

Nestle Takes Legal Action on Sara Lee Coffee Capsules (Update2)

By Thomas Mulier



June 15 (Bloomberg) -- Nestle SA, the world's biggest foodmaker, said it began legal action against Sara Lee Corp. in France for alleged patent violations on its Nespresso coffee-making system.

Nestle "will always take appropriate steps to defend our intellectual property rights when these have been infringed," the Vevey, Switzerland-based company said today in an e-mailed response to questions, without giving details. Ferhat Soygenis, a spokesman, declined

to comment further on the proceedings.

Sara Lee started selling L'OR Espresso capsules that are compatible with Nespresso single-serving coffee machines in French stores in April. The Downers Grove, Illinois-based company is "confident our product complies with all applicable legal and regulatory requirements," spokesman Ernesto Duran said today by phone.

"Sara Lee and the others are now trying to piggyback the system that Nestle has taken decades to establish with the associated high investment costs," said James Amoroso, a food-industry consultant based in Walchwil, Switzerland.

Nestle first sold single-serve espresso for machines that don't need cleaning 24 years ago. The Swiss company cultivates an exclusive image for Nespresso through boutiques that boast tasting salons in locations such as Paris's Champs-Elysees and via a magazine sent to the homes of some of its 7 million Nespresso Club members twice a year.

French Sales

Sara Lee has sold 12 million capsules since it introduced the product in France two months ago, Duran said.

"We see no reason why Nespresso would take legal action against us and are confident about the outcome of the proceedings," he said.

Ethical Coffee Co., which also started selling a compatible version in France last month, and Sara Lee are the first to offer alternatives to Nespresso capsules. Consumers who bought a Nespresso machine previously were committed to using Nestle's 16 "Grand Cru" and limited-edition varieties, sold only in the boutiques and online.

Ethical Coffee capsules use a water seal that doesn't infringe Nespresso's patents, Chief Executive Officer Jean-Paul Gaillard said today by phone.

Nestle hasn't taken legal action against Fribourg, Switzerland-based Ethical Coffee, spokesman Soygenis said.

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