
August 25, 2025

DOJ Heightens Focus on Tariff Evasion with Announcement of Trade Fraud Task Force

In the latest signal that the Department of Justice (DOJ) is prioritizing enforcement of tariff evasion, on August 29, the DOJ announced the creation of a new “Trade Fraud Task Force” to “aggressively pursue enforcement actions against any parties who seek to evade tariffs and other duties[.]”¹ The task force will include the DOJ’s Civil and Criminal Divisions, as well as the Department of Homeland Security. DOJ has already brought a number of tariff evasion cases under the False Claims Act this year. Most recently, on August 15, the DOJ announced a \$12.4 million settlement under the False Claims Act with a Texas-based company and its president for allegedly evading duties on imports from China.²

The focus on tariff evasion extends to other federal agencies. On August 15, U.S. Customs and Border Protection (“CBP”) announced a \$400 million duty evasion enforcement action that focused on transshipment of Chinese-made goods through Southeast Asia.³ Additionally, the President’s July 31, 2025 Executive Order included new “transshipment” tariffs and directed CBP and the Department of Commerce to publish a list of facilities and countries that are used in “circumvention” schemes. The establishment of the Task Force reflects an effort to coordinate these different enforcement efforts.

Given the heightened enforcement environment surrounding tariff evasion and transshipment, importers and other companies involved in global supply chains should review their trade compliance programs.

The Department of Justice’s Focus on Tariff Evasion and Customs Fraud

Announced on August 29, 2025, the Trade Fraud Task Force will target enforcement of tariff evasion by “leverage[ing] expertise from both the Civil and Criminal Divisions, as well as the Department of Homeland Security.”⁴ It will initiate “duty and penalty collection actions under the Tariff Act of 1930, actions under the False Claims Act, and, wherever appropriate, parallel criminal prosecutions, penalties, and seizures under Title 18’s trade fraud and conspiracy provisions.”⁵

The Trade Fraud Task Force builds on DOJ’s Criminal and Civil Divisions’ recent emphasis and focus on tariff evasion.⁶

¹ Press Release, U.S. Dep’t of Justice, *Departments of Justice and Homeland Security Partnering on Cross-Agency Trade Fraud Task Force* (Aug. 29, 2025), available [here](#).

² Press Release, U.S. Dep’t of Justice, *Allied Stone Inc. and Company Official Agree to Pay \$12.4M to Settle False Claims Act Allegations Relating to Evaded Customs Duties*, available [here](#).

³ Press Release, U.S. Customs and Border Protection, *CBP uncovers more than \$400 million in duty evasion by bad actors who undercut American workers* (Aug. 15, 2025), available [here](#).

⁴ Departments of Justice and Homeland Security Partnering on Cross-Agency Trade Fraud Task Force, *supra* note 1.

⁵ *Id.*

⁶ Corinne Ramey, *Battling Tariff Fraud Is a Little-Known Front in Trump’s Trade War*, *The Wall Street Journal* (Jul. 14, 2025), available [here](#).

Criminal Division: In May 2025, now Acting Assistant Attorney General Matthew R. Galeotti issued a memorandum identifying “trade and customs fraud, including tariff evasion” as one of 10 priorities for white collar and corporate enforcement.⁷ As Galeotti noted in the memorandum, “[t]rade and customs fraudsters, including those who commit tariff evasion, seek to circumvent the rules and regulations that protect American consumers and undermine the Administration’s efforts to create jobs and increase investment in the United States. Prosecuting such frauds will ensure that American businesses are competing on a level playing field in global trade and commerce.”⁸ Additionally, DOJ added “trade, tariff, and customs fraud by corporations” as a category eligible for rewards under DOJ’s Corporate Whistleblower Awards Pilot Program.⁹ The Criminal Division is reportedly creating a unit to focus on tariff enforcement, and press accounts describe the transfer of personnel from the Consumer Protection Branch into this newly created “Market, Government, and Consumer Fraud Unit.”¹⁰

Civil Division: DOJ has brought a number of tariff evasion and customs fraud cases under the False Claims Act (the “FCA”) this year. In February 2025, Deputy Assistant Attorney General Michael Granston stated that DOJ plans to “continue to aggressively enforce the False Claims Act,” including for the purpose of enforcing trade laws.¹¹ Recent FCA cases have involved misrepresentations about an import’s country of origin,¹² misclassification of the import under the tariff schedule,¹³ or misrepresenting the value of the imported goods.¹⁴ For example, in a March 2025 resolution, an importer and its two owners settled a False Claims Act case brought by DOJ for \$8.1 million.¹⁵ The resolution noted that the importer “caused false information to be submitted to CBP regarding the identity of the manufacturers and country of origin of the imported” product. Moreover, even where DOJ does not intervene in a case, a *qui tam* relator can bring a claim under the False Claims Act alleging tariff evasion.¹⁶

“Transshipment” Tariffs

On July 31, President Trump issued an Executive Order, “Further Modifying the Reciprocal Tariff Rates,” which established a 10% near-worldwide baseline tariff rate and certain higher country-specific tariff rates.¹⁷ Notably, the Executive Order introduced a new category of “transshipment” tariffs. The Executive Order stated that “[a]n article determined by CBP to have been transshipped to evade applicable duties under section 2 of this order” would be subject to a 40% tariff rate in lieu of the country-specific tariff established in the Executive Order. In addition, the Executive Order noted that persons engaged in transshipment may be subject to a “fine or penalty”¹⁸ and provided that CBP shall not allow for “mitigation or remission” of the penalties assessed on transshipped imports.

The Executive Order did not define “transshipment” and, to date, CBP has not issued further guidance on this new tariff. Ordinarily, an import from multiple countries would be assessed under a country of origin framework that focused on whether a “substantial transformation” of the product took place in the final country in the supply chain.¹⁹ While the Executive Order did not mention any particular countries with regards to transshipment, press reports have noted that the Administration is

⁷ Memorandum from the Head of the Crim. Div., *Focus, Fairness, and Efficiency in the Fight Against White-Collar Crime*, U.S. Dep’t of Just. (May 12, 2025), available [here](#). While DOJ brought criminal cases relating to tariff evasion under prior Administrations, it did so relatively infrequently, and the area does not appear to have been an enforcement focus.

⁸ *Id.* at 3.

⁹ See Paul, Weiss, DOJ Announces New Corporate and White-Collar Enforcement Policies and Priorities (May 15, 2025), available [here](#).

¹⁰ Justin Wise, *DOJ Frauds Unit Tasked With Pursuing Evasion of Trump Tariffs (1)*, Bloomberg Law (Jul. 10, 2025), available [here](#).

¹¹ *False Claims on Trade to Trump FCPA as Justice Priority?*, Wash. Tariff & Trade Letter, available [here](#).

¹² Press Release, U.S. Dep’t of Justice, Importers Agree to Pay \$6.8 Million to Resolve False Claims Act Liability Relating to Voluntary Self-Disclosure of Unpaid Customs Duties (Jul. 23, 2025), available [here](#).

¹³ Press Release, U.S. Dep’t of Justice, Justice Department Files Suit for Unpaid Duties and Penalties for Alleged Misclassification and Failure to Pay Duties on Imported Chinese Solar Panels (Oct. 10, 2024), available [here](#).

¹⁴ Press Release, U.S. Dep’t of Justice, *U.S. Files Complaint Against Myrtle Beach Office Furniture Supplier & Owner* (Jul. 16, 2025), available [here](#).

¹⁵ Press Release, U.S. Dep’t of Justice, Evolutions Flooring Inc. and Its Owners to Pay \$8.1 Million to Settle False Claims Act Allegations Relating to Evaded Customs Duties (Mar. 25, 2025), available [here](#).

¹⁶ The Ninth Circuit recently affirmed a \$26 million judgement against an importer for evading required duties on Chinese imports, where the case was brought by a relator. *Island Industries Inc. v. Sigma Corp.*, 142 F.4th 1153 (9th Cir. 2025).

¹⁷ Exec. Order No. 14,326, 90 Fed. Reg. 37963 (2025).

¹⁸ The Executive Order cites 19 U.S.C. § 1592, which allows for the United States to recover customs duties avoided through fraud.

¹⁹ Int’l Trade Admin., U.S. Dep’t of Com., *Rules of Origin: Substantial Transformation*, available [here](#).

targeting imports from Southeast Asia that have parts sourced from China.²⁰ The White House has stated that it has “zero tolerance for transshipment” and is “exploring” new rules that would apply higher tariffs to components that are incorporated into a product in another country before being shipped to the United States.²¹

As noted above, the Executive Order directed CBP and the Department of Commerce to publish a bi-annual list of “countries and specific facilities that are used in circumvention schemes” and noted that the list should be utilized in “commercial due diligence.” To date, CBP and Commerce have not published this list.

Importers and other companies involved in global supply chains should monitor for further guidance from CBP on transshipment and will need to incorporate the CBP-Commerce list into their trade compliance programs.

Additionally, while the tariffs remain in effect, there is ongoing litigation regarding the President’s authority to impose these tariffs under the International Emergency Economic Powers Act (IEEPA). On August 29, the Federal Circuit held that the President’s so-called Liberation Day tariffs were outside of the scope of the congressional authorization under IEEPA. The court noted that reading the phrase “regulate . . . importation” in IEEPA as conferring the authority to impose tariffs of such a “magnitude” was a “a wafer-thin reed on which to rest such sweeping power.”²² The Federal Circuit held that it would delay the issuance of this mandate until October 14 and, if the decision was appealed, it would delay the mandate until the Supreme Court has issued a judgment (or declined to do so). Given that the Administration has stated it will appeal the decision, this means that the tariffs will remain in effect until the Supreme Court rules.

Takeaways

Announcing the Trade Fraud Task Force, DOJ “encourage[d] all importers and their agents to conduct thorough audits of their importing practices and voluntarily self-disclose and remediate unlawful behavior[.]”²³ Given the DOJ’s heightened focus on tariff evasion, importers and other companies involved in global supply chains should consider undertaking reviews of their trade compliance programs and making enhancements where appropriate. Companies should consider conducting or refreshing a risk assessment to identify potential areas of risk and reviewing their due diligence policies and procedures to ensure that they are well-designed to detect tariff evasion in their supply chains. If potential violations are identified, companies should consider whether to file a Voluntary Self Disclosure with DOJ.

²⁰ Lydia DePillis, *New Tariff on ‘Transshipped’ Goods Mystifies Importers*, N.Y. Times (Aug. 8, 2025), available [here](#).

²¹ *Id.*

²² See *V.O.S. Selections, Inc. v. Trump*, No. 25-1812 (Fed. Cir. Aug. 29, 2025), available [here](#) (citing *Ala. Ass’n of Realtors v. Dep’t of Health & Hum. Servs.*, 594 U.S. 758, 765 (2021)).

²³ Departments of Justice and Homeland Security Partnering on Cross-Agency Trade Fraud Task Force, *supra* note 1.

* * *

This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

H. Christopher Boehning
+1-212-373-3061
cboehning@paulweiss.com

Jessica S. Carey
+1-212-373-3566
jcarey@paulweiss.com

John P. Carlin
+1-202-223-7372
jcarlin@paulweiss.com

Harris Fischman
+1-212-373-3306
hfischman@paulweiss.com

Roberto J. Gonzalez
+1-202-223-7316
rgonzalez@paulweiss.com

Elizabeth Hanft
+1-212-373-3664
ehanft@paulweiss.com

Joshua Hill Jr.
+1-628-432-5123
jhill@paulweiss.com

David K. Kessler
+1-212-373-3614
dkessler@paulweiss.com

Randy Luskey
+1-628-432-5112
rluskey@paulweiss.com

Loretta E. Lynch
+1-212-373-3000

Mark F. Mendelsohn
+1-212-373-3337
mmendelsohn@paulweiss.com

Ian C. Richardson
+1-202-223-7405
irichardson@paulweiss.com

Jacobus J. Schutte
+1-212-373-3152
jschutte@paulweiss.com

Nicole Succar
+1-212-373-3624
nsuccar@paulweiss.com

Benjamin Klein
+1-202-223-7317
bklein@paulweiss.com

Samuel Kleiner
+1-212-373-3797
skleiner@paulweiss.com

Justin D. Lerer
+1-212-373-3766
jlerer@paulweiss.com

Associates Samuel Rebo and Brandon G. Rosenberg contributed to this Client Memorandum.