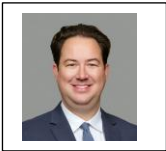


*APRIL 2026***IN THIS ISSUE**

Jay Schleppenbach reports on the United States Department of Justice's recent creation of a Trade Fraud Task Force and actions seeking to hold companies liable both civilly and criminally for attempted evasion of President Trump's tariffs.

Department of Justice's New Trade Fraud Task Force Emphasizes Criminal Enforcement, Corporate Cooperation, and Individual Accountability

ABOUT THE AUTHOR

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In July 2025, the Department of Justice announced the creation of a Trade Fraud Task Force.¹ Matthew Galeotti, head of the Justice Department’s Criminal Division, stated that, through this Task Force, the DOJ would be “responding to the call of law-abiding businesses that don’t want to—and should not—be put at a competitive disadvantage for paying their lawful share” by devoting “significant personnel” to cases involving long-running frauds, senior executives, and large volumes of alleged losses from unlawful tariff evasion schemes.² Galeotti emphasized that “[t]he criminal code provides tools for prosecutors tailored specifically to this problem.” Indeed, it is a felony punishable by up to twenty years in prison to knowingly and willfully “receive[], conceal[], buy[], sell[], or in any manner facilitate[] the transportation, concealment, or sale” of merchandise that is “contrary to law.”³ Other criminal statutes criminalize the false classification of goods upon entry⁴ and bringing goods into the country by means of false statements.⁵

Several months later, in February 2026, the Head of the Trade Fraud Task Force, Criminal Division Senior Counsel Cody Matthew Herche, delivered his first formal remarks since assuming the position at the International Trade Investigations,

Enforcement & Litigation conference in Arlington, Virginia.⁶ These remarks, which the author attended, provided further detail about the Task Force’s plans and underlined that the DOJ under President Donald J. Trump views customs and trade fraud as a high priority for not just civil but also criminal enforcement and is prepared to reward those who cooperate to root it out.

A Fundamental Shift

In his February 2026 remarks, Herche reemphasized that the business community should be aware that the Trump DOJ is taking a fundamentally different approach to customs and trade fraud than prior administrations. The legal and business community has traditionally viewed trade compliance as essentially a matter of administrative filings, but the DOJ understands that trade compliance is a matter of national and economic security. Tariffs and duties are not self-effectuating, and unfair trade practices expose companies to unfair competition while depriving the government of lawful revenue. Herche referenced an executive order from President Trump’s first term that identified customs and trade fraud as a “high priority” and further observed that importation of misdescribed goods can be a “profound

¹ Justin Wise, *DOJ Frauds Unit Tasked With Pursuing Evasion of Trump Tariffs*, BLOOMBERG LAW (July 10, 2025), <https://news.bloomberglaw.com/business-and-practice/doj-frauds-unit-tasked-with-pursuing-evasion-of-trump-tariffs/>.

² *Id.*

³ 18 U.S.C. § 545.

⁴ 18 U.S.C. § 541.

⁵ 18 U.S.C. § 542.

⁶ American Conference Institute, *International Trade Investigations, Enforcement & Litigation* (February 23, 2026), <https://www.americanconference.com/international-trade-investigations/agenda/>.

threat to health and safety” or compromise national security.⁷ Thus, the DOJ will be aggressively combatting customs and trade fraud through both civil and criminal measures.

Herche noted that the DOJ had record recoveries of \$6.8 billion under the False Claims Act⁸ in 2025, some of which involved customs and trade fraud issues. The DOJ also started courting customs and trade fraud whistleblowers, adding this subject area as a priority area of focus under the Corporate Whistleblower Awards Pilot Program, which allows for financial compensation to those who report “original, truthful information about criminal misconduct.”⁹ Additionally, Herche reported that the DOJ has made a decisive shift toward criminal investigations, treating these trade offenses less like part of the “cost of doing business” and more like the serious felonies they are. The DOJ will accordingly not hesitate to hold individuals accountable for directing corporate employees to avoid tariffs. For example, Herche highlighted the recent Global Plastics matter, where a Chief Operating Officer was prosecuted for conspiracy after instructing subordinates to misrepresent the

manufacturer and country of origin on paperwork that was submitted to the U.S. Customs and Border Protection in order to avoid paying the required Section 301 duties.¹⁰ At the same time, Herche noted that the company in that matter had voluntarily self-disclosed and remediated the conduct at issue and the DOJ had therefore declined to prosecute.¹¹ So the Task Force will be employing both carrots and sticks to combat these serious crimes.

A Multifaceted Problem

Herche identified several different types of fraud schemes that the DOJ is targeting. He said that manipulation of goods’ country of origin is the most common scheme, either by misrepresentation of that origin or transshipment through an intermediate country. Misclassification of goods with incorrect Harmonized Tariff Schedule¹² codes so as to avoid duties that would be owed under the correct code is another type of fraud. This includes so-called “HTS drift,” where sudden classification changes occur before goods reach the customs broker. In addition, some companies have engaged in double-invoicing schemes, in which an

⁷ President Donald J. Trump, *Executive Order 13785—Establishing Enhanced Collection and Enforcement of Antidumping and Countervailing Duties and Violations of Trade and Customs Laws* (March 31, 2017), available at <https://www.govinfo.gov/content/pkg/DCPD-201700214/pdf/DCPD-201700214.pdf>.

⁸ 31 U.S.C. § 3729.

⁹ United States Department of Justice, *Corporate Whistleblower Awards Pilot Program* (Revised May 12, 2025), available at <https://www.justice.gov/criminal/media/1400041/dl?inline>.

¹⁰ United States Department of Justice, *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>.

¹¹ *Id.*

¹² United States International Trade Commission, *Harmonized Tariff Schedule* (2026 Revision), <https://hts.usitc.gov/>.

importer of record issues a real invoice to a customer for payment but submits a false invoice showing lower prices (and thus lower customs duties to be paid) to Customs and Border Protection. These schemes may be paired with product safety violations, such as forged safety or environmental certifications—in those cases, the misrepresentations allow non-compliant goods to enter the United States. There may also be “port shopping,” where goods rejected as non-compliant at one port are entered using different, false information at another port. Of course, the initial rejection of the goods at the first port provides strong evidence of the importer’s knowledge that the eventual entry of the goods at the second port was contrary to law.

A Multifaceted Approach

Herche described several strategic enforcement initiatives that the Task Force is undertaking to combat customs and trade fraud.

First, the Task Force is growing its partnerships with agencies like the Food and Drug Administration, the Environmental Protection Agency, and the Consumer Product Safety Commission. The same misrepresentations that these agencies see as threatening consumer health and safety may also constitute trade fraud, and the DOJ wants to see accountability extend to every

regulatory program that a fraud circumvents. The Task Force has also partnered with the Department of Homeland Security, the civil and criminal components of the DOJ, and individual U.S. Attorneys’ Offices. In particular, Herche recognized the pioneering efforts of Andrew S. Boutros, the United States Attorney for the Northern District of Illinois, who prosecuted significant trade fraud cases when still an AUSA and was instrumental in the creation of the Task Force. Indeed, the day after Herche’s remarks, the DOJ announced that the U.S. Attorney’s Office for the Northern District of Illinois had been selected “a lead prosecutorial partner” for the task force and that “[t]hose with information about serious trade fraud schemes should consider filing a False Claims Act case in the District or making a voluntary disclosure or criminal referral under one of the avenues available for cooperators or whistleblowers.”¹³

Second, Herche highlighted the DOJ’s commitment to using data-driven lead generation to identify anomalies that signal tariff evasion. This includes the Automated Targeting System, a U.S. Customs and Border Protection decision-support tool that evaluates travelers, cargo, and conveyances to identify potential security risks using risk-based assessments and intelligence data.¹⁴ Using historical data and information from case examinations by CBP, investigators look

¹³ United States Department of Justice, *Department of Justice Selects U.S. Attorney’s Office in Chicago As Leading Prosecutorial Partner on Trade Fraud Task Force* (Feb. 24, 2026), <https://www.justice.gov/usao-ndil/pr/departement-justice-selects-us-attorneys-office-chicago-leading-prosecutorial-partner>.

¹⁴ Department of Homeland Security, *DHS/CBP/PIA-006 Automated Targeting System* (May 2022), <https://www.dhs.gov/publication/automated-targeting-system-ats-update>.

for data shifts that are inconsistent with logistics and that may suggest false statements. Herche also noted that 18 U.S.C. § 3237 provides for expansive venue over cases in any district from, through, or into which relevant goods move.

In addition, the Task Force is engaging with Offices of Inspectors General to identify federal contractors that may have purchased goods from non-compliant importers or lacked adequate compliance programs. Federal contractors are legally required to disclose to the OIGs any credible evidence of fraud or False Claims Act violations, so the Task Force may be able to leverage this information where it is provided or penalize those companies that either fail to report it or fail to have adequate compliance programs to detect it.

Finally, Herche announced that the Task Force is collaborating with the Forced Labor Enforcement Task Force to enforce laws that bar the importation of goods made by forced labor.¹⁵ He noted estimates that 27 million people worldwide are currently trapped in forced labor. The same defects in supply chains that allow for forced labor may also be used to evade customs duties or tariffs.

Detecting High Risk Supply Chains

In keeping with his message of corporate compliance and cooperation, Herche encouraged businesses to consider whether they have high risk supply chains. He noted that vertically integrated supply chains,

where a single entity controls all the information about customs and trade issues, create opportunities for effective internal controls and compliance. (Of course, where controls and compliance are not effective, they also present the most straightforward cases of trade fraud.) Herche also cautioned that a fragmented supply chain is not a defense to customs and trade fraud liability. If an organization fails to ask the right questions of its supply chain or act on red flags, it will face criminal exposure.

And Herche provided some examples of the right types of questions for companies to be asking. Why has the cost of goods remained the same despite the imposition of an applicable tariff? Why has the preferred country of origin for a good suddenly changed? Why do purchase orders contain information that does not match the data submitted to customs? Why has the corporate name of the importer of record changed many times? Why has a good been routed through places seemingly unconnected to its origin or destination? Herche emphasized that most companies would not allow a sanctioned regime onto their ledger; they similarly should not allow a tariff evader into their warehouses.

While Herche noted the risks to companies from sloppy supply chain due diligence, he also emphasized the incentives to investigate potential non-compliance and self report, again highlighting the declination of charges the company received in the Global Plastics matter.¹⁶ Companies can also

¹⁵ *E.g.*, 18 U.S.C. § 1589

¹⁶ United States Department of Justice, *Justice Department Resolves Criminal Trade Fraud*

report their competitors where they have evidence of tariff evasion, and indeed the DOJ has recently seen an increase in competitor relates in False Claims Act cases.

Recent Actions Matching Words

Along with the Global Plastics criminal resolution that Herche referenced in his remarks, the DOJ has also taken recent civil actions targeting customs and trade fraud. On December 18, the DOJ's Civil Division announced that Ceratizit USA LLC, a North Carolina-based distributor of tungsten carbide products, had agreed to pay \$54.4 million to resolve allegations that it violated the False Claims Act by knowingly and improperly failing to pay duties owed on tungsten carbide products imported from China.¹⁷ Ceratizit was alleged to have misrepresented to Customs and Border Protection that the imported goods originated in Taiwan, when in fact it knew they had been manufactured in China and transshipped to Taiwan to avoid paying Section 301 tariffs.¹⁸ Ceratizit also allegedly misclassified tungsten carbide products using the incorrect Harmonized Tariff Schedule code to further reduce the duties

owed to CBP. The settlement with the Civil Division did not purport to release Ceratizit from any potential criminal liability.

The Ceratizit action was originally initiated in the Eastern District of Michigan by a whistleblower, who the DOJ indicated would receive approximately \$9.75 million of the settlement proceeds.¹⁹ In announcing the Ceratizit resolution, the DOJ mentioned its Trade Fraud Task Force and emphasized that it "encourages whistleblowers to utilize the qui tam provisions of the False Claims Act to alert the government to credible allegations of fraud."²⁰

Moving Forward

Herche's remarks serve as another important reminder that customs and trade fraud are now directly in the government's crosshairs and companies should take a hard look at their compliance in this area now. Supply chain audits can be used to ensure that a company's suppliers are supplying accurate information and paying appropriate tariffs.²¹ And effective compliance programs tailored to a company's significant risks, adequately

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>.

¹⁷ United States Department of Justice, *Ceratizit 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/ceratizit-usa-llc-agrees-pay-544m-settle-false-claims-act-allegations-relating-evaded-0>.

¹⁸ Office of the United States Trade Representative, *China Section 301-Tariff Actions and Exclusion*

Process, <https://ustr.gov/issue-areas/enforcement/section-301-investigations/tariff-actions>.

¹⁹ United States Department of Justice, *Ceratizit 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/ceratizit-usa-llc-agrees-pay-544m-settle-false-claims-act-allegations-relating-evaded-0>.

²⁰ *Id.*

²¹ Jodi L. Short et al., *Monitoring Global Supply Chains*, 37 STRAT. MGMT. J. 1878, 1897 (2016).

resourced, and empowered to function effectively can go a long way towards preventing trade fraud issues or, should such issues arise, influencing the government's view of charging decisions and ultimate penalties.²² With the assistance of counsel, such compliance programs and audits can be appropriately scoped to a business's global footprint, industry, and risk profile, and kept strictly confidential under the auspices of privilege. Companies cannot simply stick their heads in the sand about this growing enforcement risk, but must heed the Trade Fraud Task Force's warning to know their supply chains.

²² United States Department of Justice, *Evaluation of Corporate Compliance Programs* (2024),

[https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl?inline=.](https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl?inline=)

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