

## CLIENT ALERT

# Record FCA Recoveries for Tariff Evasion & Customs Fraud

## Introduction

The U.S. Department of Justice ("DOJ") has made clear that tariff evasion and customs fraud are now squarely within the crosshairs of False Claims Act, 31 U.S.C. §§ 3729-3733, ("FCA") enforcement. In fiscal year 2025, FCA settlements and judgments reached an all-time high of \$6.8 billion, the largest annual recovery in the statute's history and roughly a 120% increase from the prior year.<sup>1</sup> Whistleblower-initiated cases, known as *qui tam* actions, also shattered records: relators filed 1,297 *qui tam* suits in FY 2025, far surpassing the prior record of 980 and more than doubling the figure from just four years earlier. These numbers reflect an enforcement landscape that is not merely active – it is accelerating. One of the most significant areas of expansion is international trade.

This alert examines DOJ's aggressive new posture on trade fraud enforcement, the formation of the cross-agency Trade Fraud Task Force, recent enforcement actions that illustrate the government's approach, and the practical steps companies should take to mitigate rising FCA and criminal exposure.

## DOJ Establishes the Trade Fraud Task Force

On August 29, 2025, the DOJ and the Department of Homeland Security launched a cross-agency Trade Fraud Task Force designed to bring together prosecutors from DOJ's Civil and Criminal Divisions with investigators from U.S. Customs and Border Protection and Homeland Security Investigations.<sup>2</sup> The Task Force's stated mission is to "aggressively pursue enforcement actions against any parties who seek to evade tariffs and other duties, as well as smugglers who seek to import prohibited goods into the American economy."<sup>3</sup>

The creation of the Task Force builds on a series of earlier signals from the administration. In May 2025, DOJ's Criminal Division issued a memorandum titled "Focus, Fairness, and Efficiency in the Fight Against White-Collar Crime," which designated trade and customs fraud, including tariff evasion, as one of ten "high-impact areas" of enforcement priority.<sup>4</sup> In July 2025, DOJ combined resources from the Criminal and Civil Divisions to create a Market, Government, and Consumer Fraud Unit within the Criminal Division's Fraud Section, with a stated focus that includes schemes to "evade tariffs." The DOJ also expanded its Corporate Whistleblower Awards Pilot Program to cover "trade, tariff, and customs fraud," creating a new incentive channel for would-be informants beyond the FCA's traditional *qui tam* provisions.

The Task Force has announced that it will pursue enforcement through multiple legal authorities: duty and penalty collection actions under the Tariff Act of 1930, 19 U.S.C. § 1592, civil actions under the FCA, and, where appropriate, parallel criminal prosecutions under Title 18's fraud and conspiracy provisions.

Critically, the Task Force has also explicitly encouraged private parties to utilize the FCA's *qui tam* provisions to bring trade fraud claims, signaling that whistleblower-driven enforcement in this area will only grow.

## The FCA as a Trade Enforcement Tool

The FCA's application to customs fraud rests primarily on the statute's "reverse false claims" provision, 31 U.S.C. § 3729(a)(1)(G), which imposes liability when a person or entity knowingly conceals or improperly avoids an obligation to pay the government.<sup>5</sup> In the tariff context, this means that importers who underreport or underpay customs duties – through misclassification of goods, misrepresentation of country of origin, fraudulent undervaluation, or transshipment schemes – can face treble damages and per-claim civil penalties under the FCA. The FCA authorizes courts to impose damages equal to three times the amount of unpaid duties, plus additional civil penalties currently ranging from \$14,308 to \$28,619 per violation.

Notably, the FCA's *qui tam* provisions, 31 U.S.C. § 3730(b)-(d), allow private parties, including competitors, former employees, and even professional relators, to file suit on behalf of the government and share in any recovery, typically receiving between 15% and 30% of the total amount recovered, 31 U.S.C. § 3730(d). This whistleblower incentive has proven to be a powerful enforcement driver in other sectors, and DOJ's explicit encouragement of *qui tam* filings in the trade space strongly suggests that companies should expect a rising tide of whistleblower-initiated customs fraud litigation.

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## Recent Enforcement Actions

DOJ's enforcement activity in the trade fraud space has moved swiftly from policy pronouncements to concrete results. Several recent actions illustrate the government's approach and the breadth of its reach.

**Ceratizit USA LLC (\$54.4 Million Settlement).**<sup>6</sup> On December 18, 2025, DOJ announced the largest customs-related FCA settlement in history: a \$54.4 million resolution with Ceratizit USA LLC, a distributor of tungsten carbide products. The government alleged that Ceratizit misrepresented the country of origin of Chinese-manufactured products by routing them through Taiwan, thereby evading Section 301 duties. The case originated from a *qui tam* complaint filed in 2022, and the whistleblower received approximately \$9.75 million of the settlement.<sup>7</sup> DOJ expressly reserved the right to pursue criminal charges against the company or individuals arising from the same conduct.

**MGI International LLC (\$6.8 Million FCA Settlement and Criminal Declination/Executive Guilty Plea).**<sup>8</sup> DOJ announced a \$6.8 million FCA settlement with subsidiaries of MGI International for failing to pay customs duties on plastic resin imported from China, where the companies had declared false countries of origin. On the criminal side, DOJ declined to prosecute the company itself, crediting MGI's voluntary self-disclosure, cooperation, and remediation, but separately obtained a guilty plea from MGI's former chief operating officer on a charge of conspiracy to smuggle goods into the United States.<sup>9</sup> This resolution underscores that voluntary disclosure can produce favorable outcomes at the entity level while individual executives remain exposed to criminal liability.



## Recent Enforcement Actions *continued*

**Grosfillex Inc. (\$4.9 Million Settlement).**<sup>10</sup> DOJ reached a \$4.9 million settlement with Grosfillex for evading antidumping and countervailing duties on extruded aluminum products imported from China. The case originated from a whistleblower lawsuit filed by a former employee, who received nearly \$1 million of the settlement.

**Wanxiang America Corporation (\$53 Million Civil Penalty).**<sup>11</sup> Also on December 18, 2025, DOJ and CBP announced a \$53 million settlement with Wanxiang America to resolve allegations that the company misclassified Chinese automotive components to avoid antidumping duties.

All of these cases involved imports from China, and all reflect common enforcement typologies: misrepresentation of country of origin, transshipment through third countries to mask Chinese origin, misclassification of goods under the Harmonized Tariff Schedule, and undervaluation.

## Parallel Civil & Criminal Exposure

One of the most significant developments for the defense bar is the increasing likelihood of parallel civil and criminal proceedings in trade fraud matters. The Trade Fraud Task Force is expressly designed to coordinate both the Civil and Criminal Divisions. As the MGI matter demonstrates, resolving civil FCA liability does not preclude subsequent criminal investigation, and the Ceratizit settlement's express reservation of criminal charges confirms DOJ's intent to preserve all enforcement options.

DOJ's Criminal Division has signaled that it is treating tariff evasion as criminal smuggling, even in cases that do not involve physical concealment of goods. In the MGI case, the government charged misstatements on CBP Form 7501 entry summaries under the federal smuggling statute, a felony provision, 18 U.S.C. § 545. This framing represents a meaningful escalation from prior enforcement approaches, which typically addressed classification and country-of-origin errors through CBP's administrative penalty scheme or civil FCA actions.

Companies and their counsel should also be aware that the FCA's statute of limitations, 31 U.S.C. § 3731(b) can stretch up to ten years and that the clock stops running when a sealed *qui tam* complaint is filed, even if the government takes years to investigate before the case becomes public. Historical noncompliance, even predating the current administration's trade priorities, may therefore still create significant exposure.



## Practical Steps for Companies

In light of these developments, companies that import goods into the United States, particularly those sourcing from or routing products through China, should consider the following steps to mitigate risk:

### 01. Audit Trade Compliance and Supply Chain Programs

Companies should conduct targeted reviews of their import practices, including country-of-origin determinations, tariff classifications, product valuations, and documentation supporting customs declarations. Special attention should be paid to goods transshipped through third countries or subjected to minimal processing that may not be sufficient to confer a new country of origin.

### 02. Strengthen Internal Reporting

DOJ has actively encouraged whistleblowers to report trade fraud, and the expanded Corporate Whistleblower Awards Pilot Program now covers trade violations. Robust internal hotlines and reporting channels can help surface compliance concerns before they are reported externally. Companies should ensure that employees understand available reporting options and that reports are investigated promptly and thoroughly.

### 03. Evaluate Voluntary Self-Disclosure

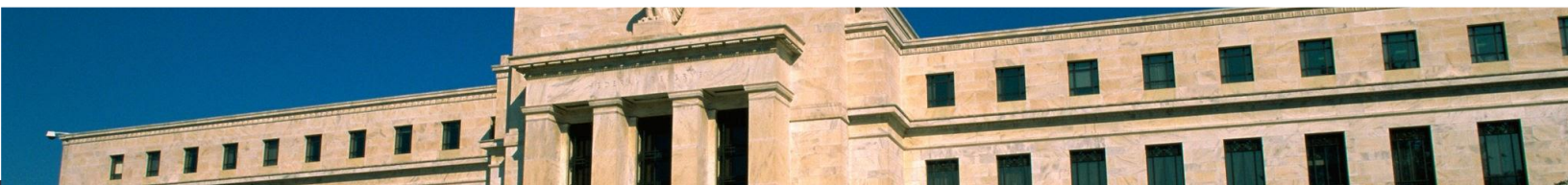
The MGI resolution illustrates that timely voluntary self-disclosure, full cooperation, and meaningful remediation can result in a corporate criminal declination. Under DOJ's revised Corporate Enforcement and Voluntary Self-Disclosure Policy, a company that satisfies these criteria is now entitled to (rather than merely presumed to receive) a declination absent aggravating circumstances. Companies that identify potential customs violations should promptly consult with counsel to assess whether disclosure to DOJ and/or CBP is appropriate.

### 04. Monitor Third-Party and Supply Chain Risk

Companies should ensure that contractual agreements with foreign suppliers, freight forwarders, and customs brokers include appropriate compliance representations and that supply chain partners are subject to adequate due diligence. Companies should also take adequate steps to ensure compliance with U.S. export controls and sanctions regulations. Given the enforcement focus on transshipment and country-of-origin fraud, companies should be especially vigilant about goods sourced from jurisdictions with elevated tariff exposure.

### 05. Prepare for Individual Liability

The prosecution of MGI's former chief operating officer, even after the company received a criminal declination, underscores DOJ's continued emphasis on individual accountability. Officers and executives involved in sourcing, customs compliance, and tariff strategy decisions should be aware of their personal exposure and should ensure that compliance decisions are well-documented and legally supportable.





## Conclusion

The convergence of record FCA enforcement, the creation of the Trade Fraud Task Force, and the administration's aggressive tariff policies has created a fundamentally new risk environment for companies engaged in international trade. Trade compliance is no longer solely an administrative or regulatory concern – it is now a civil fraud and potential criminal liability risk of the first order. Companies that import goods, particularly from China and other high-tariff jurisdictions, should act now to reassess their compliance posture, strengthen internal controls, and prepare for the heightened enforcement climate that shows every sign of intensifying in 2026 and beyond.

## Scale LLP Investigations & White Collar Defense Team

Scale's Investigations & White Collar Defense team—led by [Peter Lallas](#), [Samer Korkor](#), [Katie Sweeten](#), and [Tim Furin](#)—brings decades of experience representing companies and individuals in DOJ investigations and related litigation. With backgrounds as a former SEC Senior Trial Counsel and former DOJ federal prosecutors, the team offers first-hand insight into enforcement priorities, investigative strategy, and effective defense. Serving clients facing inquiries from the DOJ and other federal regulators, the group also conducts independent internal investigations and helps organizations design and strengthen compliance programs to mitigate risk.

This client alert is not intended to serve as or replace traditional legal advice.



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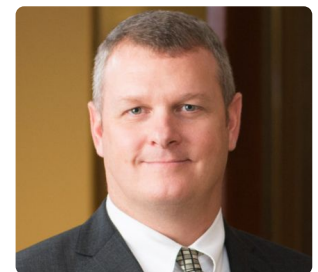
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Companies importing goods into the United States should assess customs compliance, country-of-origin practices, and supply chain risk in light of increased FCA enforcement. Scale LLP advises companies on trade fraud investigations, FCA exposure, and proactive compliance strategies.

## Citations

- <sup>1</sup> DOJ Press Release, "False Claims Act Settlements and Judgments Exceed \$6.8B in Fiscal Year 2025" (Jan. 16, 2026), <https://www.justice.gov/opa/pr/false-claims-act-settlements-and-judgments-exceed-68b-fiscal-year-2025>
- <sup>2</sup> DOJ Press Release, "Departments of Justice and Homeland Security Partnering on Cross-Agency Trade Fraud Task Force" (Aug. 29, 2025), <https://www.justice.gov/opa/pr/departments-justice-and-homeland-security-partnering-cross-agency-trade-fraud-task-force>
- <sup>3</sup> *Id.*
- <sup>4</sup> Memo from Matthew R. Galeotti, Head of the Criminal Division, to All Criminal Division Personnel (May 12, 2025).
- <sup>5</sup> 31 U.S.C. § 3729(a)(1)(G); DOJ Press Release (Jan. 16, 2026) (describing the FCA as imposing liability on "those who knowingly and falsely claim money from the United States or knowingly fail to pay money owed to the United States")
- <sup>6</sup> DOJ Press Release, "Ceratzit USA LLC Agrees to Pay \$54.4M to Settle False Claims Act Allegations Relating to Evaded Customs Duties" (Dec. 18, 2025), <https://www.justice.gov/opa/pr/ceratzit-usa-llc-agrees-pay-544m-settle-false-claims-act-allegations-relating-evaded-0>
- <sup>7</sup> *Id.* (*United States ex rel. Stover v. Ceratzit USA, et al.*, No. 2:22-cv-12291 (E.D. Mich.))
- <sup>8</sup> DOJ Press Release, "Importers Agree to Pay \$6.8M to Resolve False Claims Act Liability Relating to Voluntary Self-Disclosure of Unpaid Customs Duties" (July 23, 2025), <https://www.justice.gov/opa/pr/importers-agree-pay-68m-resolve-false-claims-act-liability-relating-voluntary-self>
- <sup>9</sup> DOJ Press Release, "Justice Department Resolves Criminal Trade Fraud Investigation with Plastic Resin Distributor; Former Executive Agrees to Plead Guilty" (Dec. 18, 2025), <https://www.justice.gov/opa/pr/justice-department-resolves-criminal-trade-fraud-investigation-plastic-resin-distributor>
- <sup>10</sup> DOJ Press Release No. 25-779, "Patio Furniture Company Grosfillex Inc. to Pay \$4.9 Million to Resolve Allegations it Evaded Duties on Extruded Aluminum from the PRC" (July 24, 2025), available at <https://www.justice.gov/opa/pr/patio-furniture-company-grosfillex-inc-pay-49-million-resolve-allegations-it-evaded-duties>
- <sup>11</sup> DOJ Press Release No. 25-1214, "United States Settles Suit for Misclassification of Chinese Automotive Components" (Dec. 18, 2025), available at <https://www.justice.gov/opa/pr/united-states-settles-suit-misclassification-chinese-automotive-components>.