

\$26M PENALTY HIGHLIGHTS RISING RISKS FROM U.S. CBP TARIFF ENFORCEMENT AND CUSTOMS MISDECLARATIONS

The U.S. Court of Appeals for the Ninth Circuit recently upheld a \$26 million jury award against a U.S. importer who misclassified Chinese welded outlets to avoid nearly 200% in antidumping duties. The case, brought under the False Claims Act (FCA) by a competitor whistleblower, sets a powerful precedent:

‘Importers can be held liable even if they believed their goods weren’t covered by duties, if they ignored red flags or failed to investigate.’

What You Should Do Now

- Audit your country of origin determinations
- Verify classifications for high-risk products like steel, electronics, and pipe fittings
- Ensure suppliers can document true manufacturing origin
- Don't rely on the country of export, CBP enforces based on substantial transformation
- Engage a licensed broker for scope rulings, AD/CVD, and duty impact assessments

What This Means for Importers

- 1. Intent Doesn't Need to Be Obvious:** The court ruled that reckless disregard or deliberate ignorance is enough for FCA liability.
- 2 U.S. CBP's Country-of-Origin Enforcement Is Increasing:** Misdeclaring country of origin can lead to significant exposure to FCA claims and CBP penalties
- 3. FCA and Customs Law Can Be Applied Together:** The government can pursue fraud through CBP, while private whistleblowers can bring FCA cases when the government does not act directly.

Frontier Supply Chain Solutions is here to help! If you're unsure about your exposure to CBP enforcement, Section 301 duties, or False Claims Act risk, our compliance team can help.