

Round 2 - CINEMA

Barbie Pink Drink

Confidential Facts for Starbucks

Since its inception, Starbucks has always been a company that has been at the forefront of innovation in the coffee industry, continually introducing new ideas and concepts to enhance the customer experience. Starbucks was one of the first coffee companies to pioneer a mobile app and collaborate with celebrities. Additionally, Starbucks is the only coffee shop with Reserve Roasteries that offer a unique coffee experience, blending elements of a coffee factory, cafe, and bar, showcasing innovation in coffee craftsmanship. All of these accomplishments demonstrate Starbucks dedication to staying at the cutting edge of both coffee culture and technology. Any corporation associated with Starbucks is generally happy to be associated with such a titan in the food and hospitality industry.

It should be noted that Starbucks Corporate did NOT co-sign the creation of this beverage. Though admittedly, Starbucks did not stop the drink from being sold after learning about the increase in revenue and customer foot traffic. Starbucks understood the risk of allowing Secret Menu items from an intellectual property perspective, but felt the reward was greater than the risk. With revenue streams upwards of \$20 million a year deriving from secret menu drinks, the idea is viewed as a stroke of genius. Frankly put, Starbucks is shocked that Mattel is threatening litigation. When the Harry Potter inspired “Butterbeer Latte” began to trend, J.K. Rowling and her representatives were silent and allowed their die-hard fans to enjoy a piece of the fantasy series that they have cherished for many years.

While Starbucks is taken aback by Mattel’s reaction to this Barbie inspired beverage, it does understand the importance of protecting the intellectual property rights of a company. Let’s not forget the Dumb Starbucks pop up created by comedian Nathan Fielder in February 2014 that stirred up controversy and caused customer confusion. While Starbucks did not sue, the matter was handled privately and ultimately the parody establishment was closed. With that, Starbucks saved millions of dollars that would have been spent on a lawsuit. That said, Starbucks would love to continue to sell the “Barbie Pink Drink.” Unbeknownst to many, Starbucks is undergoing severe financial issues and facing a great deal of bad publicity given the baristas that are trying to unionize. The union strikes occurring across the country have resulted in a great deal of bad press and have caused many customers to not want to cross the picket line to purchase a latte. In this economy, less and less people are willing to pay \$7 or \$8 for a cup of coffee. Most recently, an ex-rogue employee has leaked the recipe cards for some of the most popular beverages at Starbucks. Now all users of TikTok have the opportunity to remake the Starbucks beverages at a fraction of the cost. For these reasons, the annual projected revenue for Starbucks was falling and falling quickly until this secret menu item was created. The drink’s sugary taste and pink hue attracted children and Barbie fans alike. And for the first time in months, Starbucks projected annual revenue began to rise.

While the “Barbie Pink Drink” has amassed Starbucks a great deal of capital, Starbucks is willing to stop the sale of the “Barbie Pink Drink.” However, Starbucks is only willing to do so in exchange for a new deal with Mattel. Starbucks’ marketing team developed a new beverage called the “Barbie Cloud Macchiato.” For a limited time, raspberry flavored pink powder would be blended into the cold foam, and layered on top of the caramel macchiato— THE most popular beverage that Starbucks serves globally. This collaboration could garner \$50 million in revenue for Mattel and Starbucks. Starbucks would prefer for the collaboration to be hosted by Starbucks but is also open to any ideas that Mattel proposes for purposes of reconciliation. For whatever collaboration Starbucks and Mattel agree on, Starbucks would prefer a revenue split of 50% for each party. Starbucks is hesitant but willing to agree to a revenue split of 30% and 70% — 30% for Starbucks and 70% for Mattel. In the event that both parties come to an agreement, Starbucks foresees Mattel asking for a non-disclosure agreement to be included in the contractual documents. Starbucks is willing to agree to a non-disclosure agreement so long as it is reasonable in duration. A non-disclosure agreement that is too broad will potentially limit Starbucks’ ability to discuss or disclose information as necessary. Accordingly, Starbucks is willing to enter into a non-disclosure agreement, provided that the duration does not exceed 3 years, and contingent on Mattel’s agreement to also sign a non-disclosure agreement.

Another topic of discussion is, of course, the inevitable talk of an amount of money to settle the litigation. Starbucks is in no position to make a generous payout. However, given that the average price of intellectual property litigation processes can cost between \$2.3 and \$4 million, excluding the potential damages awarded at trial, Starbucks legal team is motivated to settle this matter. Starbucks has authority to settle this matter for up to \$7 million but would prefer to pay much less. Ideally Starbucks would like the settlement to be in the \$2-3 million range. Ultimately, while it is possible that Mattel will prevail on its trademark claim over the use of the Barbie logo, Starbucks Legal has concluded that Mattel will likely fail on its trademark/color claim of Barbie pink. That said, Starbucks does not have the capital to sustain them in an ongoing intellectual property dispute in court while simultaneously managing the costs associated with the ongoing labor disputes. It is imperative for this matter to be resolved quickly and quietly. Starbucks is willing to make a statement redacting the “Barbie Pink Drink” and explaining that the drink was not associated with Mattel and will no longer be sold. However, Starbucks will only do so if Mattel agrees to cheerfully and jointly announce a Mattel/Barbie collaboration as part of the announcement.