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THE KONA COFFEE ARCHETYPE: A CASE STUDY IN DOMESTIC GEOGRAPHIC INDICATION

JASON FOSCOLO*

I. INTRODUCTION: GEOGRAPHIC INDICATORS

Geographic indicators specifying the place of origin of a good or product are often placed on goods or products that have both specific geographical origins and qualities or characteristics essentially attributable to that place of origin.¹ To see a geographic indicator in action, a shopper does not need to go further than their local grocery store. Common destinations for geographic indicators at the grocery store include the cheese case to purchase a wedge of Roquefort, the deli counter for an imported Prosciutto di Parma, or the wine aisle for a bottle of Bordeaux.

Geographic indicators can also be found in the soft drink aisle. Coca-Cola has developed an unofficial indicator of sorts; it is now common to see glass bottles of Coca-Cola advertised as “Hecho en Mexico.”² Savvy consumers see this label and know it means the beverage was made with sugar, not high fructose corn syrup.³ The use of a geographic indicator on the product label allows consumers to assert their taste preferences in the marketplace for a different ingredient used in the manufacture of a universal beverage. Regardless of whether the human tongue can discern one form of sugar from another, some consumers must perceive a difference. The label allows them to assert their preferences, whether stemming from a qualitative difference or an illusory one. The financial benefit of this distinction accrues to the bottler in Mexico who provided the consumer with what became the decisive piece of information.

Geographic indicators are powerful because of their ability to distinguish one seemingly identical product from another. It might seem that a product cannot be any more ubiquitous than Coca-Cola. Yet the rudimentary “Hecho en Mexico” geographic indicator on the label proves that it is possible to split hairs even within that monolithic brand. The

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¹*About Geographical Indications*, WORLD INTELL. PROP. ORG., http://www.wipo.int/geo_indications/en/about.html (last visited Feb. 5, 2013).

²Rob Walker, *Cult Classic*, TIMES MAG. (Oct. 8, 2009), <http://www.nytimes.com/2009/10/11/magazine/11fob-consumed-t.html>.

³*Id.*

simple distinction may give the cola bottler in Mexico a slight edge in the cola wars.

Coca-Cola is difficult to beat in the ubiquity department, but coffee comes close. After oil, coffee is the second most traded commodity on Earth.⁴ Kona coffee growers in Hawaii use geographic indication to carve out their own special fiefdom in the global coffee market through shrewd and comprehensive use of state regulation and federal trademark law.⁵

The Kona system is poised to capitalize on such inquiries and preferences that drive an increasingly important part of consumer demand. In many ways, Kona coffee is an exemplary geographic indicator in the United States. In today's marketplace, consumers are asking more questions about where their food comes from and how it is made.⁶ Consumers are indulging in luxury foods at an unprecedented rate.⁷

A comprehensive legal analysis of the Kona coffee system is vital to understanding how producers of other domestic products can strengthen their brands through geographic indication. Kona coffee cultivation can be a template for how regulation and trademark protection can be used by producers to differentiate their products from similar commodities. It also demonstrates that regulation of quality characteristics can support premium pricing.

The Kona geographic indicator is far from perfect, however. Kona demonstrates that ambitious attempts by government to regulate, market, and promote a product may have constitutional limits. Kona's issues are indicative of some of the legal limitations on the proliferation of geographic indicators in the United States. These limitations are likely applicable to geographic indicators devised for the next hot agricultural product. In a market where factors like provenance and premium qualification are becoming increasingly important, a thorough examination of these aspects of the Kona geographic indicator may prove relevant and applicable to other agricultural products.

II. THE REGULATORY STRUCTURE OF KONA COFFEE CULTIVATION

Associating an agricultural product with its provenance is not certain to return a premium price for its producers. Indeed, a geographic

⁴*What Are the Most Commonly Traded Commodities?*, INVESTORGUIDE.COM, <http://www.investorguide.com/igu-article-1139-what-is-a-limited-partnership-lp.html> (last visited Jan. 20, 2013).

⁵See BRUCE A. BABCOCK & ROXANNE CLEMENS, *GEOGRAPHICAL INDICATIONS AND PROPERTY RIGHTS: PROTECTING VALUE-ADDED AGRICULTURAL PRODUCTS* (2004), available at <http://www.card.iastate.edu/publications/dbs/pdf/files/04mbp7.pdf>.

⁶See *Know Your Farmer, Know Your Food Compass*, U.S. Dep't Agric., <http://www.usda.gov/documents/KYFCcompass.pdf> (last visited Mar. 21, 2013).

⁷See *Consumer-Driven Agriculture*, NATIONALATLAS.GOV, http://nationalatlas.gov/articles/agriculture/a_consumerAg.html (last modified Jan. 14, 2013).

indicator can only be as good as the quality parameters it sets for the product. To achieve quality control, objective criteria for high quality must be built into the legal structure of the geographic indicator from its inception. Kona coffee cultivation demonstrates how a well-regulated geographic indicator can add value to agriculture by protecting the premium quality of the product through the regulatory power of law. When compared to other domestic geographic indicators, which generally focus on bulk commodity production, the Kona regulatory system is as distinct as the resulting brew.

The winning legal strategy for Kona coffee begins with state law. Hawaii's legislature granted its Department of Agriculture the authority to establish rules for grading and grade labeling requirements for its agricultural commodities.⁸ The law also granted the Department the power to prohibit the sale, offer for sale, or transportation of agricultural commodities unless packaged in standard containers and labeled with the appropriate grade or off-grade designation.⁹ The Department also has the power to establish an inspection and classification system for all of the state's crops.¹⁰

The legislature of Hawaii thus entrusted its Department of Agriculture with a broad base of powers to control its coffee industry. The Department maximized these powers to create the Kona geographic indicator growers currently use. Hawaiian law limits the regulatory boundaries of production to the North and South Kona districts on the Island of Hawai'i as designated by the Island of Hawai'i Tax Map.¹¹ This is an ambitious use of state law, as the Department was never given an explicit mandate to create a geographic indicator *per se*.¹² The authority to do so must have been implicitly derived from the explicit authority of the Department to regulate coffee cultivation and to grade the state's crops.¹³

A. Distinguishing by Perception

Pursuant to its legislative mandate and grading authority, the Department established a comprehensive inspection and grading system for Hawaii's coffee crop.¹⁴ The system covers the fruit of the coffee tree at three stages of cultivation: cherry,¹⁵ parchment,¹⁶ and green (un-roasted,

⁸ HAW. REV. STAT. § 147-4 (1) (2012).

⁹ § 147-4 (2).

¹⁰ See § 147-7.

¹¹ HAW. CODE R. § 4-143-3 (LexisNexis 2011) (defining "geographic region").

¹² See *id.*

¹³ See HAW. REV. STAT. § 147-4 (1), (7) (2012).

¹⁴ See generally HAW. CODE R. § 4-143 (LexisNexis 2011).

¹⁵ § 4-143-4.

¹⁶ § 4-143-5.

dried bean).¹⁷ At any phase of cultivation, beans can exhibit defects that will negatively affect their grade.¹⁸ The list of possible defects is peppered with language that seeks to quantify and regulate detrimental flavors. “Stinker beans” are those which give off an unpleasant odor when freshly cut.¹⁹ “Sour beans” give off a sour or fermented flavor.²⁰ When a bean gives off a definitive sour odor, there is evidence of “fermentation.”²¹

This list of potential defects is noteworthy in its attempt to regulate sensory perception as a means of creating strata of premium quality within the crop. The defects listed above are, however, merely a few examples from a longer list of possible defects that can place a crop into a lower classification of quality on the Kona grade hierarchy.²²

Cherry and parchment represent the least refined stages of cultivation, but stinker and sour beans affect the grading process at these stages.²³ However, grades at these stages of cultivation are predominantly used by wholesalers who purchase the crop from farmers before the fruit is picked or shortly thereafter.²⁴ These are the stages with which the consumer is least likely to be familiar. Thus, the regulatory grades here provide limited practical information for the average consumer.

The third stage of cultivation, characterized by green, un-roasted beans, is closest to the coffee drinker.²⁵ Roasting and grinding are the final stages before brewing, but are not covered by Hawaii regulatory law.²⁶ It is at this stage that the Kona regulations make important grading distinctions that the typical consumer is more likely to encounter, as the grade usually finds its way onto the retail label.

B. The Kona Grading Hierarchy

Kona Extra Fancy sits atop the quality hierarchy. Coffee of this grade cannot exceed eight full imperfections per three hundred grams of beans.²⁷ In descending order based on permissible imperfections are Kona Fancy (twelve imperfections per three hundred grams of beans),²⁸ Kona Number 1 (eighteen imperfections per three hundred grams of beans),²⁹

¹⁷ § 4-143-6.

¹⁸ See § 4-143.

¹⁹ § 4-143-3 (defining “stinker bean”).

²⁰ § 4-143-3 (defining “sour bean”).

²¹ § 4-143-3 (defining “fermentation”).

²² See § 4-143-3.

²³ § 4-143-6.

²⁴ § 4-143-4, -5.

²⁵ HAW. CODE R. § 4-143-6 (LexisNexis 2011).

²⁶ *Ten Steps to Coffee*, NATIONAL COFFEE ASSOCIATION USA, <http://www.ncausa.org/i4a/pages/index.cfm?pageid=69> (last visited Feb. 5, 2013).

²⁷ § 4-143-6(a)(1).

²⁸ § 4-143-6(b)(1).

²⁹ § 4-143-6(c)(1).

Kona Select (5% defective beans by weight);³⁰ Kona Prime (15% defective beans by weight);³¹ and Kona Number 3 (no more than 35% defective beans by weight).³² Coffee containing more than 35% defective beans by weight cannot be marketed as having been cultivated in Hawaii or any of its growing regions.³³ Retailers routinely use these grades to market Kona coffee to consumers.³⁴

At each of these grades, the regulation again mentions taste and flavor. Grades Extra Fancy through Number 1 must possess “good roasting quality, and good aroma and flavor when brewed.”³⁵ Grades below Number 1 are not allowed to impart “sour, fermented, moldy, medicinal, or other undesirable aromas and flavors when brewed.”³⁶ Such language focuses inspectors and growers on considering what the consumer will experience when they brew and drink their coffee. These regulations are presumably intended to protect the gustatory expectation of the consumer in order to further protect the reputation of the regional brand.

Regulators have even attempted to define what good coffee tastes like. “Good aroma and flavor when brewed” means the coffee beverage, prepared according to accepted procedures, possesses a desirable flavor and aroma and is free from all foreign, undesirable, or offensive flavors or aromas.³⁷ Control of the hedonic properties of Kona coffee is an integral part of the regulatory scheme, equal in importance to the establishment of the physical boundaries of cultivation.³⁸

By emphasizing the sensory properties of their product, Kona regulators have tapped the true potential of geographic indication. To certain consumers, Kona means more than provenance. It is also synonymous with rigorous quality control measures which guarantee consistent, premium quality coffee.³⁹

C. The Regulatory Structure’s Effect on Kona Farmers and Growers

Kona farmers owe a two-fold debt to their superbly crafted regulatory arrangement. First, geographic indicators serve as important marketing devices for producers, enabling them to distinguish their

³⁰ § 4-143-6(d)(1).

³¹ § 4-143-6(e)(1).

³² § 4-143-6(f)(1).

³³ § 4-143-6 (g).

³⁴ See, e.g., *About Kona Mountain – Retail Locations*, KONA MOUNTAIN COFFEE, <http://www.konamountaincoffee.com/about/coffee-store-locations.html> (last visited Feb. 1, 2013).

³⁵ § 4-143-6(a), (c).

³⁶ § 4-143-6(d), (f).

³⁷ § 4-143-3 (defining “good aroma and flavor when brewed”).

³⁸ See generally § 4-143.

³⁹ Jennifer Sinco Kelleher, *Kona Coffee Growers Take on National Supermarket*, ANCHORAGE DAILY NEWS (Aug. 6, 2011), <http://www.adn.com/2011/08/06/2003162/kona-coffee-growers-take-on-national.html>.

products from the dizzying array of similarly packaged products.⁴⁰ Even if stripped of their rigorous quality control elements, the Hawaiian regulations have, at the very least, made it possible to keep Kona beans distinct from commodity beans.

The trees that produce Kona coffee are *coffea arabica*,⁴¹ taxonomically identical to the coffee tree that provides the bulk of beans found on supermarket shelves.⁴² Without the Kona regulatory structure's strong emphasis on provenance, the Hawaiian coffee industry would likely return to its commodity production roots.⁴³ The Kona laws have, therefore, performed their most basic function, providing growers the tool they needed to de-commoditize their product until it percolates into the ultimate consumer's pot.

Secondly, the utility of a geographic indicator can be assessed by how well it boosts the price of a product relative to its commodity price.⁴⁴ Measured by this standard, the Kona system begins to distinguish itself from other basic indicators which merely advertise provenance. The Kona emphasis on quality strata has increased its price well beyond that of commodity coffee.⁴⁵ For the 2009 growing season, the average price per pound of whole, un-roasted coffee beans across all categories of quality was \$6.63.⁴⁶ During the same time period, the commodity price of un-roasted Columbian *arabica* beans hovered around \$1.24.⁴⁷ Roasted "100% Kona" beans sold for \$22.00 - \$30.00 per pound through online retailers such as Amazon.com.⁴⁸ To find the retail price of commodity coffee for comparison, look no further than your supermarket of choice. Growers participating in the direct market for roasted coffee routinely advertise the official grade it received at inspection, and higher grades generally reflect higher prices.⁴⁹ Given these price differentials at wholesale and retail, the Kona regime has given producers a powerful marketing tool to help elevate the prices of their products.

⁴⁰ Michael Maher, *On Vino Veritas? Clarifying the Use of Geographic References on American Wine Labels*, 89 CALIF. L. REV. 1881, 1885 (2001).

⁴¹ GERALD Y. KINRO, *A CUP OF ALOHA: THE KONA COFFEE EPIC* 25 (2003).

⁴² *Id.*

⁴³ *Id.* at 103-104.

⁴⁴ Babcock & Clemens, *supra* note 5, at 13.

⁴⁵ *Kona Coffee Prices*, KONA-CLOUD-COFFEE.COM, <http://www.konacloudcoffee.com/kona-coffee-prices.aspx> (last visited Feb. 3, 2013).

⁴⁶ MARVIN FELDMAN, RESOURCE DECISIONS, ECONOMIC EFFECTS OF BLENDING KONA COFFEE—A PRELIMINARY ANALYSIS (2010), available at <http://www.konacoffeefarmers.org/wp-content/uploads/2012/03/Economic-Efforts-of-Blending-Kona1.pdf>.

⁴⁷ *ICO Indicator Prices – Annual and Monthly Averages: 1998 to 2013*, INT'L COFFEE ORG., <http://www.ico.org/prices/p2.htm> (last visited Feb 5, 2013).

⁴⁸ Matt Simpson, *Most Popular Kona Coffee: Bestseller List*, KONA COFFEE BUZZ, <http://www.konacoffeebuzz.com/top-picks/amazons-top-selling-kona-coffees> (last visited Feb. 6, 2013).

⁴⁹ *About Kona Coffee*, BWANABOB'S, <http://www.bwanabobskonacoffee.com/konacoffee.htm> (last visited Mar. 21, 2013).

D. Other Domestic Geographic Indicators

Kona's distinctive use of geographic indication as a means to both define provenance and to create strata of premium quality based on flavor is not typical of other domestic indicator systems. For example, the Idaho legislature created the Idaho Potato Commission "to promote the public health and welfare of the citizens of the state by providing means for the protection, promotion, study, research, analysis and development of markets relating to the growing and promotion of Idaho potato products and byproducts."⁵⁰ The Commission was also given the explicit power to define and describe the grades of Idaho potatoes.⁵¹ Once formed, however, the Commission chose to conform its grades to standards set by the United States Department of Agriculture (USDA).⁵²

The USDA's potato grading standards deal largely with the aesthetic appeal of the product, as evaluations of size, shape, cleanliness, and firmness are included while obvious catastrophic faults like blight or rot are not.⁵³ This regulatory arrangement seeks merely to provide the consumer with a product of consistent, uniform dimension.⁵⁴

The state of Georgia manages its Vidalia onion geographic indicator in much the same way.⁵⁵ Its legislature passed the Vidalia Onion Act to protect and promote the eponymous onion in 1986.⁵⁶ With regard to standards for grading, the legislature mandated that grades also conform to USDA guidelines.⁵⁷ These regulations generally set aesthetic parameters and prohibit obvious blights and diseases.⁵⁸ As with Idaho potatoes, Georgia's deference to national standards set by a federal regulatory authority merely ensures Vidalia onions of uniform appearance and dimension.

Admittedly, potatoes, onions, and coffee beans are on some levels incomparable. Potatoes and onions are bulky commodities; few markets deem such products fit to sell at premium prices.⁵⁹ It can be argued that the special soils of their respective production zones provide the special production circumstances necessary to ensure a given expectation of

⁵⁰ IDAHO CODE ANN. § 22-1201 (2011).

⁵¹ § 22-1207.

⁵² IDAHO ADMIN. CODE r. 29.01.02.103(02) (2010).

⁵³ 7 C.F.R. § 51.1541 (2011).

⁵⁴ 7 C.F.R. § 51.1550 (2013).

⁵⁵ DANIELE GIOVANNUCCI, TIM JOSLING, WILLIAM KERR, BERNARD O'CONNOR & MAY T. YEUNG, GUIDE TO GEOGRAPHICAL INDICATIONS: LINKING PRODUCTS AND THEIR ORIGINS 58 (2009), available at <http://www.intracen.org/WorkArea/DownloadAsset.aspx?id=37595>.

⁵⁶ GA. CODE ANN. § 2-14-133 (2011).

⁵⁷ § 2-14-137.

⁵⁸ 7 C.F.R. § 51.3195 (2011).

⁵⁹ Julie Cook Ramirez, *Potatoes and Onions: The Dynamic Duo*, PRODUCE BUS., Dec. 2010, at 38, available at <http://www.perishablesgroup.com/dnn/LinkClick.aspx?fileticket=5tXLv7cwzwc%3D&tabid=6285>.

quality.⁶⁰ Of course, this factor might render regulatory attempts at quality control moot. According to information presented by the Commission at the 2007 International Symposium for Geographical Indicators held in Beijing, China, Idaho potatoes command a \$0.35 to \$0.50 retail price premium over undifferentiated potatoes.⁶¹ By that measure, the Idaho geographic indicator has successfully returned value to its potato growers. Vidalia onions enjoy a similar premium.⁶² This article does not seek to detract from the effectiveness of those indicators.

However, comparing the quality control elements of these indicators is not without utility. The most basic geographic indicator can provide useful information on product origin to a conscientious consumer, which may be sufficient for certain products.⁶³ The Kona regulatory scheme makes its geographic identification in conjunction with premium quality assurances about the product.⁶⁴ The general lesson of Kona, applicable to other crops, is that geographic indication presents an ideal opportunity to make production and quality assurances as well. Kona also underscores the inestimable advantages of state involvement in the formation, inspection, enforcement, and management of effective indicators.⁶⁵ This dual emphasis might make all the difference to growers of certain products. Strict quality control undoubtedly puts more marketing tools in the hands of those growers. Simply stating the provenance of a product only scratches the surface of what an indicator can do for an agricultural product. The abundance of Kona coffee drinkers proves that consumers are willing to pay a premium for some products so long as high consumer expectations are protected by well-crafted regulations.

III. THE BLEND LAWS AND FREE SPEECH

If the Kona regulatory scheme has a critical vulnerability, it is without a doubt the controversial issue of blending. Hawaii regulates the labels used to market its coffee crop through its Measurements Standards and Uniform Packaging and Labeling laws.⁶⁶ According to Hawaii law, it is

⁶⁰ Kim A. Anderson, *Determining the Geographic Origin of Potatoes with Trace Metal Analysis Using Statistical and Neural Network Classifiers*, 47 J. AGRIC. FOOD CHEM. 1568, 1568–69 (1999).

⁶¹ Patrick J. Kole, Vice President, Legal Affairs, Idaho Potato Comm'n, *Geographical Indications: Creating Value through Connecting Products with Geographical Origin* (Jun. 26-28, 2007), available at http://www.wipo.int/meetings/en/doc_details.jsp?doc_id=81775 (documenting a presentation made at the International Symposium on Geographical Indications, held in Beijing).

⁶² ROXANNE CLEMENS, *WHY CAN'T VIDALIA ONIONS BE GROWN IN IOWA? DEVELOPING A BRANDED AGRICULTURAL PRODUCT 2* (2002), available at http://www2.econ.iastate.edu/research/webpapers/paper_10025.pdf.

⁶³ GIOVANNUCCI ET AL., *supra* note 55, at 7.

⁶⁴ *Id.* at 177.

⁶⁵ *Id.* at 178.

⁶⁶ HAW. REV. STAT. § 486-120.6 (2012).

unlawful to use a geographic origin in labeling or advertising, including in conjunction with a coffee style or in any other manner, if the roasted or instant coffee contains less than ten per cent coffee by weight from that geographic origin.⁶⁷ In practice, the statute prohibits blenders from using ‘Kona’ on their labels or advertisements if the coffee contains less than 10% of beans from the region.⁶⁸ As a result of these blend laws, there are a multitude of retailers offering products that blend Kona coffee with various other beans, often of unknown provenance, down to the statutorily mandated minimum.⁶⁹ Such products are marketed as ‘Kona blends.’⁷⁰

A. Archenemies of Blending

The archenemies of the Kona blending laws are purists who grow and sell beans destined for the “100% Kona Coffee” market. In 2006, the Kona Coffee Farmers Association, a major group representing over 240 Kona farmers and associated businesses, adopted a position statement that sums up the major grievances of opponents of blending.⁷¹ The Association alleges, *inter alia*, that: (1) blending laws damage the reputation of the Kona brand; (2) Kona blends confuse consumers; (3) the practice of blending Kona in with other beans at the minimum statutory rate of 10% results in no discernible difference in the flavor of a cup of coffee; (4) the labeling of blends using the name of the Kona tax district is per se deceptive; (5) the practice results in economic harm to growers; and (6) blending leads to loss of market share in emerging markets for luxury goods.⁷²

The Association has attempted to support these talking points with economic data. A study commissioned by the Association estimated the retail value of Kona blend sales to be \$14.4 million per year.⁷³ The study also concluded that such gains are due in part to consumer confusion over the use of the word “Kona” on product labels, with the economic benefits of this confusion accruing to the Kona blenders at the expense of Kona farmers.⁷⁴

In the blenders’ defense, the practice of blending does have some economic utility for coffee producers. In the distant legislative history of

⁶⁷ § 486-120.6(c)(2).

⁶⁸ GIOVANNUCCI ET AL., *supra* note 55, at 178.

⁶⁹ *Frequently Asked Questions About Hawaiian Kona Coffee*, KONA COFFEE ROASTING, <http://www.konacoffeeroasting.com/faq/#blend> (last visited Mar. 20, 2013).

⁷⁰ *Id.*

⁷¹ *KCFA Membership*, KONA COFFEE FARMERS ASS’N, <http://www.konacoffeefarmers.org/Membership.asp> (last visited Jan. 25, 2013).

⁷² *Kona 10 Percent Blend Law: Position Statement and Resolution*, KONA COFFEE FARMERS ASS’N, http://www.konacoffeefarmers.org/10_Percent_Blend_Law.asp (last visited Jan. 25, 2013).

⁷³ FELDMAN, *supra* note 46, at 5.

⁷⁴ *Id.*

the Kona blending laws, the Hawaii legislature acknowledged this fact, stating, “[s]ince Kona coffee has such a distinctive taste, the amount of Kona in the blend substantially changes the taste of the coffee. Some consumers may prefer the milder taste of the lighter blends, while others prefer the robust taste of a higher-percentage blend.”⁷⁵ The legislature thus acknowledged that blending is a useful way of manipulating the flavor of Kona coffee to market the product to consumers with differing preferences. The ability to accommodate the tastes of different groups of consumers certainly gives a depth and flexibility to the market which accrues to the benefit of the entire industry, including growers.

Blending also has some recognized grower-specific utility. Growers use the blending laws to sell lower quality beans to roasters and wholesalers engaged in blending.⁷⁶ A study commissioned by Kona growers concluded that growers derive \$1.4 million each year by selling coffee graded ‘prime’ by the Department of Agriculture’s regulatory scheme.⁷⁷ Recall that beans so graded can be no more than 15% defective by weight.⁷⁸ This is a significant sum given the limited number of growers involved.⁷⁹ Of course, selling ‘prime’ beans is advantageous to a grower with a lower quality crop. Selling to a blender is one way to profit from beans which receive a less desirable grade. Once the beans enter the blend, the beans lose their grade but keep the highly marketable ‘Kona’ appellation.

Blending is clearly a contentious issue. Both purists and blenders dither with the percentage required pursuant to the labeling law in order to effectuate their respective concepts of equity. There is strong constitutional precedent for both parties to scrap this strategy altogether.⁸⁰ Commercial speech jurisprudence indicates that resolution to the blending issue through the current labeling structure is unconstitutional on First Amendment grounds.⁸¹

B. Central Hudson: The Four-Part Test for Regulating Commercial Speech

The Kona blend law is a labeling requirement; such labeling regulations are controls on commercial speech.⁸² The blend law seeks to

⁷⁵ S.B. 154, 16th Leg., Reg. Sess. (Haw. 1991).

⁷⁶ Frequently Asked Questions About Hawaiian Kona Coffee, *supra* note 69.

⁷⁷ FELDMAN, *supra* note 46, at 5.

⁷⁸ HAW. CODE R. § 4-143-6(e)(1) (LexisNexis 2010).

⁷⁹ See FELDMAN, *supra* note 46, at 11 (stating that from 1998-2008, an average of 722 coffee farms operated each year in Hawaii).

⁸⁰ See *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n.*, 447 U.S. 557, 561-62 (1980) (explaining “[c]ommercial expression not only serves the economic interest of the speaker, but also assists consumers and furthers the societal interest in the fullest possible dissemination of information”).

⁸¹ *Id.*; see also *Thompson v. W. States Med. Ctr.*, 535 U.S. 357, 367 (2002) (discussing First Amendment protection of commercial speech).

⁸² See *Commercial Speech*, LEGAL INFO. INST., http://www.law.cornell.edu/wex/commercial_speech (last visited Jan. 27, 2013) (explaining commercial

deprive the use of the word “Kona” from blenders using less than 10% of Kona beans in their products. First Amendment jurisprudence indicates that Hawaii does not have unlimited ability to control the use of the word ‘Kona’ in this way.⁸³

Central Hudson Gas and Electric v. Public Service Commission of New York is the seminal case establishing the modern standards for permissible government control of commercial speech.⁸⁴ In *Central Hudson*, the Supreme Court considered a ban imposed by the New York State Energy Commission on advertisements promoting the use of public utilities, namely electricity, during a period of national energy crisis.⁸⁵ The Commission chose the advertising ban as a means to encourage energy efficiency by New York residents during the shortage.⁸⁶

The Court struck down the Commission’s blanket advertising ban and adopted a four-part test to determine the permissibility of commercial speech regulation.⁸⁷ First, to qualify for First Amendment protection, the communication at issue must concern lawful activity and cannot be misleading.⁸⁸ Second, in order to justify the existence of the limitation, the asserted governmental interest in regulating the speech must be substantial.⁸⁹ If the first two parts of the test are satisfied, a court must determine whether the regulation directly advances the governmental interest asserted and whether it is not more extensive than is necessary to serve that substantial government interest.⁹⁰

Subsequent case law demonstrates how the *Central Hudson* test applies to labeling and commercial speech restrictions on products that are blended in some way.⁹¹ *Central Hudson*’s progeny is thus useful in analyzing the constitutionality of the Kona blend law.

C. Central Hudson’s Progeny

Thompson v. Western States Medical Center involved an FDA ban on pharmacist advertising of ‘compounding.’⁹² Compounding is the

speech is when the speaker is likely involved in commerce and the audience is likely consumers). The labeling regulations are controls on commercial speech because they control the information speakers, coffee producers, are able to provide to their audience, coffee consumers.

⁸³ See *Cent. Hudson Gas*, 447 U.S. at 561-62; see also *Thompson*, 535 U.S. at 367.

⁸⁴ See *Cent. Hudson Gas*, 447 U.S. at 566 (establishing the modern four-part commercial speech analysis).

⁸⁵ *Id.* at 559-60.

⁸⁶ *Id.* at 560.

⁸⁷ *Id.* at 566.

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ *Id.*

⁹¹ See *Thompson v. W. States Med. Ctr.*, 535 U.S. 357, 367 (2002); *Rubin v. Coors Brewing Co.*, 514 U.S. 476, 482 (1995).

⁹² *Thompson*, 535 U.S. at 360.

pharmaceutical practice of combining, mixing, or altering drugs to suit the needs of individual drugstore customers.⁹³ One example of compounding is altering a drug manufacturer's flavor of cough medication to suit the taste of a finicky child.⁹⁴ The challenged provision of the Food and Drug Act sought to ban pharmacists from advertising their willingness to compound specific drugs.⁹⁵ Under certain limited circumstances, compound drugs are exempt from the FDA approval process.⁹⁶ The FDA became concerned that large-scale drug compounding could be used to circumvent new drug approval processes.⁹⁷ During oral argument before the Supreme Court, the Government asserted a substantial interest in preserving the integrity of the drug-approval process to justify the advertising ban.⁹⁸

While recognizing the FDA's substantial interest in protecting the integrity of the drug-approval process, the Court struck down the advertising ban in part because the FDA could have banned or further limited the practice of compounding before it banned advertisements for it.⁹⁹ The Court reiterated its guidance from *Central Hudson*, stating that, "we have made clear that if the Government could achieve its interests in a manner that does not restrict speech, or that restricts less speech, the Government must do so."¹⁰⁰ The Court cited the ability of the FDA to regulate the use of commercial scale equipment used for compounding as an alternative to speech-centric controls to limit the scale of compounding,¹⁰¹ or prohibiting the offering for sale of compounded drugs at wholesale prices between pharmacists.¹⁰² The Court concluded its analysis by stating that it had "previously rejected the notion that the Government has an interest in preventing the dissemination of truthful commercial information [via advertising] in order to prevent members of the public from making bad decisions with the information."¹⁰³ *Central Hudson* and *Thompson* evince a strong bias in favor of increased information in commercial speech cases.

In *Rubin v. Coors Brewing Company*, the Supreme Court struck down a provision of the Federal Alcohol Administration Act which prohibited bottlers and brewers from displaying the alcohol content of their products on the products' labels.¹⁰⁴ The Government argued it had a

⁹³ *Id.* at 360-361.

⁹⁴ *Flavor Compounding*, PROF. COMPOUNDING CENTERS AM., <http://www.pccarx.com/what-is-compounding/specialty-compounding/flavor-compounding/> (last visited Jan. 27, 2013).

⁹⁵ 21 U.S.C. § 353a(c) (1998).

⁹⁶ 21 U.S.C. § 353(a) (1998).

⁹⁷ *See Thompson*, 535 U.S. at 360.

⁹⁸ *Id.* at 369.

⁹⁹ *Id.* at 371.

¹⁰⁰ *Id.*

¹⁰¹ *Id.* at 372.

¹⁰² *Id.*

¹⁰³ *Id.* at 374.

¹⁰⁴ *See Rubin v. Coors Brewing Co.*, 514 U.S. 476, 476 (1995).

substantial interest in discouraging brewers from entering into “strength wars,” advertising their products based on higher alcohol content levels.¹⁰⁵

Because Coors sought to disclose truthful, verifiable, and non-misleading factual information about alcohol content on its labels, the Court’s analysis focused on the substantiality of the Government’s interest.¹⁰⁶ The Court struck down the regulation and reiterated the general principle from previous commercial speech jurisprudence that the free flow of information is “indispensable to the proper allocation of resources in a free enterprise system because it informs the numerous private decisions that drive the system.”¹⁰⁷ As in *Thompson*, the Court recognized the importance of the Government’s interest.¹⁰⁸ However, the Court questioned whether the prohibition against disclosing alcohol content on labels directly advanced the asserted interest.¹⁰⁹

The Court found several inconsistencies in the Government’s regulatory scheme that undermined the necessary nexus between the speech prohibition and its legitimate regulatory interest.¹¹⁰ It noted that brewers could still advertise the alcohol content of their products in marketing materials other than product labels.¹¹¹ The Court also mentioned that the same regulatory framework required the disclosure of alcohol content on product labels for other alcohol products such as wine.¹¹² It also noted that existing regulations already allowed brewers to identify higher alcohol content in some beverages through the use of labeling terms like ‘malt liquor.’¹¹³ Ultimately, the Court refused to countenance restrictions on speech in light of such an array of confused priorities that would frustrate the Government’s legitimate interest.¹¹⁴

In *Lever Brothers Company v. Maurer*, a federal district court struck down an Ohio Department of Agriculture prohibition on the descriptive use of the word ‘butter’ on any product manufactured or marketed as a butter substitute.¹¹⁵ Lever Brothers sought to use ‘butter’ on a product it manufactured for the lower cholesterol market.¹¹⁶ The product contained 50% butter and several low-fat or non-fat ingredients.¹¹⁷ Lever Brothers argued that the Ohio law’s prohibition against the use of the word

¹⁰⁵ *Id.* at 483.

¹⁰⁶ *Id.*

¹⁰⁷ *Id.* at 481 (citing *Va. Bd. of Pharmacy v. Va. Citizens Consumer Council*, 425 U.S. 748, 765 (1976)).

¹⁰⁸ *Id.* at 485.

¹⁰⁹ *Id.* at 486-88.

¹¹⁰ *See id.* at 488.

¹¹¹ *Id.*

¹¹² *Id.*

¹¹³ *Id.* at 488-89.

¹¹⁴ *Id.* at 489-91.

¹¹⁵ *See generally* *Lever Bros. Co. v. Maurer*, 712 F. Supp. 645 (1989).

¹¹⁶ *Id.* at 647.

¹¹⁷ *Id.*

'butter' to accurately describe half of the contents of their product constituted an impermissible restriction on their commercial speech rights.¹¹⁸

While recognizing the important government interest in preventing consumer confusion, the Court struck down the Ohio regulation as a violation of Lever Brothers' commercial speech rights,¹¹⁹ noting that there is nothing inherently misleading about the use of the word 'butter' *per se*.¹²⁰ The district court opined that a ban on the use of the word would not serve Ohio's interest in ensuring its consumers were aware of the contents of their food, thus demonstrating a desire to uphold the bias toward increased information for consumers from the commercial speech cases decided in the Supreme Court.¹²¹ The Court further noted that the ban might even hurt consumers in need of information on low-cholesterol alternatives to butter.¹²² In its decision, the Court provided excellent guidance to the Ohio legislature regarding labeling requirements in general, concluding, "Ohio's interest would be better served by a more limited restriction on commercial speech which would ensure that the word 'butter' is not used in a false or misleading manner and that the public is accurately informed about the precise butter content of the product."¹²³

Given the history of commercial speech limitations explained above, this guidance might also be valuable to the Hawaii legislature. In light of *Central Hudson* and its progeny, it is unlikely that the Kona blending issue can be resolved by indecision regarding the percentage requirements in Kona blend laws.

D. Central Hudson's Application to Kona Blend Law

Government agencies seeking to circumscribe commercial speech have traditionally enjoyed a significant amount of deference.¹²⁴ Courts quickly recognize the legitimate governmental interest in regulating the subject matter at issue in most cases.¹²⁵ However, commercial speech restrictions often fail the latter half of *Central Hudson's* four-part test. Judicial scrutiny in these cases focuses on whether the regulation directly advances the governmental interest asserted and whether it is not more extensive than is necessary to serve that interest.¹²⁶ The Kona blend laws likely fail these two parts of the *Central Hudson* test.

¹¹⁸ *Id.* at 651.

¹¹⁹ *Id.* at 652-53.

¹²⁰ *Id.* at 652.

¹²¹ *Id.*

¹²² *Id.*

¹²³ *Id.*

¹²⁴ *See Posadas de P.R. Assocs. v. Tourism Co. of P.R.*, 478 U.S. 328 (1986).

¹²⁵ *See, e.g., Rubin v. Coors Brewing Co.*, 514 U.S. 476, 485 (1995).

¹²⁶ *See id.* at 482; *Lever Bros.*, 712 F. Supp. at 652-53.

There can be little question that the Hawaii legislature and the Hawaii Department of Agriculture have a legitimate and substantial interest in the success of the Hawaiian coffee industry. The purpose of the original act protecting the Hawaiian coffee industry was to establish a standard of identity for one hundred percent Kona coffee and Kona coffee blends, and to require each manufacturer and packager to label the product in a manner that gives the consumer adequate information concerning the amount of Kona coffee in the product.¹²⁷ Debate on the Kona blend law began in 1991 and has been raging since.¹²⁸

However, under *Central Hudson* and its progeny, this legitimate and substantial interest is no defense against the restrictions Hawaii places on commercial speech to effectuate its interest. The blend law does not propose a typical standard of identity. Permissible standards of identity are relatively anodyne and seek to fix the definition of subjective terms like 'fruit juice' rather than preclude the use of objective terms like 'Kona.'¹²⁹ Federal law, for example, authorizes the Food and Drug Administration to promulgate regulations fixing and establishing a reasonable definition and standard of identity for any food under its common or usual name so far as practicable to promote honesty and fair dealing in the interest of consumers.¹³⁰ The restrictions on speech are justified by the substantial government interest of promoting honesty and fair dealing in the interest of consumers and are permissible because they are the least restrictive means necessary to provide for that interest.¹³¹

The Code of Federal Regulations, for example, stipulates that declarations of juice percentage be made on the labels of juice blends.¹³² A juice blend, or any blend for that matter, is a subjective concept. The juice blend rule mandates that the consumer be provided with accurate information about the content and ingredients of the product to promote honesty and fair dealing in the interest of consumers.¹³³ It also provides information to the consumer regarding the irreducible elements of its composition. For example, the consumer is given the power to decide if 3% or 19% of orange juice will suffice. This is exactly the type of information the commercial speech jurisprudence tells us is permissible. The Kona laws mandate that Kona blends state the percentage of coffee beans emanating from the Kona District on their product labels.¹³⁴ In light of the commercial speech jurisprudence analyzed above, this is an adequate limitation on

¹²⁷ S.B. 154, 16th Leg., Reg. Sess. (Haw. 1991).

¹²⁸ *Id.*

¹²⁹ 21 U.S.C. § 341 (2011).

¹³⁰ *Id.*

¹³¹ *See Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n.*, 447 U.S. 557, 557 (1980).

¹³² 21 C.F.R. § 101.30(b)(1) (2011).

¹³³ *Id.*

¹³⁴ S.B. 154, 16th Leg., Reg. Sess. (Haw. 1991).

speech that directly promotes Hawaii's interest in avoiding consumer confusion through the use of honest and accurate labeling information.

However, the Kona blend law does something more. It makes the use of 'Kona' contingent on satisfying a minimum percentage requirement.¹³⁵ 'Kona' is not an abstract concept like 'juice' or 'juice blend;' it denotes an important and discrete ingredient. Hypothetically, this would be analogous to a Code of Federal Regulations mandate precluding the use of 'orange' on a juice blend label if the total content of orange juice in the blend fell below 10%. The Kona blend law thus attempts to deny the honest and truthful use of an objectively defined ingredient for products below its own arbitrary standard to roasters, blenders, and consumers.

The Kona blend law violates one general principle of commercial speech jurisprudence: that accurate information is never bad. It violates the latter half of the *Central Hudson* test because it is more restrictive than necessary to carry out Hawaii's substantial interest in protecting consumers from confusion. The blend law can require a producer to state ingredients by percentage on the product label to inform the consumer.¹³⁶

There are other ways to serve Hawaii's asserted governmental interest that do not involve speech restrictions. For example, Hawaii could use its commerce power to eliminate the practice of blending altogether and require packaging and marketing of coffee beans in the discrete quality gradients set by the production standards. The law could just as easily stipulate that blenders put more conspicuous labels on their products or require blenders to disclose the origin of all beans in the bag. Either change would alleviate the purported consumer confusion that arguably saps wealth from the growers. Additionally, either change would be less intrusive than a contingent prohibition on the use of 'Kona.' Finally, the state could invest in an advertising campaign to explain the differences between various Kona products to consumers. Any of these solutions, however, could undermine the fit between the Kona blend law and the substantial governmental interest required by *Central Hudson*. Each solution is also a less intrusive alternative to speech limitations that would serve Hawaii's substantial interest in protecting its coffee industry.

Hawaii's legislators are aware of the commercial speech issues created by the labeling law.¹³⁷ In 2007, the Hawaii legislature requested that the Department of Business, Economic Development, and Tourism provide an economic analysis of a change to the blend law.¹³⁸ The text of the resolution noted that the "[l]egislature is also not insensitive to the fact that

¹³⁵ *Id.*

¹³⁶ *Id.*

¹³⁷ S.C. Res. 104, 24th Leg. (Haw. 2007), available at http://www.capitol.hawaii.gov/session2007/bills/scr104_.pdf.

¹³⁸ *Id.*

state laws, in order to be enforceable, cannot run afoul of constitutional protections afforded to commercial speech.”¹³⁹

In many ways, state agencies are the ideal vehicles for the formation of geographic indicators because of their coercive power. This coercive power, however, is not plenary. There are limits to an agency’s ability to regulate certain aspects of marketing because of the limitations placed on commercial speech.¹⁴⁰

IV. KONA’S USE OF THE LANHAM ACT

The Lanham Act, enacted in 1946 and amended several times thereafter, offers proven alternatives for brand management of state-created geographic indicators.¹⁴¹ Use of the Act obviates some of the limitations on state agency speech controls by supplementing the Kona indicator with traditional trademark law. Kona’s use of federal trademark law to collectively brand an agricultural product which is produced according to state-mandated quality control can be applicable to other products.

Hawaii’s Department of Agriculture has sought to define the Kona geographic indicator through judicious use of federal trademark law; in fact, the Department holds several trademarks related to its coffee industry.¹⁴² These trademarks are powerful tools that can be used by growers to perpetuate their coffee brands. Ownership of trademarks, however, comes with administrative and legal burdens that are necessary to meet to maintain title to the brand; two examples of such burdens are periodic re-filing and license management requirements.¹⁴³ It is important to examine these burdens in order to assess the strength of the geographic indicator if it is to serve as a paradigm for other agricultural products.

A. Department of Agriculture Ownership of Coffee Trademarks

The Department of Agriculture has forged a direct link between the quality control scheme established by Hawaiian law and its bouquet of coffee trademarks. Hawaii coffee cultivation laws are set up to accommodate several of its coffee growing regions, not just Kona.¹⁴⁴ The state’s regulations recognize the districts of Hāmākua, Ka’ū, Kauai, Maui, Molokai, and Oahu as additional growing regions in which coffee inspection is required.¹⁴⁵ Each of these regions, except for Hāmākua, has a

¹³⁹ *Id.*

¹⁴⁰ *See Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n.*, 447 U.S. 557, 557 (1980).

¹⁴¹ Lanham Act, Pub. L. No. 79-849, §1051, 60 Stat. 427 (1946).

¹⁴² 100% KONA, Registration No. 2,322,867.

¹⁴³ 15 U.S.C. § 1058 (1946).

¹⁴⁴ HAW. CODE R. § 4-143-3 (LexisNexis 2010).

¹⁴⁵ *Id.*

corresponding trademark registered with the United States Patent and Trademark Office.¹⁴⁶ The Island of Hawai'i also has a coffee trademark despite the fact that the Kona District is located on that island.¹⁴⁷ The duplicative trademarks underscore the importance of the Kona region to the state's coffee industry. According to the registry for these trademarks, each certification mark, as used by persons authorized by the Hawaii Department of Agriculture, certifies that the goods are grown within the geographical borders of each region.¹⁴⁸

These trademarks are examples of collective certification marks. The term 'certification mark' means any word, name, symbol, or device in which its holder has a bona fide intention to permit a person other than the holder to use in commerce to certify regional origin, material, mode of manufacture, quality, accuracy, or other characteristics.¹⁴⁹ Under the Lanham Act, collective marks may be held by municipalities and states as well as individuals.¹⁵⁰ Because it is not engaged in the business of coffee production, the Department of Agriculture ideally satisfies the statutory requirement that the holder of the mark not use it for its own products.¹⁵¹

B. The Benefit to Growers and Standing Under the Lanham Act

Individual growers benefit the most from the state's certification marks. Under the Lanham Act, the owner of the mark cannot arbitrarily deny its use to those who comply with its quality control parameters.¹⁵² Such denials are grounds for cancellation of registration.¹⁵³ Therefore, so long as Kona growers abide by the state's coffee regulations, they are entitled to utilize the marks to market their products at little or no expense. Because compliance with the regulations is mandatory for all coffee growers in Hawaii, those growers are without question entitled to use the Department's marks.

¹⁴⁶ 100% KONA, Registration No. 2,322,867; 100% OAHU, Registration No. 2,380,257; 100% MOLOKAI, Registration No. 2,380,256; 100% MAUI, Registration No. 2,344,394; 100% KAUAI, Registration No. 2,337,127.

¹⁴⁷ 100% HAWAII, Registration No. 2,365,585.

¹⁴⁸ *100% Hawaii Coffee*, HAWAII DEP'T AGRIC., <http://hawaiiag.org/hdoa/qad/comm/qad-coffeebrochure.pdf> (last visited Jan. 27, 2013).

¹⁴⁹ 15 U.S.C. § 1127 (1946).

¹⁵⁰ *Certification Marks That Are Indications of Regional Origin*, 2012 TRADEMARK MANUAL EXAMINING PROC. § 1306.02(b) (2007), available at <http://tmep.uspto.gov/RDMS/detail/manual/TMEP/Oct2012/d1e2.xml#/manual/TMEP/Oct2012/TMEP-1300d1e1.xml>. Patent and Trademark Office policy manuals evince a preference for government control of collective certification marks. According to the Trademark Manual of Examining Procedure, the examining trademark attorney is encouraged to inquire as to the authority of the applicant to control the use of the geographic term sought for use in the certification mark. Though individuals may obtain geographic terms as certification marks, ordinarily such terms manifest as trademark rights.

¹⁵¹ Lanham Act, Pub. L. No. 79-849, §1051, 60 Stat. 427 (1946).

¹⁵² *Id.*

¹⁵³ 15 U.S.C. § 1064 (2006).

The Lanham Act also gives individual growers the ability to assert standing in federal court in the event counterfeiters dilute any of the marks.¹⁵⁴ It establishes a broad ability for aggrieved parties to seek redress.¹⁵⁵ The Act states that any person who counterfeits goods by falsely marketing based on an inaccurate or misleading geographic origin is liable in a civil action to *any person* who believes that he or she is or is likely to be damaged by counterfeiting or false marketing.¹⁵⁶ Therefore, as users of collective geographic marks, Kona growers have standing in federal court to enforce claims against counterfeiters. Collective certification marks, though certainly helpful in commerce, are not a *sine quo non* for civil standing under the Lanham Act.¹⁵⁷

An appellate opinion demonstrates the breadth of standing under the Act.¹⁵⁸ In *Black Hills Jewelry Mfg. Co. v. Gold Rush, Inc.*, three South Dakota corporations located in the Black Hills of South Dakota manufactured jewelry marketed under the name “Black Hills Gold Jewelry.”¹⁵⁹ The three corporations sought to enjoin a competitor from marketing its products that were similar in style but not manufactured within the geographic region using the phrase “Black Hills Gold Jewelry.”¹⁶⁰

The court ruled in favor of the Black Hills Jewelry makers despite the fact that the three corporations did not have a collective mark.¹⁶¹ It noted that several cases prior to the Lanham Act protected groups of producers who asserted their right to the use of a geographical designation in a suit against other producers who did not manufacture their goods in the geographic area but nevertheless used the geographical designation in their name or label.¹⁶² Even without the additional protection of a registered certification marks, the producers had standing to enjoin a counterfeit producer from diluting their brand.¹⁶³ The Lanham Act and decisions such as *Black Hills* lead to the conclusion that individual Kona growers would have little difficulty meeting the minimal threshold requirements for standing in order to prevent the practice of Kona counterfeiting.

Despite the breadth of the standing requirement, enforcing Lanham Act claims is challenging in practice. Standing is a small, albeit important,

¹⁵⁴ See 15 U.S.C. § 1125 (2012).

¹⁵⁵ See 15 U.S.C. §§ 1114, 1116, 1117 (2008).

¹⁵⁶ 15 U.S.C. § 1125(a)(1)(B) (2012).

¹⁵⁷ *Id.*

¹⁵⁸ See, e.g., *Black Hills Jewelry Mfg. Co. v. Gold Rush, Inc.*, 633 F.2d 746 (8th Cir. 1980).

¹⁵⁹ *Id.* at 747.

¹⁶⁰ *Id.*

¹⁶¹ *Id.* at 750 n.3 (“We express no opinion as to whether the Lanham Act contemplates the protection of “unregistered common law certification marks.”).

¹⁶² *Id.* at 750 (citing *Grand Rapids Furniture Co. v. Grand Rapids Furniture Co.*, 127 F.2d 245 (7th Cir. 1942)).

¹⁶³ *Id.*

part of stopping harm from occurring. Kona farms are generally small in size.¹⁶⁴ Very few individual growers possess the financial means to police counterfeiters.¹⁶⁵ Thus, aggregating the claims of several growers, or even several small roasters, through class certification is often a far more practical method of enforcing growers' exclusive rights to geographically market coffee.

Aggregating Kona plaintiffs under the Lanham Act is not as easy as it sounds. *Sugai Products, Inc. v. Kona Kai Farms, Inc.* demonstrates the obstacles faced by plaintiffs seeking compensation to their damaged collective brand from a producer of counterfeit Kona coffee.¹⁶⁶ *Sugai Products* is only in part a Lanham Act case, but it is nevertheless vital to understanding how a domestic geographic indicator like Kona may effectively police the market under existing law. The plaintiffs in *Sugai Products* were an assorted group of purveyors and cultivators of '100% Kona' coffee beans.¹⁶⁷ They sought class certification to aggregate their various Lanham Act claims against a purported Kona counterfeiter.¹⁶⁸ The group included participants from several aspects of the Kona coffee industry, including wholesale purchasers, growers, roasters, and various other marketers.¹⁶⁹ They alleged that the defendants were responsible for diluting the brand by purchasing commodity beans, then packaging them for sale as '100% Kona' coffee.¹⁷⁰ Plaintiffs ostensibly sought certification as a class to share the financial burden of litigation.

The District Court noted that to certify plaintiffs as a class under Federal Rule of Civil Procedure 23(a),¹⁷¹ the plaintiffs had to satisfy the four requirements for class certification: numerosity, commonality, typicality and adequacy.¹⁷² The court found that plaintiffs carried their burden with regard to the commonality requirement.¹⁷³ However, with regard to the numerosity requirement, the court declared that the plaintiffs did not provide sufficient evidence to support the requirement because joinder of the claims as opposed to class certification was a practicable alternative.¹⁷⁴

¹⁶⁴ 100% Kona Coffee – What Makes it So Unique?, KONA COFFEE COUNCIL, <http://www.kona-coffee-council.com/Default.aspx?pagelD=692163> (last visited Jan. 20, 2013).

¹⁶⁵ Cf. Kent D. Fleming, H.C. Bittenbender & Virginia Easton Smith, *The Economics of Producing Coffee in Kona*, 11 AGRIBUSINESS 1 (1998), available at <http://www.ctahr.hawaii.edu/oc/freepubs/pdf/ab-11.pdf>.

¹⁶⁶ See *Sugai Prods., Inc. v. Kona Kai Farms, Inc.*, 1997 U.S. Dist. LEXIS 21503 (D. Haw. Nov. 19, 1997).

¹⁶⁷ *Id.* at *40.

¹⁶⁸ *Id.* at *7.

¹⁶⁹ *Id.* at *9-10.

¹⁷⁰ *Id.* at *6.

¹⁷¹ Fed. R. Civ. P. 23(a).

¹⁷² *Sugai Prods., Inc.*, 1997 U.S. Dist. LEXIS 21503 at *17.

¹⁷³ *Id.* at *22.

¹⁷⁴ *Id.* at *21.

The District Court had much to say regarding the commonality and typicality requirements of the Rule. It stated that the named plaintiff's claim is typical of the claims of the class if it "stems from the same event, practice, or course of conduct that forms the basis of the class claims and is based on the same legal or remedial theory."¹⁷⁵ However, the court further noted that typicality will not be found where the claims of the named representative would be subject to unique defenses which could become the focus of the litigation because of facts peculiar to that particular plaintiff.¹⁷⁶ The court conceded that all plaintiffs were injured as a result of the illegal counterfeiting of Kona coffee products.¹⁷⁷ The court concluded that as a group, the plaintiffs met the typicality requirement, but cautioned that defendants may have atypical defenses to some of the plaintiffs' claims due to the sheer variety of economic activities partaken by the class.¹⁷⁸ Notwithstanding this proviso, the court found sufficient typicality to satisfy Rule 23's requirements.¹⁷⁹

The plaintiffs' motion for class certification was denied due to the Rule's adequacy requirement. The court stated that a proposed representative for class certification will be found to be adequate to represent the class if he or she: (1) is represented by qualified, experienced, and capable counsel; and (2) does not have interests antagonistic with the interests of the class.¹⁸⁰ Ultimately, the variety of activities and the various income streams derived from producing, selling, and processing Kona coffee left too much potential for named plaintiffs to be in a position adverse to subsequent members of the class.¹⁸¹ For example, wholesalers in the class might not have shared the same interests as named party retailers. Retailers certified in the class may have interests that are antagonistic to named party retailers acting on their behalf. The court denied class certification, stating:

[p]laintiffs' claims of injury and damages cannot be determined on a class wide basis, and do not predominate here. An individual analysis will have to be performed with regard to each proposed plaintiff to determine whether that plaintiff has in fact suffered any injury and if so to what extent.¹⁸²

¹⁷⁵ *Id.* at *22.

¹⁷⁶ *Id.*

¹⁷⁷ *Id.* at *23.

¹⁷⁸ *Id.* at *23-24.

¹⁷⁹ *Id.* at *8.

¹⁸⁰ *Id.* at *6.

¹⁸¹ *See id.*

¹⁸² *Id.* at *15.

The decision ultimately left many small-scale growers and roasters to press individual claims. Clearly, in order to tap the potential of the Lanham Act's ability to protect geographic indicators, a secondary level of organization is essential. Under the Act's broad definition of standing, most aggrieved Kona plaintiffs can have their day in court. As a practical matter, however, the key to collective enforcement starts with better organization. The decision in *Sugai Products* suggests that better organization in groups which suffered discernible, discrete damages could make a better argument for certification on a group-by-group basis.

V. ASSESSING LANHAM ACT PROTECTIONS

Existing law gives virtually any grower the ability to assert a claim against illegal threats to the Kona brand.¹⁸³ However, this is cold comfort in the face of litigation costs associated with pressing such claims. The law does provide a means to aggregate claims for increased efficiency.¹⁸⁴ However, this too requires further levels of organization to avoid the class certification issues in *Sugai Products*. The potential to use the Lanham Act to protect products using collective certification exists, but it requires a streamlined enforcement procedure as a necessary predicate to receiving any practical benefit from the law.

A. *The Burden of Trademark Ownership*

Holders of certification marks customarily bear the responsibility for maintaining the integrity of their marks.¹⁸⁵ This responsibility imposes an administrative and legal burden on the Hawaii's Department of Agriculture, a government agency operating on a finite budget.

It is nevertheless the Department's responsibility to ensure its coffee marks are not abandoned by mismanagement. According to the Lanham Act, a mark shall be deemed to be 'abandoned' if "any course of conduct of the owner, including acts of omission or commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark."¹⁸⁶ Trademark jurisprudence indicates that a registrant has an affirmative duty to protect the integrity of its trademark by policing the quality of its users' products.¹⁸⁷

¹⁸³ *See id.*

¹⁸⁴ *See* Fed. R. Civ. P. 23.

¹⁸⁵ *See Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358 (2d Cir. 1959); 15 U.S.C. § 1127 (2006).

¹⁸⁶ 15 U.S.C. § 1127 (2006).

¹⁸⁷ *See Dawn Donut Co.*, 267 F.2d at 358.

Naked licensing is the practice of implicitly granting unregulated permission to use the mark of another.¹⁸⁸ In certain circumstances, it is evidence of abandonment of the registrant's trademark right.¹⁸⁹ A failure on the part of the trademark holder to assert control over the products with which its trademarks are associated may constitute naked licensing, which may lead to the abandonment of a holder's marks.¹⁹⁰

The Hawaiian Department of Agriculture does not presently have a procedure in place for licensing the trademarks it owns to qualified growers.¹⁹¹ The uneven policing of the state's coffee trademarks jeopardizes their continued protection and may prove fatal to its rights as the owner of the marks. Kona quality regulations establish the requisite quality control parameters for the state's coffee products necessary to ensure continued protection of marks. Production standards are policed by the inspection regime responsible for grading unroasted beans.¹⁹² The Department has managed, therefore, to associate a coffee product of consistent quality with its group of trademarks. Were use of the Department's trademarks limited solely to coffee products, the production regulations would satisfy the quality control requirements of the Lanham Act.

Concerns arise with the rampant use of trademarked phrases on products unrelated to the production of Kona coffee. The trademarked phrase '100% Kona Coffee' appears on a range of products.¹⁹³ It does not appear that Hawaii's Department of Agriculture asserts any control over such uses of its marks.¹⁹⁴ Rampant merchandising of the phrase on third party products is a threat to continued protection of these marks. The phrase appears on T-shirts and hats,¹⁹⁵ cookies,¹⁹⁶ tote bags,¹⁹⁷ and even beer.¹⁹⁸

¹⁸⁸ See *Stanfield v. Osborne Indus., Inc.*, 839 F. Supp. 1499, 1504 (D. Kan. 1993) (explaining that failure to exercise quality control in a license results in so-called "naked licensing," and because that does not protect the general public's interest in being assured of quality, constitutes an abandonment of trademark rights).

¹⁸⁹ *Id.* at 1507.

¹⁹⁰ *Doeblers' Pa. Hybrids, Inc. v. Doebler*, 442 F.3d 812, 823-24 (3d Cir. 2006).

¹⁹¹ *100% Hawaii Coffee*, HAWAII DEP'T OF AGRIC., <http://hawaiiag.org/hdoa/qad/comm/qad-coffeebrochure.pdf> (last visited Jan. 27, 2013).

¹⁹² *Hawaii Administrative Rules – Standards for Coffee*, HAWAII DEP'T OF AGRIC., <http://hawaii.gov/hdoa/qad/comm/qad-greencoffeestd.pdf> (last visited Jan. 27, 2013).

¹⁹³ See, e.g., *Kona Gifts*, CAFEPRESS, <http://www.cafepress.com/+kona+gifts> (last visited Feb. 7, 2013).

¹⁹⁴ *Columbia Coffee Federation – How they protect the Columbian Coffee Name*, KONA COFFEE FARMERS, <http://www.konacoffeefarmers.org/kona-labeling/columbia-coffee-federation-protecting-columbian-coffee/> (last visited Jan. 27, 2013).

¹⁹⁵ See e.g., *100% Kona Coffee Farmers Association Store*, KONA COFFEE FARMERS, <https://www.konacoffeefarmers.org/Store.asp> (last visited Feb. 8, 2013).

¹⁹⁶ See, e.g., *Honolulu Cookie Company*, HONOLULU COOKIE CO., <http://www.honolulucookie.com/Single-Cookie-White-Chocolate-Kona-Coffee/productinfo/BK4301/> (last visited Feb. 8, 2013).

¹⁹⁷ See, e.g., *Sasaki Bags and Accessories*, ETSY, http://www.etsy.com/shop/SasakiBags/search?search_query=kona&order=date_desc&view_type=gallery&ref=shop_search (last visited Feb. 8, 2013).

There is no evidence to be found in the public domain that the use of the state's marks on these products is regulated by any licensing agreement.¹⁹⁹ This is potentially *per se* evidence of abandonment by way of naked license.

B. Idaho's Example

The Idaho Potato Commission performs this policing function with gusto.²⁰⁰ It boasts an extensive array of licensing agreements to protect its intellectual property rights to its trademarks.²⁰¹ These licensing agreements are accessible on the main page of the Commission's website.²⁰² There can be no doubt that the Commission fulfills its policing mission. It guarantees a product of consistent quality and regionality through regulatory framework yet limits the types of product on which its marks may appear.²⁰³

VI. CONCLUSION: TRADEMARK LAW BENEFITS AND BURDENS FOR KONA COFFEE

In sum, Kona coffee growers have a distinct market advantage through their collective certification system. In many ways, the Hawaii Department of Agriculture's scheme is a textbook candidate for collective certification, powerful proof of the potential for domestic trademark law to protect geographic indicators. Through agricultural regulation, the state has mandated a product of consistently high quality, thus creating a premium brand. Growers receive the benefit of identifying their product with the state-mandated brand through the use of distinctive symbols and phrases that help them to distinguish their products. Often, they may do so at no cost. The Lanham Act also gives each individual grower the ability to assert standing in federal court to pursue those who may seek to dilute the grower's brand through counterfeiting.²⁰⁴ The challenges posed by aggregating plaintiffs' claims in cases of fraud or counterfeiting are solely organizational. Once identified, these challenges are not insurmountable.

¹⁹⁸ See, e.g., *Kona Brewing Company*, BEN E. KEITH CO.: BEVERAGE DISTRIBUTORS, <http://www.benekeith.com/beverage/brands/61> (last visited Feb. 8, 2013).

¹⁹⁹ See, e.g., *Kona Coffee Mugs*, CAFEPRESS, <http://www.cafepress.com/+kona+mugs> (last visited Feb. 7, 2013).

²⁰⁰ See generally Anne Willette, *They May Be Good Fries, But Are They Idaho?*, USA TODAY (June 2, 2009, 9:43 AM), <http://content.usatoday.com/communities/ondeadline/post/2009/06/67543105/1#.UQWVafTnjU>.

²⁰¹ *Types of Licenses*, IDAHO POTATO COMMISSION, http://licensing.idahopotato.com/types_of_licenses (last visited Feb. 8, 2013).

²⁰² *Id.*

²⁰³ IDAHO CODE ANN. § 22-1201 (2011).

²⁰⁴ 15 U.S.C. § 1125(c) (2012).

However, with these advantages comes responsibility for maintaining the integrity of Hawaii's coffee trademarks, an undoubtedly significant legal and administrative burden. It appears that a case could be made that the Hawaiian Department of Agriculture has already begun to abandon its claims to its trademarks by naked licensing. Hawaii has done much to create a premium quality coffee product, yet seems to fall slightly short of what is expected of a holder of a certification mark. Though there are certain advantages to state control of trademarks for geographic indicators, trademark protection becomes uncertain absent a vigorous enforcement program carried out by a vested interest. This may be difficult for state agencies to manage given their chronically finite resources.

The domestic legal system is not purpose-built to accommodate geographic indication. However, if a product's regulatory course is properly plotted and its intellectual property assets are properly managed, a strong indicator can be built in the existing legal framework with the right legal guidance.

