

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

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|---|---|----------|
| ALICIA DIAGNOSTICS, INC., |) | |
| |) | |
| Plaintiff, |) | Case No. |
| |) | |
| v. |) | |
| |) | |
| MEDLINE INDUSTRIES, INC., |) | |
| |) | |
| Defendant. |) | |
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COMPLAINT

Plaintiff, ALICIA DIAGNOSTICS, INC. (“Alicia Diagnostics” or “Plaintiff”), by and through its undersigned counsel, files this Complaint against Defendant, MEDLINE INDUSTRIES, INC. (“Medline” or “Defendant”), and states as follows:

PARTIES, VENUE, & JURISDICTION

1. This is an action for damages. This Court has federal diversity jurisdiction pursuant to 28 U.S.C. §1332, in that Plaintiff and Defendant are of diverse citizenship, and the amount in controversy, exclusive of interest and costs, is in excess of \$75,000.00.
2. Alicia Diagnostics is a corporation which distributes medical equipment worldwide and is organized under the laws of the State of Florida, with its principal place of business in Chuluota, Florida.
3. Medline is a corporation which manufactures certain medical products and equipment and is organized under the laws of the State of Illinois, with its principal place of business in Illinois.
4. Venue is proper in this Court because the contract governing the relationship between the parties provides for exclusive jurisdiction and venue in Northern District of Illinois,

Eastern Division, and provides that both parties submit to the personal jurisdiction of this Court.

FACTUAL BACKGROUND

5. Alicia Diagnostics is a distributor of medical equipment and supplies that connects various territories throughout the world with medical supplies at wholesale volumes.

6. Medline is a manufacturer and distributor of healthcare and medical equipment that acts as a supply vendor for various distributors.

7. Beginning in 2013, Alicia Diagnostics set out to export certain medical supplies to the country of Iran.

8. To that end, Alicia Diagnostics secured a license through the U.S. Department of the Treasury Office of Foreign Assets Control to export certain food items, medicine, and basic medical supplies to Iran.

9. In August 2016, Medline and Alicia Diagnostics entered into a Distribution Agreement wherein Medline appointed Alicia Diagnostics as its exclusive distributor of certain Advanced Wound Care products in Iran up and until August 25, 2021 (the “Distribution Agreement”). A true and correct copy of the Distribution Agreement is attached hereto as **Exhibit “A.”**

10. The terms of the Distribution Agreement included the following, among others:

a. Through the course of the Distribution Agreement, Alicia Diagnostics must purchase and pay for the following United States dollar volumes of Medline products:

i. Year 1: \$1,000,000

ii. Year 2: \$1,500,000

iii. Year 3: \$500,000 growth or 20% growth over prior year, whichever is

greater

iv. Year 4: \$500,000 growth or 20% growth over prior year, whichever is

greater

v. Year 5: \$500,000 growth or 20% growth over prior year, whichever is

greater

11. Through 2016 and 2017, Alicia Diagnostics successfully registered approximately 80 Medline products with the Iranian Ministry of Health (“MOH”) to meet the Iranian Transactions and Sanctions Regulations.

12. MOH is a government organization regulating the import and sale of medical equipment and supplies in a particular territory.

13. In working with the MOH, Alicia Diagnostics would register the potential products and submit all quality, testing, and pricing documentation of products for MOH approval.

14. Alicia Diagnostics has expended a total of approximately \$121,000 on the registration of the Medline products through MOH and other necessary organizations, and on securing the required permits, registrations, and licenses to export and distribute Medline products in Iran.

15. Once the MOH registration process was complete, Alicia Diagnostics would then submit a proforma invoice for each delivery to MOH to apply for the import license.

16. Under the applicable Iranian regulations, to secure its performance, Alicia Diagnostics was required to post cash collateral in an amount equal to two times the total cost of the order, half of which was deposited into and held in an Iranian escrow account, and the other half was deposited with and held by MOH.

17. On top of those deposits, Medline also required a deposit from Alicia Diagnostics

to secure payment for the ordered products, typically equal to the total order amount.

18. The funds Alicia Diagnostics expended and deposited in Iran to secure, export, and deliver the products were not to be returned to Alicia Diagnostics until the products cleared customs in the destination country.

19. Once MOH approves the order and allocates funds, Alicia Diagnostics then had 45 days to submit proof of shipment before interest, fines, and late fees would be applied and deducted from the order escrow and MOH collateral.

20. If Alicia Diagnostics' did not provide proof of shipment within 90 days, its license would become delinquent and, at that point, Alicia Diagnostics would be barred from applying for additional licenses until full delivery was made plus Alicia Diagnostics' principals could be subject to arrest in Iran for various crimes including fraud and money laundering.

21. Additionally, if any delay in manufacturing or delivery of Medline products would occur, Alicia Diagnostics' deposited funds would be locked up in non-interest-bearing places and would be inaccessible.

22. Unfortunately, over the course of Alicia Diagnostics and Medline's relationship, Medline has failed to timely deliver on any of Alicia Diagnostics' orders. As a result of Medline's failures, Alicia Diagnostics has experienced significant damages, including loss of profits, fines, penalties and loss of licenses.

23. These delays are in direct violation of the promises inherent in the Distribution Agreement between Alicia Diagnostics and Medline.

24. Pursuant to the Distribution Agreement, the parties agreed to litigate any and all disputes in "the federal courts of Illinois encompassing Mundelein, IL."

25. All conditions precedent to the maintenance of this action have been performed,

excused or waived.

26. Plaintiff has retained an attorney to prosecute its interests in this matter, and is obligated to pay reasonable attorneys' fees for services.

COUNT I – BREACH OF DISTRIBUTION AGREEMENT

27. Plaintiff re-alleges and incorporates by reference Paragraphs 1 through 26 above.

28. This is a cause of action by Alicia Diagnostics against Medline for breach of contract.

29. In the Distribution Agreement, Medline appointed Alicia Diagnostics as its exclusive distributor of certain products in Iran. In exchange for such appointment and commitment, Alicia Diagnostics made numerous promises and significant commitments to Medline. Thus, the parties had an express, enforceable agreement. See **Exhibit “A.”**

30. One of such commitments was minimum purchase obligations for each 12 month period for five years. Another such commitment was an exclusive relationship between these parties regarding purchase, distribution, and promotion of certain products, including rights of first refusal.

31. In the Distribution Agreement, Medline additionally committed to quality terms and conditions of its products.

32. Considering these commitments, Alicia Diagnostics made business plans and relationships with other parties, expended time, money, and resources toward such business relationships, and declined other business opportunities due to the commitments to Medline. Furthermore, Alicia Diagnostics was precluded from filling the voids caused by Medline's failures due to the exclusive nature of the Distribution Agreement.

33. Medline breached the Distribution Agreement in material respects by (1) failing to

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