

McDonald's Olympic Cap Promotion Brings Lawsuit

By NANCY RIVERA, *Times Staff Writer*

A small, minority-owned company that holds a sublicense to manufacture caps for the Summer Olympic Games has sued McDonald's Corp., the Los Angeles Olympic Organizing Committee and a marketing agent for McDonald's over an Olympic cap promotion by the hamburger chain.

Los Angeles-based Boogie Enterprises Inc., which does business as Action Headwear, is seeking \$30 million in punitive damages and at least \$450,000 in compensatory damages from McDonald's Corp. of Oak Brook, Ill., Simon Marketing of Century City and the LAOC.

In a civil suit filed last Friday in Los Angeles Superior Court, Boogie Enterprises charged that McDonald's and Simon Marketing committed fraud, breach of contract and racial discrimination, among other things, because they never intended to let Action Headwear bid on a contract for baseball caps to be used in an Olympic promotion. The LAOC is named in only one count alleging breach of contract, which doesn't carry punitive damages.

As an official sponsor of the 1984 Summer Olympic Games, McDonald's is required to buy products

that bear Olympic symbols from official licensees or sublicensees—companies that have paid the LAOC for the right to manufacture or distribute Olympic merchandise. However, if a sponsor can get the merchandise somewhere else for 10% less than the licensee is charging or if the licensee doesn't bid on the contract, the sponsor can ask the LAOC for a waiver.

McDonald's approached Action Headwear, a sublicensee of Adidas, in November, 1983, with a contract for the manufacture of 2.5 million baseball caps that required delivery of nearly 700,000 caps within two months of the bid, said Larry Feldman, Action Headwear's lawyer. The 89-employee company could never have filled such an order and so Action Headwear never bid on the contract, the suit said.

McDonald's purposely structured the contract so that Action Headwear would be discouraged from bidding on it and secretly submitted different specifications to non-licensed manufacturers, the suit said. "We believe that evidence will show McDonald's contracted overseas (for the caps) before they sent

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us the bid," Feldman said. McDonald's ended up buying 12 million caps from several Taiwanese companies.

What's more, the suit charged, when McDonald's entered into its contract with the LAOOC, it had no intention of giving any licensees or sublicensees a "fair opportunity to bid on Olympic premiums."

McDonald's, when contacted, had no immediate comment. No officials of Simon Marketing were available for comment. An LAOOC spokesman said that the committee is only marginally involved in the dispute and that "we expect to play a passive role in this case."

Many licensees have expressed anger recently over the less-than-anticipated volume of business from sponsors of the 1984 Summer Olympics.