

THE WALL STREET JOURNAL.

WEDNESDAY, OCTOBER 27, 2010

© 2010 Dow Jones & Company, Inc. All Rights Reserved.

UPDATE: Distributor Agrees To Not Alter J&J Diabetes Strips

By **THOMAS GRYTA**
AND **PETER LOFTUS**

NEW YORK—(Dow Jones)—A medical products distributor agreed to a settlement with federal prosecutors to not alter boxes of diabetes test strips, including those from Johnson & Johnson (JNJ), in order to hide that the products weren't meant for sale in the U.S.

The strips are used with meters that help diabetics monitor blood-sugar levels. The defendants in the case were American Health Care Inc. and its president, Edward Letko.

The New Brunswick, N.J., drug giant had sued the same defendants for allegedly selling counterfeit versions of its diabetes-care products. The suit was part of a multi-year effort to bust a counterfeiting ring stretching from China to Pakistan to the U.S., following the discovery of fake copies of its OneTouch diabetes test strips on the U.S. market in 2006.

In a June settlement, American Healthcare and Letco agreed to stop dealing in OneTouch products completely.

On Wednesday, the defendants agreed to a consent decree, which is essentially a negotiated injunction, that prohibits them from altering the language on the outside of test strip boxes that limits the geographic location where they can be sold.

A Johnson & Johnson spokesman said its OneTouch products were involved in the case but couldn't say whether other manu-

facturers' products were also affected.

According to the related complaint filed by federal prosecutors, American Health Care began purchasing strips overseas in 2004 and importing them into the U.S. for sale. The products are cheaper outside of the U.S.

Under the settlements, the parties admitted no wrongdoing.

Roy Albiani, the global director of brand integrity at J&J's LifeScan unit, said that the defendants paid unspecified damages in the civil suit and that the test strips involved in the both cases are no longer on the market.

"We are very pleased with the Department of Justice's pursuit of this matter to prohibit American Healthcare from illegally relabeling our products and prevent the potential health risks that such relabeling poses," he said.

Albiani said the company cannot assure the quality, accuracy and reliability of blood glucose test results obtained from repackaged or relabeled test strips.

For J&J, the little strips are big business. Boxes of 50 OneTouch strips sell for roughly \$50 each and are among the products in J&J's diabetes-care unit, which generated \$2.4 billion in sales last year.

J&J has secured court orders against more than 50 defendants in the civil litigation, barring them from selling counterfeit J&J products. The company has declined to publicly disclose the terms of monetary settlements. Some of the litigation remains unresolved.