

Brewing Up a Storm: The Rise of Stars Coffee

MANAGEMENT DECISIONS

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

Management Decisions

The opening of Stars Coffee in Russia can raise several possible reactions from the executive team of Starbucks. Back in August 2022, the world was stunned by the clear resemblance between the iconic coffee brand and its new replacement. With an almost identical company name and logo, the media started to wonder what Starbucks would do next. However, the situation remains uncommented by Starbucks until this day. Moreover, to our knowledge, there are no official documents stating that legal actions have been taken by Starbucks. According to the media, Starbucks has not commented on the similarities between the names and logos and has had no comments on the new stores.

An open-ended case

Due to management decisions not yet being taken to this current day, this is seen as an open-ended case. Such a case can be described as ongoing where there is a lack of a clear factual management decisions when the case is written. As mentioned before, the only factual knowledge we have is that Starbucks has chosen not to comment on the situation, therefore we cannot know if or how the corporation is planning to act in the future. One can consequently only speculate on management decisions, which leaves it open for interpretation.

Comments from experts

To be as versatile as possible, relevant experts from different areas have been asked to comment on the case. These four participants will further act as 'experts' when concluding the case discussion. Because there are no current managerial decisions, there are no factual answers. Therefore, the experts' comments should not be seen as the correct way of solving this case, but rather as advisory suggestions.

Comments

Annika Närling, Global Markets Brand & Communications Director

Given that both the name and the branding of the product have very big similarities with the original Starbucks brand, I see this as a clear trademark infringement and I would go legal in this case. My assumption would be that Starbucks has protected its brand in Russia and registered its trademark according to all protocols and trademark regulations. This is still valid, even if they choose to exit the market. With trademark protection, you should still be protected and prevent others from using your brand or using a brand that can be mistaken for the Starbucks brand, which is clear in this case. I would turn to the legal department and ask them to open a case via our trademark law firm and initiate a process towards Stars Coffee in Russia. And even from a reputational risk perspective, what would happen if they continue to open more coffee shops under the same name and we have taken no action? I would choose not to comment or post anything on social media unless there is a direct question if Starbucks is still operating in Russia or not. And if necessary confirm that we are aware of a trademark infringement in Russia that is currently being investigated. I would choose to be very neutral and professional when commenting on the case and not go into any details or make assumptions until the case has been closed.

Andreas Lindén, Graphic designer specialized on logos, brand identities & brand strategy

The answer is two-folded, both legal and brand-related. I am not a lawyer, so there are some assumptions on my part. In my opinion, Starbucks is doing the right thing by not commenting on Stars Coffee businesses in Russia. They probably cannot take legal action, as I do not believe that Russia's legal system would give much consideration to an American company's interests.

Since Starbucks has withdrawn from Russia, Stars Coffee is also not seen as a competitor. Therefore, there is no marketing reason to comment on the fact that a Russian Starbucks copy has appeared. I also do not consider the Starbucks brand to have been damaged, since Russia's reputation in the Western world has been at a low point since the Cold War. I also do not believe many people in the Western world, where Starbucks' main market is located, take a Russian copy of an American brand very seriously. If Stars Coffee were to try to establish itself outside of Russia after the war is over, there would be a reason for Starbucks to take legal action. In this case, they probably would not comment on this until the legal dispute is resolved.

To summarize: as long as the war between Russia and Ukraine continues, I do not see a need for Starbucks to take action. But if Stars Coffee wants to expand outside of Russia to a country where Starbucks exists, they would likely take legal action and comment on the legal outcome afterward.

Anonymous, Ph.D. and researcher in intellectual property rights

Starbucks is an internationally registered trademark, and in the case of the other party, Stars Coffee, having a similar logo and conducting the same type of business is considered a classic scenario of trademark infringement. Therefore, Starbucks has reason to accuse Stars Coffee of infringement. The first step is usually to send a cease and desist letter and point out the infringement of Starbucks' trademark. However, it is important to understand the political situation ongoing with the war in Ukraine, which may make it difficult to practically initiate any legal process in court. Nevertheless, Starbucks should still try to send the letter to Stars Coffee. From a communication perspective, there is an opportunity for Starbucks to publish it on its website to show the world that they distance itself from Russia and Stars Coffee. However, it should be decided from a PR perspective, but legally it is possible to publish the information.

Based on what is known, Stars Coffee has attempted to trademark, but it is not yet known if it has been approved. However, it is highly unlikely that the trademark registration will be approved since Starbucks is an internationally known brand, and Russia is part of an international trade agreement called Trade-Related Aspects of Intellectual Property Rights (TRIPS). That is, if everything is done correctly according to the agreement with the Russian intellectual property authority, the registration should not go through.

The next step may also be to send a letter to the Russian trademark authority to point out that Stars Coffee should be denied registration due to its similarity with Starbucks' registered trademark. The recommendation is to act and send the letters directly, which is partly based on the fact that Starbucks needs to act within a certain time frame to not lose the right to the trademark, and partly because it is usually recommended to act as soon as possible in such cases. It is also important to consider how sensitive the situation is when drafting the letter to avoid getting public opinion against Starbucks. Still, the case itself is not particularly sensitive, and the approach can, therefore, be quite strong, but with careful wording.

Anonymous, Professor in Business administration with specialization in Marketing

First, regarding the legal aspect I don't know if it would even be possible to act and if it would be with any success, considering the Russian system.

Second, it is important not to encourage other companies to do the same as Stars Coffee has done, but in other markets. This may be one reason to take legal action but again I am not sure whether it is possible at all.

Third, one reason to comment on Stars Coffee may again be to make clear to other potential competitors that consider doing something similar in other markets, that this will have severe consequences for them. If the publicity is in major American/International press that reaches a lot of people, it might be difficult in the long run to remain silent. For example, in relation to consumers, investors, and business partners. A suitable response may stress that this is indeed against trademark rights and that it would not be acceptable in other markets. Maybe also twist it as a part of general criminal Russian behavior that is difficult to intervene with now. I think that Starbucks is not the only company this has happened to. Is it not similar to McDonalds? Maybe it would be an idea to collaborate with other western companies that experience the same problem? Maybe go public with a shared statement?

Summary

In summary, the experts all provide different perspectives on the issue of Stars Coffee in Russia. All experts agree on the similarities in name, logotype, and business to Starbucks along with all agreeing on the moral difficulties of the case concerning the war in Ukraine and the Russian legal system. From a legal perspective, Starbucks has grounds to accuse Stars Coffee of trademark infringement, and the first step would be to send a cease and desist letter. However, it is important to consider the political situation with the ongoing war and the possibility of no legal process. From a branding point of view, one of the brand experts suggests pursuing legal actions but recommends not publishing it on Starbucks' social media unless there is a direct question to answer. In contrast, another brand expert advises Starbucks to lay low, unless the business expands in other countries where Starbucks is operating. Hence, competition is considered an important aspect of the decision. In terms of business, the expert highlights the essence of not encouraging other companies to do the same and therefore consider taking legal action to make it clear to other potential competitors about the consequences. Overall, the experts' comments highlight the importance of considering many perspectives of the issue and taking an appropriate course of action in consideration of these perspectives. The perspectives considered by the experts can be reduced to business, legal, brand, and ethical and there is the relevance of not only considering one or some of these perspectives, but all of them when deciding about actions.