



TEA TROUBLES

Information for the Client

You direct a business unit focused on beauty and facial care within PlentiCo, an enormous multi-national company with consumer products in cleaning, hygiene, beauty, health, nutraceuticals, as well as snack foods and beverages. Six months ago, your unit launched three new related products: a concentrated antioxidant green tea mixture, the facial steam units designed for the tea mixtures, and a concentrated green tea based topical facial mask mix. These products have been doing well, with favorable reviews in the blog spheres and excellent product placement. Unfortunately, you recently received a threatening letter from the attorney for Tea-Your-Health, a business claiming to have spun off from PlentiCo two years ago. The letter claimed that PlentiCo's health and beauty care tea-related products violated its contractual obligation (part of the purchase and sale agreement) to refrain from producing or manufacturing tea products for a period of 5 more years.

You called your PlentiCo lawyer, met with them to explain the problem and provided a copy of the letter. The lawyer promised to investigate the claim. Yesterday, your lawyer called to set up a meeting. In that conversation, the lawyer confirmed that Tea-Your-Health had been purchased (and renamed) two years ago by a group of former PlentiCo managers who had worked in a former beverage division.

You had NO idea of the existence of this agreement. When your unit's new products were approved by legal, no conflict was picked up. The whole thing is silly. Your products can't compete with Tea-Your-Health because they are not beverages. You are adamant about continuing with these products. Your unit invested a great deal in their development and production. You have a long term contract with a supplier to manufacture the steam facial machine (which has a very strong profit margin). All three products are selling well. They are projected to contribute significantly to your unit's overall profits within the next year or so.

Get ready to meet with your lawyer.