

DOJ Intervenes in Customs False Claims Act Case, Consistent with Administration's Focus on Foreign Trade

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The United States has intervened and filed a superseding complaint in a False Claims Act case originally filed by a whistleblower in the Eastern District of California.

The Government's [complaint](#) alleges that an importer and seller of work uniforms for restaurants, retailers, and healthcare providers, evaded customs duties by encouraging a conglomerate of Chinese manufacturers to declare artificially low customs duties on the produced uniforms. The alleged scheme included the production of two sets of invoices: one submitted to Customs and Border Patrol reflecting a lower value of goods to support lower owed duties, and another held privately between the manufacturer and importer reflecting the cost of goods actually paid.

The False Claims Act makes actionable both false claims for payment from the Government and false or fraudulent attempts to avoid paying amounts owed to the Government. The latter theory, known as a "reverse false claim," applies to duty avoidance cases like the one here. The False Claims Act allows the Government to seek three times the amount of the improper payments received or payment obligations avoided, plus civil penalties of up to \$28,619 for each submitted false claim.

The Government's decision to intervene demonstrates its focus on customs enforcement. The False Claims Act allows whistleblowers, known as relators, to litigate cases in the name of the Government if the Government reviews the relator's complaint and declines to intervene. But the Government obtains far higher recoveries in intervened cases: in Fiscal Year 2024, the [Government collected](#) \$2.2 billion through settlements and judgments in intervened cases, compared to just over \$200 million in declined cases.

We expect the current Administration will continue to closely scrutinize customs submissions, particularly as new tariffs are imposed on imported goods. Kelley Drye is closely monitoring this space, and is prepared to help clients in complying with their legal obligations related to the importation of goods.