

1 **IN THE GRAND COURT OF THE CAYMAN ISLANDS**
2 **CIVIL DIVISION**

3
4 **CAUSE NO: G105 OF 2015**

5 **BETWEEN**

(1) JOHNSON & JOHNSON

Plaintiffs

(2) LIFESCAN INC.

AND

(1) STEPHEN MEDFORD

(2) TINA MEDFORD

Defendants

6
7 **IN CHAMBERS**

8 **MONDAY, 29TH JUNE 2015**

9 **BEFORE THE HON. ANTHONY SMELLIE, CHIEF JUSTICE**

10
11
12 **Appearances: Mr. Nick Dunne and Mr. Brett Basdeo of Walkers for**
13 **the Plaintiffs**

14
15 *Foreign action for infringement of trademark - application for free-standing*
16 *injunction in aid of foreign action to freeze assets thought to be the proceeds*
17 *of the infringement - applicable principles*
18

19 **REASONS FOR DECISION**

20
21 1. The Plaintiffs apply for injunctive relief against the Defendants (together the
22 “Medfords”) in support of an action brought by the Plaintiffs in New York
23 for breach of copyright, damages and other related relief (the “New York
24 Action”).

1 2. Lifescan Inc., the second Plaintiff, is a wholly owned subsidiary of Johnson
2 & Johnson, the first Plaintiff, and is the manufacturer of “One Touch” test
3 strips, which are used along with “One Touch” Blood Glucose meters by
4 diabetics to monitor blood glucose levels.

5
6 3. Johnson & Johnson is the owner of various U.S. Federal trademark
7 registrations in respect of marks appearing on the packaging for One Touch
8 test strips, including “One Touch Ultra”.

9
10 4. One Touch test strips, which retail at approximately USD70.00 per box of
11 50, are marketed to consumers worldwide and are a successful global brand
12 with tens of millions of dollars spent by Life Scan Inc. to promote One
13 Touch products and billions of One Touch test strips have been sold. The
14 test strips are a leading and trusted brand with very significant associated
15 goodwill.

16
17 5. The following narrative giving the background to the New York Action and
18 to this application, is taken from the First Affidavit of Geoffrey Potter filed
19 in these proceedings in aid of the Plaintiffs’ application. Mr. Potter is a
20 partner of the law firm of Paterson Belknap Webb & Tyler LLP, the United
21 States attorneys for the Plaintiffs.

22
23 6. In recent years, LifeScan Inc. has become aware of widespread
24 counterfeiting of OneTouch test strips and has pursued a number of anti-
25 counterfeiting cases against infringers. As a result of these cases, a number
26 of alerts were issued by the United States Food and Drug Administration
27 warning of the danger posed by counterfeit test strips. LifeScan is unable to

1 monitor the quality and integrity of counterfeit strips, which presents a
2 substantial risk to consumers, as an erroneous reading could lead to a patient
3 taking too high or too low a dose of insulin, with the potential for serious or
4 even fatal consequences.

5
6 7. Discovery obtained in a number of previous anti-counterfeiting proceedings
7 has enabled the Plaintiffs to trace the supply chain for the counterfeit strips
8 to a manufacturer located in the People's Republic of China, known as
9 Guilin Chung Fai Biotech Co. Ltd. ("**Chung Fai**"). This has been the source
10 of all counterfeit OneTouch strips identified by the Plaintiffs in the United
11 States to date.

12
13 8. On 18 May 2015, United States Customs detained a shipment of what
14 purported to be OneTouch test strips in Miami. This shipment was en route
15 to Stone Medical Group, LLC ("**Stone Medical**"), a company located in
16 Boca Raton, Florida, and had been consigned by Medicorp Ltd.
17 ("**Medicorp**"), a company located in Barbados. The invoice accompanying
18 the shipment represented the items shipped to be, inter alia, 624 packages of
19 OneTouch Ultra test strips, with a sale price in excess of US\$21,000.

20
21 9. Mr. Potter's narrative is supported by the declaration of Lisa Smiley filed in
22 the New York Action. Ms Smiley is the Senior Manager, Global Brand
23 Protection for Johnson & Johnson.

24
25 10. As set out at paragraphs 7 and 8 of Ms Smiley's declaration; following the
26 seizure of the shipment, she was contacted by Special Agent Carlos Silva of
27 the U.S. Department of Homeland Security and informed that what were

1 suspected to be counterfeit OneTouch strips had been intercepted. Having
2 been sent photographs of the packaging and strips that were seized, Ms
3 Smiley was able to determine that the test strips contained in the shipment
4 were in fact counterfeit and consistent with previous seizures of counterfeit
5 material that had been traced back to Chung Fai.

6
7 11. Ms Smiley was also informed by Agent Silva that Stone Medical had
8 previously imported multiple shipments purporting to be OneTouch test
9 strips from Medcorp. It therefore appears highly likely that previous
10 shipments of counterfeit strips have entered the United States and have been
11 distributed to end users.

12
13 12. On 8 June 2015, the Plaintiffs commenced the New York Action against a
14 number of defendants involved in the importation (the "**US Defendants**"),
15 including Stone Medical and Medcorp. The Complaint was subsequently
16 amended to add the Medfords as Defendants. The New York Action pleads
17 claims in federal trademark infringement, contributory trademark
18 infringement, false description and designation of origin in commerce,
19 federal false advertising, federal dilution of mark, state law dilution of mark
20 and injury to business reputation, state law deceptive business practices,
21 common law unfair competition and common law unjust enrichment.

22
23 13. Various forms of proprietary and personal relief are sought in the New York
24 Action including injunctive relief in respect of use of the OneTouch
25 trademarks, awards of compensatory and punitive damages, accounts of
26 profits, costs and interest.



1 14. On 8 June 2015, the New York Court granted the Plaintiffs' applications for
2 a temporary restraining order, an asset freeze order, a seizure order and
3 expedited discovery against the US Defendants. Mr. Potter sets out the
4 events that followed the grant of those orders in his declaration dated 23
5 June 2015 in the New York Action which he confirms to be true. However,
6 by way of summary, on 10 June 2015 he states that he was present at the
7 execution of the seizure order at Stone Medical's premises in Boca Raton,
8 Florida. In the course of that seizure he spoke to Sean Dana, a co-owner of
9 Stone Medical who informed him that Stone Medical had purchased
10 OneTouch strips from Medicorp on a number of occasions. Mr Dana further
11 stated that Stephen Medford, the First Defendant, was the only person whom
12 Mr Dana had ever dealt with at Medicorp and that he believed that Mr
13 Medford and his wife Tina Medford, who lived in a condominium at the Ritz
14 Carlton in Toronto, Canada, were the persons associated with Medicorp.

15
16 15. Subsequently, corporate records for Medicorp Limited were obtained from
17 public sources in Barbados. These show the Medfords to be the sole
18 directors of Medicorp.

19
20 16. In the course of executing the seizure order, various documents were seized
21 from Stone Medical's including copies of the following for a number of
22 transactions:

- 23
24 (a) Stone Medical's purchase order to Medicorp;
25 (b) Stone Medical's purchase delivery note;
26 (c) Medicorp's commercial invoice to Stone Medical;



1 (d) Stone Medical's accounts payable invoice;

2 (e) a credit card authorization form which was not used for credit cards,
3 but instead to initiate wire transfers; and

4 (f) a record confirming a wire transfer as payment from Stone Medical to
5 Medicorp.

6 17. During the execution of the seizure order Steve Gorn, another co-owner of
7 Stone Medical, informed Mr. Potter that Stone Medical used Mr Raul Ortega
8 of Miami Customs Services as a broker for the shipments of OneTouch
9 strips from Medicorp. Mr Ortega was subsequently subpoenaed and deposed
10 and produced copies of email exchanges with Stephen Medford, relating not
11 only to his plans to import the test strips but also to subsequent shipments of
12 test strips that had been made.

13
14 18. While the seizure order was being executed at the Stone Medical premises,
15 Stephen Medford in fact contacted Mr Dana regarding the status of the
16 seized shipment. Mr Dana asked Mr. Potter how to respond and he advised
17 him to communicate as he would with any seller whom he believed to have
18 supplied counterfeit goods. Mr Dana thereupon requested a full "pedigree"
19 (that is to say provenance) for the shipment of OneTouch strips to which Mr
20 Medford replied that he would do so. The request was repeated the
21 following day but in fact no pedigree was ever provided. Mr. Potter avers
22 that he believes this to be because the strips were indeed counterfeit.

23 19. Mr. Potter avers to the Plaintiffs' belief that the evidence that has been
24 obtained flowing from the seizure of the counterfeit OneTouch strips clearly
25 demonstrates that Medicorp and its directors, the Medfords, have been

1 intimately and knowingly involved with the importation and attempted
2 importation of counterfeit OneTouch strips into the United States, in blatant
3 contravention not only of the Plaintiffs' trademarks but also the interests of
4 public health.

5
6 20. Having uncovered the involvement of the Medfords and Medicorp in this
7 scheme, the Plaintiffs now seek relief in this Court against the Defendants,
8 in order to ensure that they are unable to dissipate any assets in trying to
9 avoid meeting any monetary award made in the New York Action, and to
10 allow the Plaintiffs time to investigate further.

11
12 Proceedings in other jurisdictions

13 21. Mr. Potter confirms that in addition to the New York Action and these
14 proceedings before this Court, the Plaintiffs have also sought relief in
15 Canada (where the Medfords are believed to reside, as is explained below)
16 and in Barbados (where Medicorp is incorporated).

17
18 22. On 24 June 2015, Judge Pamela Chen of the New York Court granted
19 temporary injunctions against, *inter alia*, the Medfords, with the Medfords
20 ordered to show cause why a preliminary injunction should not be issued at a
21 hearing listed for 9 July 2015. Letters of Request were also issued seeking
22 information in relation to the Medfords' financial affairs from the Cayman
23 Islands and Barbados, with requests for discovery and the issue of an ex
24 parte Anton Piller type order in respect of the Medfords' residential address,
25 made to the Canadian Courts.

1 The Cayman Islands assets

2 23.Mr. Potter refers to his declaration in the New York Action (paragraph 19),
3 where he explains that during the execution of the seizure order, bank
4 records were obtained showing that Stone Medical had made transfers to an
5 account held by Stephen Medford with the Royal Bank of Canada (Cayman
6 Islands) Limited (“RBC”).

7
8 24.Further material obtained by way of subpoena from JP Morgan Chase (who
9 acted as correspondent bank) showed that money had subsequently been
10 wired from Stephen Medford’s Cayman Islands account to an account held
11 at Royal Bank of Canada, Barbados, in the name of Medicorp and also an
12 account at Hong Kong Shanghai Banking Corporation (“HSBC”) in Jersey
13 in the name of the Medfords.

14
15 25.It therefore appears says Mr. Potter, that the Medfords have used the account
16 at RBC in the Cayman Islands as part of an international network of
17 accounts in various jurisdictions to receive the proceeds of sales of
18 counterfeit test strips and that notwithstanding that the known account is in
19 Stephen Medford’s name, money appears to flow interchangeably between
20 accounts in the names of the Medfords and Medicorp. He asserts that it is
21 imperative that such assets as they hold within the Cayman Islands are
22 frozen to prevent the Medfords dissipating them, pending determination of
23 the New York Action.

24 26.The orders sought include the requirement to verify on affidavit the assets
25 and accounts held by the Defendants worldwide- whilst the Plaintiffs have
26 been able to identify the RBC Cayman Islands account from the materials



1 obtained to date, they do not as yet have a comprehensive picture of the
2 Medford's financial affairs. While I accept that such knowledge is important
3 in order to effectively police the freezing injunctive sought in various
4 jurisdictions, I am not persuaded for the reasons to be explained below that it
5 is appropriate in the circumstances of this case for this Court to grant orders
6 which would purport to operate extraterritorially over assets not located
7 within its jurisdiction.

8 9 A Good Arguable Case

10 27. The Plaintiffs rely on Section 11A of the Grand Court Law¹ in support of
11 their application for what would be free-standing injunctive (and other
12 relief) in support of their New York action.



¹ Section 11A provides in relevant part as follows:

- "11A. (1) The Court may by order appoint a receiver or grant other interim relief in relation to proceedings which-*
- (a) have been or are to be commenced in a court outside of the Islands; and*
 - (b) are capable of giving rise to a judgment which may be enforced in the Islands under any Law or at common law.*
- (2) The Court may, pursuant to this section, grant interim relief of any kind which it has power to grant in proceedings relating to matters within its jurisdiction.*
- (3) An order under subsection (1) may be made either unconditionally or on such terms and conditions as the Court thinks fit.*
- (4) Subsection (1) applies notwithstanding that -*
- (a) the subject matter of those proceedings would not, apart from this section, give rise to a cause of action over which the Court would have jurisdiction; or*
 - (b) the appointment of the receiver or the interim relief sought is not ancillary or incidental to any proceedings in the Islands.*
- (5) The Court may refuse an application for the appointment of a receiver or the grant of interim relief if, in its opinion, it would be unjust or inconvenient to grant the application.*
- (6) In exercising the power under subsection (1), the Court shall have regard to the fact that the power is-*
- (a) ancillary to proceedings that have been or are to be commenced in a place outside the Islands; and*
 - (b) for the purpose of facilitating the process of a court outside the Islands that has primary jurisdiction over such proceedings.*
- (7) The Court has the same power to make any incidental order or direction for the purpose of ensuring the effectiveness of an order granted under this section as if the order were granted in relation to proceedings commenced in the Islands."*

1 28. Recently, in Classroom Investments v China Hospitals Inc. [2015]
2 Unreported FSD 64 of 2015 (ASCJ), 15th May 2015, this Court set out in
3 detail the key principles which guide the Court in the exercise of the
4 jurisdiction now placed on statutory footing by Section 11A.

5
6 29. In the present case, I accept that the following principles are of particular
7 importance:

- 8
9 (i) Where assets are located outside the jurisdiction of the foreign
10 Court which is seised of the substantive proceedings, the Court of
11 the jurisdiction where they are located should not hesitate in an
12 appropriate case to grant protective orders.

13
14 In this case, while the Defendants are not personally within the jurisdiction
15 of this Court, there is nonetheless cogent evidence of assets under their
16 control being within the jurisdiction and such circumstances in an
17 appropriate case, will provide sufficient basis for the grant of relief.

- 18
19 (ii) The question is whether it is "*just and convenient*" to grant the
20 protective orders. The jurisdiction is not one to be exercised only
21 in exceptional circumstances; it will suffice if it is expedient in the
22 interests of justice to do so.

23 In this case there is no question of it being inexpedient to provide the
24 protective orders in the sense that an order of this Court could create
25 difficulties for the New York Court by conflicting with orders made by that
26 Court. On the contrary, it has been brought to my attention by Mr. Potter
27 that the New York Court has issued a Letter of Request seeking the

1 assistance of this Court, by way of compulsory disclosure orders to be
2 addressed to the local bank where assets in the name of the Medfords are
3 believed to be held. See in this regard: *Credit Suisse v Cuoghi* [1998] QB
4 818, as considered and applied in *Classroom* (above).

5
6 (iii) Whilst this Court should always be cautious in granting a free-
7 standing freezing injunction, it should not be timid to grant such
8 relief so long as there is a good arguable case and there is a real
9 risk of dissipation of assets which could frustrate that case.

10 The test involves this Court answering two fundamental questions. First,
11 would this Court grant relief if it were itself seised of the substantive
12 proceedings and, second, would the fact that the substantive proceedings are
13 overseas make the grant of relief inexpedient, unjust or inconvenient? (See:
14 *Ryan v Friction Dynamics*, The Times, 14 June 2000, also as considered and
15 applied in *Classroom* (above).

16
17 30. In this case I am satisfied that all aspects of the test for free-standing
18 injunctive relief are met.

19
20 31. In particular, I am satisfied that the Plaintiffs have a good arguable case that
21 could lead to a judgment in the New York Action for recovery of damages
22 for infringement of their trademarks and that such a judgment would be
23 enforceable at common law before this Court. Moreover, this is a serious
24 infringement from the Plaintiffs' point of view as well as from a public
25 interest point of view. The trademark relates to medical supplies and the
26 importation and sale of counterfeit medical supplies involves an
27 infringement that potentially exposes end users to physical harm. The

1 infringement is therefore rather more serious and requiring of a rather more
2 urgent response than, for instance, an infringement of a trademark by way of
3 the fake designer handbag.

4
5 32.Criminal prosecution brought against those responsible for manufacturing
6 the fake strips in China have resulted in sanctions of imprisonment but the
7 availability of supplies seem to continue as evidenced by the shipment
8 detained in Miami as recently as 18 May 2015.
9

10 33.Sanctions by way of damages to be enforced against the available assets of
11 the Defendants are therefore an important measure to be imposed. This
12 would be aimed at compensating for the infringement and would also
13 operate as a disincentive to continued infringement and continued
14 endangerment of the public.

15
16 34.I am satisfied that, without injunctive measures, there is also an obvious risk
17 of dissipation of the available assets.

18
19 35.The evidence reveals that the Medfords and others involved with them have
20 established an elaborate network of banking relationships around the world
21 to facilitate the movement of money including *prima facie*, the proceeds of
22 the infringement of the One Touch trademark.

23
24 36.For all the foregoing reasons, I granted the injunctive and ancillary
25 disclosure orders sought by the Plaintiffs in aid of the New York Action,
26 limited to the restraint of and disclosure of assets located within the
27 jurisdiction of this Court and limited also to the amount of statutory damages

1 to be recoverable in the New York Action. That amount by reference to the
2 United States statute as it would apply to the eight (8) marks infringed,
3 would involve a statutory limit of USD16 million (i.e.: USD2 million per
4 mark).

5
6 37.The Plaintiffs also sought orders to compel the Medfords to disclose their
7 financial affairs and assets wherever in the world they may be located and to
8 restrain such assets wherever they may be.

9
10 38.I was not however, prepared to cast the orders so widely. The jurisdiction
11 vested by Section 11A is not to be exercised in an exorbitant manner.

12
13 39.I must note in particular, that the Medfords are not within this jurisdiction.

14
15 40.Orders which would purport to restrain their actions or require them to
16 disclose information about assets which may be located outside of the
17 jurisdiction of this Court would not ordinarily be granted in respect of
18 parties over whom the Court has no personal jurisdiction.

19
20 41.In keeping with Section 11A(2), this Court will grant relief of any kind in
21 aid of foreign proceedings which it has power to grant in proceedings
22 relating to matters within its jurisdiction.

23
24 42.In the circumstances of this case, it would therefore be an exorbitant use of
25 the jurisdiction to make orders which would purport to restrain the conduct
26 of the Medfords or to require them to take action, extraterritorially.

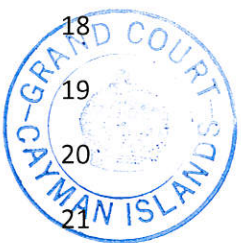
1 43.The lack of jurisdiction in the New York Court that this Court should
2 properly seek to remedy, relates to the New York Court's inability to restrain
3 those assets which are within the jurisdiction of this Court.

4
5 44.I believe that the following passage from Lord Justice Millett from Cuoghi
6 (above) at 826 G – F supports the approach I have taken in this case:

7
8 “..... *The order operates in personam. It is*

9
10 *“not grounded upon any pretension to the exercise of judicial*
11 *or administration rights abroad, but on the circumstance of the*
12 *person to whom the order is addressed being within the reach*
13 *of the Court” [citing Kerr on Injunction 6th Ed. (1927), p.11].*

14
15 *It is, of course, the case that, statute and Convention apart, the*
16 *jurisdiction of the English court does not depend on domicile but on*
17 *service. Proceedings may be served on persons temporarily present*
18 *within the jurisdiction, or with leave under R.S.C. Order 11 r.1 on*
19 *persons outside the jurisdiction. It is a strong thing to restrain a*
20 *defendant who is not resident within the jurisdiction from disposing of*
21 *assets outside the jurisdiction. But where the defendant is domiciled*
22 *within the jurisdiction such an order cannot be regarded as exorbitant*
23 *or as going beyond what is internationally acceptable. Where a*
24 *defendant and his assets are located outside the jurisdiction of the*
25 *court seised of the substantive proceedings, it is in my opinion most*
26 *appropriate that protective measures should be granted by those*
27 *courts best able to make their orders effective. In relation to orders*

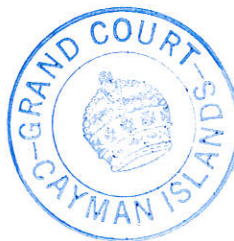


1 *taking direct effect against the assets, this means the courts of the*
2 *state where the assets are located; and in relation to orders in*
3 *personam, including orders for disclosure, this means the courts of*
4 *the state where the person enjoined resides.”*

5
6 45.It is for these reasons that the orders granted in this case are different in
7 scope from those granted in Classroom (above) where the defendants, China
8 Hospitals and China Healthcare, were companies incorporated in and
9 domiciled in this jurisdiction full amenable to the coercive power of this
10 Court and so were ordered to disclose their worldwide assets and restrained
11 in respect of them.

12
13 46.In granting the orders in respect of local assets enjoining the Medfords in
14 respect of those assets, and as part of the order, I accepted the undertaking in
15 damages given by Johnson & Johnson, without the need for fortification by a
16 payment into Court or by a guarantee.

17
18 47.I have in mind that Johnson & Johnson is an extremely large and well-
19 known international group and that it is highly unlikely that it would risk its
20 reputation by dishonouring an undertaking. In any event, the Medfords will
21 be at liberty if they wish, having been served with notice of the order, to
22 apply for fortification.



1 48. Leave to serve out of the jurisdiction upon the Medfords in Canada at their
2 known address, was also granted in keeping with Grand Court Rules Order
3 11 r.1(n), with liberty to return after 14 days of service being effected.
4

5 **Dated this 2nd day of July 2015**

6
7
8 

9 **The Hon. Anthony Smellie**
10 **Chief Justice**
11
12
13

14 **Corrigendum**

15
16 Reissued with typographical corrections to paragraph 32 line 7 (“seems”) and
17 paragraph 45 line 9 (“fully”) on 4th May 2016.
18
19