

Ciresi helps Kraft win \$2.76B coffee spat with Starbucks

By ANNE D'INNOCENZIO and DAVID PHELPS, Associated Press and Star Tribune

NEW YORK — An arbitrator has concluded that Starbucks must pay \$2.76 billion to settle a dispute with Kraft over coffee distribution.

The two consumer products companies had been locked in a fight for three years after Starbucks Corp. fired Kraft as its distributor of packaged coffee to grocery chains.

The arbitrator determined that Starbucks must pay \$2.23 billion in damages and \$527 million in interest, Starbucks and Mondelez said Tuesday. The arbitrator will determine attorney's fees later.

Kraft was represented by Mike Ciresi, a well-known plaintiff's attorney for the Minneapolis law firm of Robins, Kaplan, Miller & Ciresi. Among other cases, Ciresi is known for having represented the state of Minnesota and Blue Cross and Blue Shield of Minnesota in a landmark settlement against the tobacco industry that totaled more than \$6 billion.

"This is an enormous result for the client that completely validates their position," Ciresi said in an interview.

Deerfield, Ill.-based Mondelez International Inc., which spun off Kraft Foods Group in October 2012, will get the award. Mondelez, whose brands include Cadbury, Oreo and Tang, said that it plans use the money left after expenses and taxes to buy back stock.

Kraft began exclusively marketing Starbucks roasted and ground coffee in stores in 1998 and renegotiated the contract in 2004. The contract was set to expire in 2014. But in November 2010, Starbucks told Kraft it was severing its agreement with Kraft. Kraft initiated arbitration proceedings to challenge the termination. The two officially separated in March 2011.

Starbucks had said in 2010 that Kraft had not done what was mandated under the contract, failing to work closely with the company on marketing decisions and customer contacts. The Seattle company said then that its decision to sever relations with Kraft was consistent with the contract's terms.

Starbucks said Tuesday that while it is pleased that the arbitration has ended, it disagrees with the conclusion.

"We believe Kraft did not deliver on the responsibilities to our brand under the agreement, the performance of the business suffered as a result and that we had a right to terminate the agreement without payment to Kraft," said Starbucks in a statement.

The company added that taking back its packaged coffee business from Kraft was the "right" decision. In fiscal 2013, its channel development division, which includes business to stores other than Starbucks, reached \$1.4 billion in revenue.

Kraft had said in 2010 that it had grown Starbucks' packaged coffee business to \$500 million in sales from \$50 million.

Starbucks said it will book the award as a charge to fiscal 2013 operating expenses.

"We're glad to put this issue behind us," said Gerd Pleuhs, executive vice president legal affairs and general counsel of Mondelez, in a statement. "We can now fully focus on growing our global snacks business."