seemed at first to be a tone-deaf media response. For example, after Dub Hay, Starbucks’ Senior Vice President for Coffee and Global Procurement, told the Wall Street Journal that “[t]he gift that Starbuck’s can bring to the coffee farmer is the guarantee of more business next year,” some commentators [scoffed](#): “Starbucks seems to be saying that Ethiopian coffee farmers should be darn grateful for anything they get.”³⁸ Ethiopia’s supporters, on the other hand, arranged a remarkably successful grassroots campaign. On its website, Oxfam posted a “Starbucks Day of Action Toolkit” consisting of instructions for a day of protest and a petition supporting Ethiopia.³⁹ Oxfam’s campaign resulted in over 90,000 people signing petitions to Starbucks urging them to sign a trademark license agreement with Ethiopia.⁴⁰ Moreover, Arnold and Porter’s Bob Winter appeared on [YouTube](#) to explain exactly why Ethiopia was seeking a trademark, rather than a certification or geographical indicator.⁴¹

Ultimately, Starbucks relented. The company and the government of Ethiopia resolved their dispute in 2007. The Ethiopian government was awarded trademark rights for its specialty Sidamo coffee in the United States in 2008.

³⁴ *Black Gold: A Film about Coffee and Trade*, <http://www.blackgoldmovie.com/> (last visited August 10, 2010).

³⁵ BRYANT SIMON, *EVERYTHING BUT THE COFFEE: LEARNING ABOUT AMERICA FROM STARBUCKS* 233-34 (2009).

³⁶ Douglas Holt, *Brand Hypocrisy at Starbucks* (Said Business School, University of Oxford 2005).

³⁷ BRYANT SIMON, *EVERYTHING BUT THE COFFEE: LEARNING ABOUT AMERICA FROM STARBUCKS* 236 (2009).

³⁸ David Bollier, *Starbucks, Trademarks, and Coffee Colonialism*, ON THE COMMONS, Mar. 6, 2007, <http://onthecommons.org/starbucks-trademarks-and-coffee-colonialism>.

³⁹ Mary O’Kicki, *Lessons Learned from Ethiopia’s Trademarking and Licensing Initiative: Is the European Union’s Position on Geographical Indications Really Beneficial for Developing Nations?*, 6 LOY. U. CHI. INT’L L. REV. 311, 333 (2009).

⁴⁰ BRYANT SIMON, *EVERYTHING BUT THE COFFEE: LEARNING ABOUT AMERICA FROM STARBUCKS* 235 (2009).

⁴¹ *Ethiopian Coffee Network Legal Issues*, <http://www.youtube.com/watch?v=2DiWK81j7fg> (last visited August 10, 2010).