



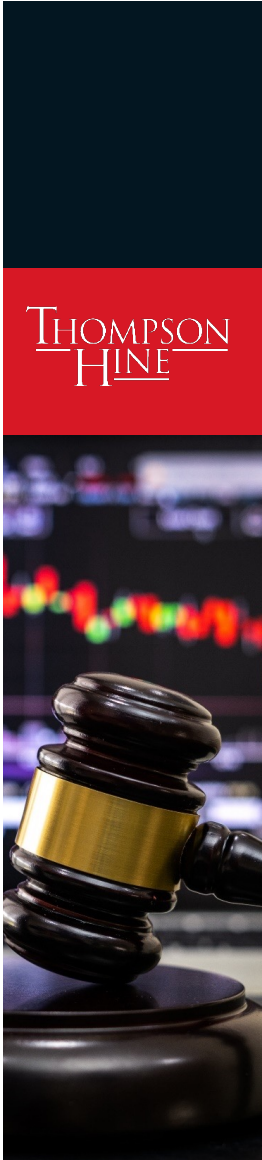
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Trends in Trade Crimes Prosecutions

February 2026

Agenda

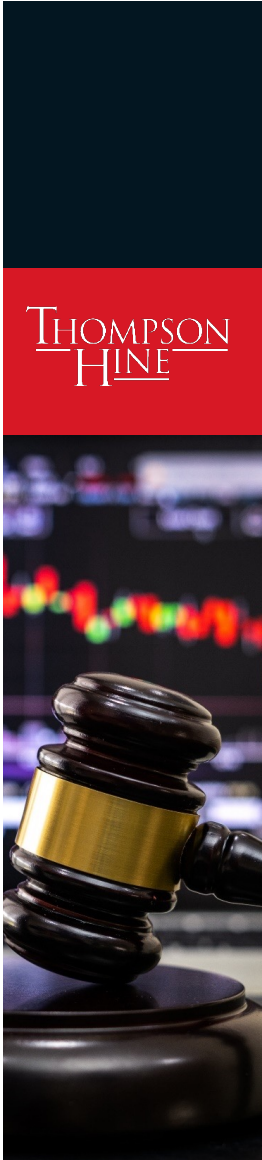
- Common Customs Violations Fact Patterns
- U.S. Civil and Criminal Penalties
- Recent Enforcement Trends and Survey of Recent Cases
- Former DOJ Perspective



Common Fact Patterns

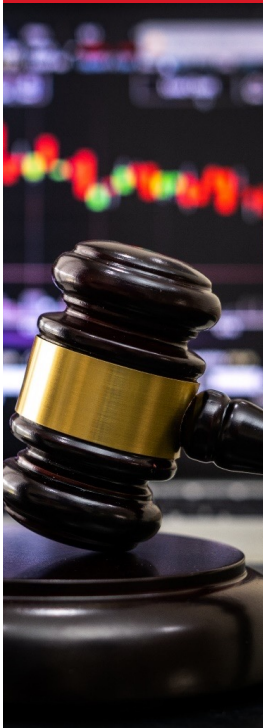
False Country of Origin & Transshipment

- Misrepresenting the true country where goods are manufactured
- Falsifying documents to show a different origin
- Using transshipment through third countries to disguise origin



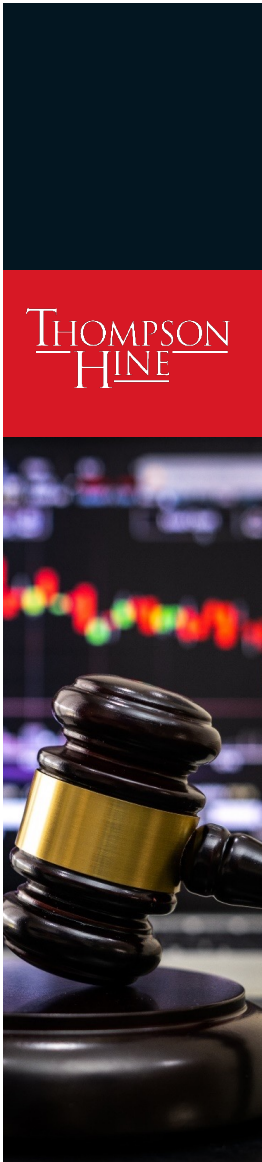
Customs Classification Violations

- Incorrectly classifying goods under tariff codes with lower duties
- Deliberately misdescribing products to fit favorable categories
- May involve manipulation of product descriptions or technical specifications



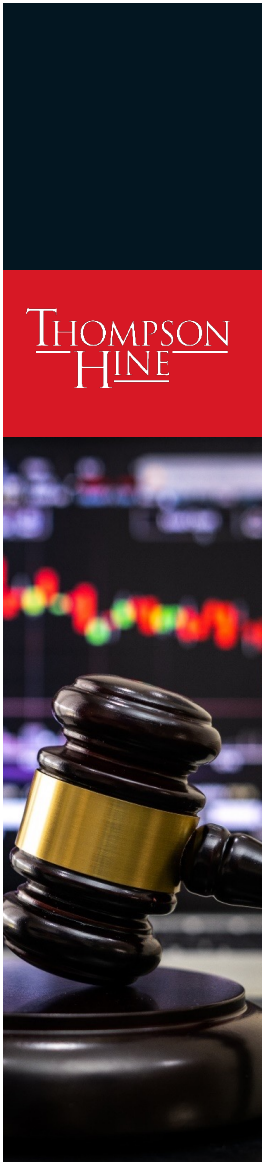
Valuation Violations

- Declaring a lower customs value than the actual transaction value
- Use of double invoicing: one invoice for customs, another for payment
- Underreporting costs such as freight, insurance, or royalties



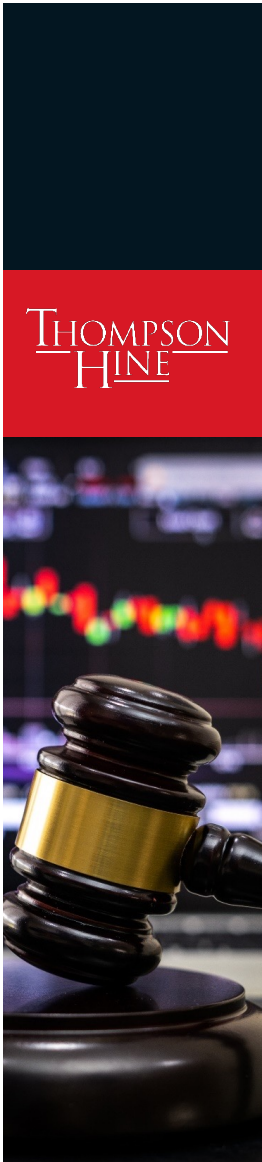
Falsely Claiming Preferential Treatment Under FTAs

- Submitting forged or falsified certificates of origin to claim benefits under FTAs such as USMCA
- Misrepresenting the production process, tariff shift, or value-added content to meet FTA requirements
- Colluding with suppliers or third parties to obtain fraudulent documentation



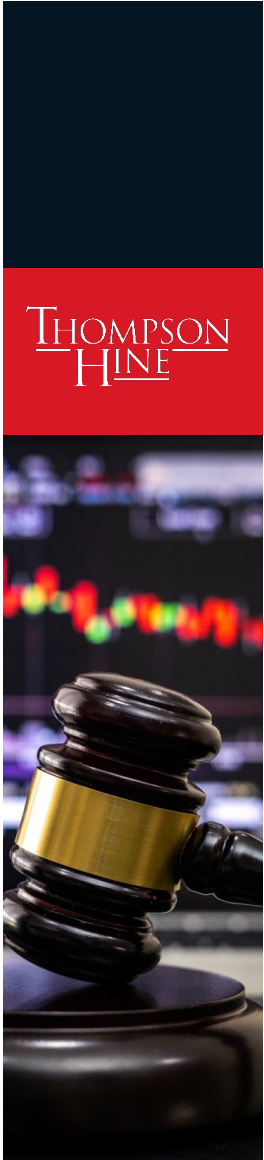
Claiming Exemptions Falsely

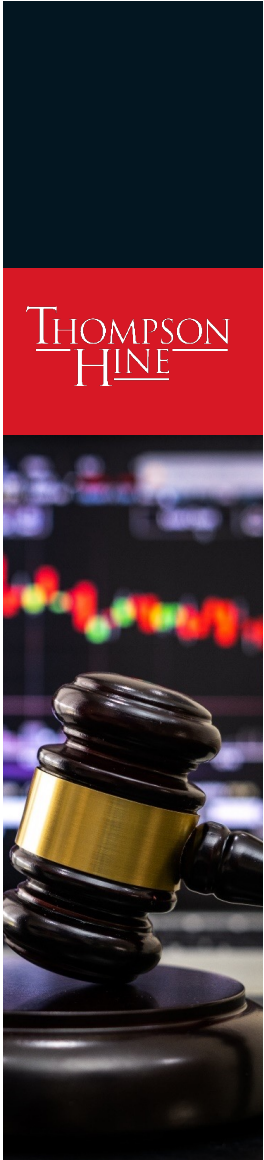
- Submitting exemption claims that do not legitimately apply to the imported goods
- Misrepresenting goods intended use to fit within an exemption category (for example, products for handicapped)
- Using not applicable HTS secondary exemption codes (for example, Chapter 98 classifications for U.S. goods returned)



Other Customs Violations

- Smuggling or undeclaring goods
- Providing false or incomplete documentation
- Failure to obtain required import licenses or permits
- Non-compliance with product safety or labeling requirements

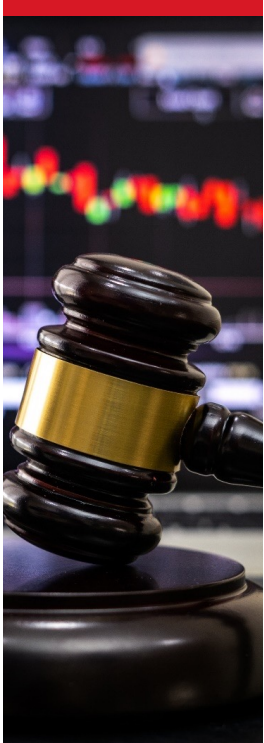




Civil and Criminal Penalties

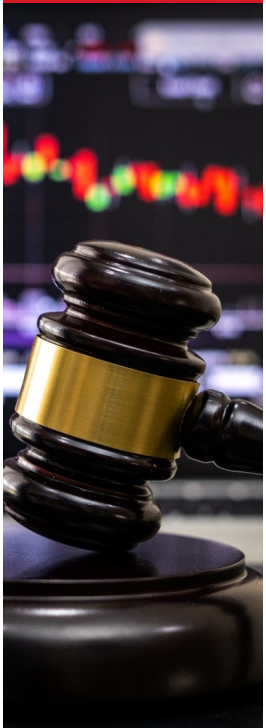
Key U.S. Enforcement Agencies

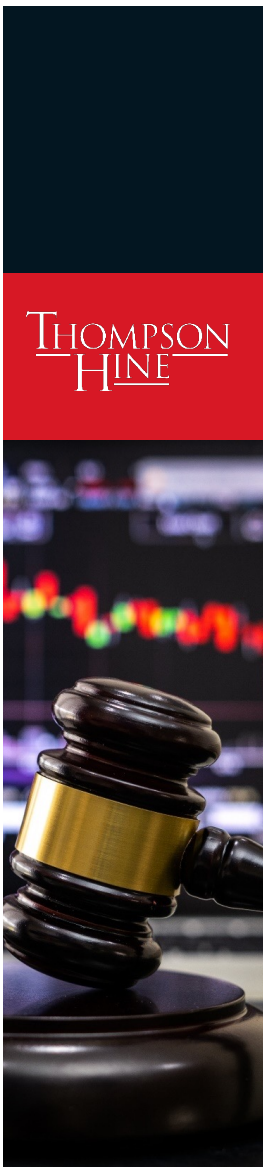
- **Customs and Border Protection (CBP)**
 - Civil enforcement
- **Department of Justice (DOJ)**
 - Criminal enforcement
- Both agencies can act against foreign and domestic companies
- Enforcement can include both companies and individuals



Civil Penalties: Legal Basis

- Main statute: 19 U.S. Code § 1592 - Penalties for fraud, gross negligence, and negligence
 - Prohibits false documents, statements, or omissions in imports
 - Liability extends beyond the importer of record
 - Both corporations and individuals can be liable
 - Without regard to whether the United States is or may be deprived of all or a portion of any lawful duty, tax, or fee





Civil Penalties

Fraud

Domestic value of the merchandise

Gross negligence

Lesser of the value of the merchandise or 4 times the loss of duties;
if no duty loss, 40% of the dutiable value of the merchandise

Negligence

Lesser of the value of the merchandise or 2 times the loss of duties;
if no duty loss, 20% of the dutiable value of the merchandise



Penalties can be mitigated by filing a customs prior disclosure

CBP Enforcement Measures

Examination,
detention,
release

Request for
Information /
Notice of Action

(CF 28/29)

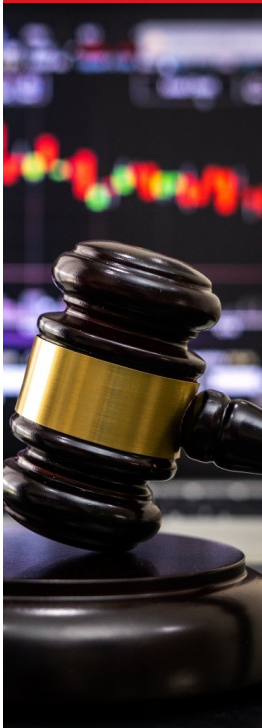
Customs audits

Investigations

Seizure

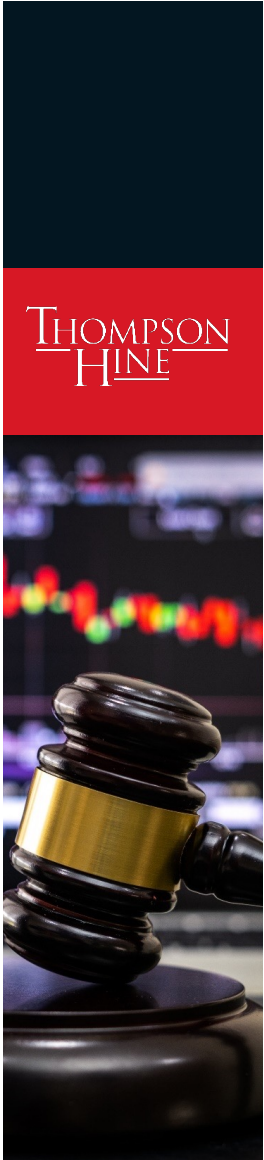
Criminal / civil
penalties

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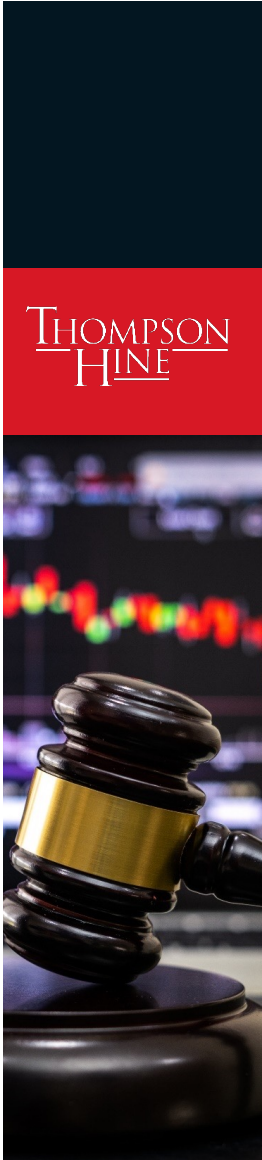
Aiding and Abetting Liability

- Applies only to fraudulent violations
- Requires actual knowledge and intent to violate the law
- Foreign companies can be liable if they knowingly assist fraud



Principal and Agent Liability

- Principals can be liable for agents' fraudulent acts
- Liability applies even if principal was unaware of misconduct
- Example:
 - Agent misclassifies or undervalues goods
 - Both principal and agent may face penalties



Criminal Penalties

| Statute | Violation | Penalty |
|-----------------|---|--|
| 18 U.S.C. §287 | False, fictitious or fraudulent claims | Fine for each offense (up to \$250,000), up to five years in prison, or both. |
| 18 U.S.C. §542 | Entry of goods by false statement | Fine for each offense (up to \$250,000), not more than two years in prison, or both. |
| 18 U.S.C. §544 | Relanding of goods without payment of duty | Fine for each offense (up to \$250,000), not more than two years in prison, or both. Forfeiture. |
| 18 U.S.C. §545 | Smuggling (which includes use of false documents) | Fine pursuant to 18 U.S.C (up to \$250,000); not more than 20 years in prison, or both. Forfeiture. |
| 18 U.S.C. §1001 | False Statements | Fine of \$10,000 or less; up to five years in prison, or both. |
| 18 U.S.C. §549 | Removal from CBP custody or tampering with CBP seal | Fine for each offense (up to \$250,000), not more than 10 years in prison, or both. |
| 18 U.S.C. §550 | False claim or refund of duties or duty exemption upon exportation | Fine pursuant to 18 U.S.C. for each offense (up to \$250,000), not more than two years in prison, or both. Forfeiture. |
| 18 U.S.C. §551 | Concealing or destroying invoices or other papers | Fine of up to \$250,000), not more than two years in prison, or both. |
| 18 U.S.C. §1341 | Mail Fraud | Fine of up to \$250,000 for individuals; \$500,000 for organizations, or twice pecuniary gain or loss, whichever is greater; up to 20 years in prison, or both. |
| 18 U.S.C §1343 | Wire Fraud | Fine of up to \$250,000 for individuals; \$500,000 for organizations, or twice pecuniary gain or loss, whichever is greater; up to 20 years in prison, or both. Increased penalties for schemes involving financial institutions (30 years; up to \$1 million) |
| 18 U.S.C. §541 | Entry of falsely classified goods | Fine up to \$250,000, not more than two years in prison, or both. |
| 18 U.S.C. §496 | Forgery, counterfeiting or falsely altering entry or withdrawal documents | Fine for each offense (up to \$250,000), not more than three years in prison, or both. |
| 19 U.S.C. §1304 | Improper alternations of country-of-origin markings | First offense: fine of \$10,000, up to one year in prison or both; Subsequent offenses: Fine of up to \$250,000, up to one year in prison, or both. |
| 18 U.S.C. §371 | Conspiracy to commit offense or fraud against the United States | Fine of up to \$250,000 for individuals; \$500,000 for organizations, or twice pecuniary gain or loss, whichever is greater; up to five years in prison, or both. |

Trade Crimes Trends

Trump Administration Enforcement Priorities



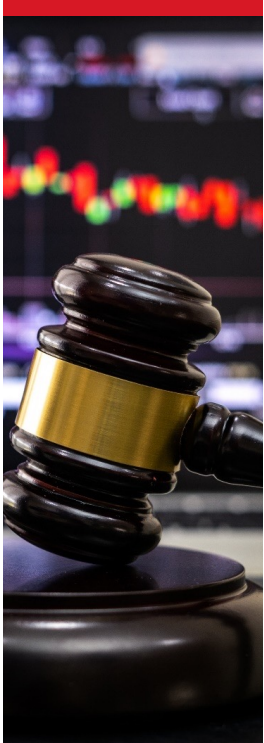
Immigration



Trafficking
(Drugs, Human)



National Security: Elimination of Transnational
Criminal Organizations (TCOs) and Cartels



Other Policies and Factors Driving Trade Crime Enforcement

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“America First”/leveling the global trade playing field for U.S. business/tariffs

Decentralization of DOJ/federal law enforcement

Created DOJ Trade Fraud Task Force

Trade Fraud Task Force

- Launched in August 2025 as a cross-agency with the DOJ
- Seeks to “advance the America First Trade Policy” through:
 - Duty and penalty collections under Tariff Act of 1930
 - Civil actions under the False Claims Act
 - Criminal prosecutions and asset seizures under Title 18 trade fraud and conspiracy provisions
 - Executive Orders concerning tariffs
- Encourages businesses and whistleblowers to report credible allegations of fraud

Press Release, Office of Public Affairs, Department 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>; Cipolletti, Guerrero, Shaw, Varma, Mandelbaum, *DOJ and DHS Launch Joint Trade Fraud Task Force: What Multinational Companies Need to Know*, Sep. 5, 2025

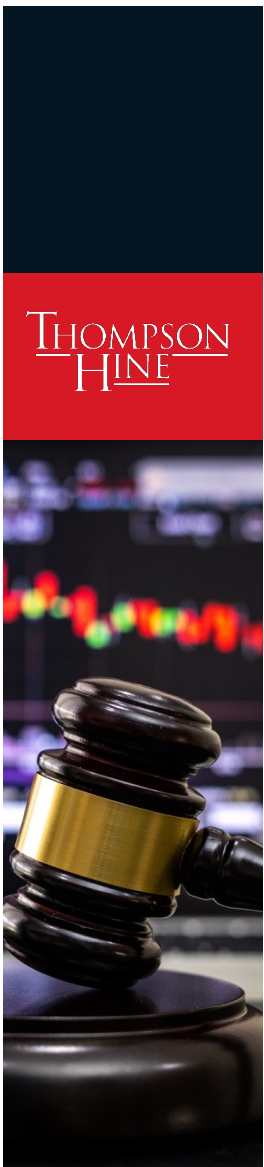


Survey of Recent Cases

MGI CEP Declination; United States v. David Guimond (D.N.H.)

- DOJ selected in its 2025 Year In Review Fraud Section Report
- Investigation of MGI International, LLC and its subsidiaries Global Plastics LLC and Marco Polo International LLC
- Attempted to falsify Country of Origin declarations to avoid Section 301 duties on products from China
- MGI credited \$6.8 million it precisely paid to resolve its civil liability
- MGI's COO charged and plead guilty to conspiracy to smuggle goods into the United States





Sergey Nechaev

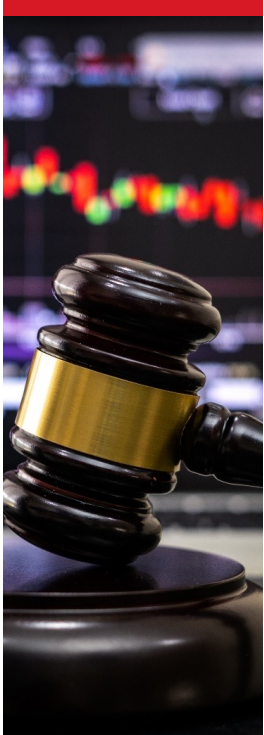
- In December 2024, DOJ charged Nechaev, a dual U.S.-Russian citizen, for unlawfully attempting to export to small aircrafts to Russia.
- Charged with violation of the Export Control Reform Act (“ECRA”), smuggling goods, and submitting false and misleading information relating to exports.
- Nechaev attempted to export a 1968 Cessna airplane after the United States imposed Russian export sanctions.
- In January 2026, sentenced to 41 months incarceration.

<https://www.justice.gov/archives/opa/pr/russian-national-arrested-attempting-illegally-export-aircraft-russia-transshipping-through>

Iurii Gugnin and Evita Investments Inc.

- In June 2025, Gugnin charged with various offenses (bank and wire fraud, violating IEEPA, failing to implement an effective AML program or file SARs, and more) relating to using a cryptocurrency company to funnel more than \$500M overseas.
- Government alleged the Russian citizen residing in New York “came to the United States to set up a money laundering operation under the guise of a cryptocurrency startup”
- Gugnin facilitated payments and transfers of funds to and from Russian banks, and among foreign customers to procure sensitive electronics, including an export-controlled service designed by a U.S. technology company

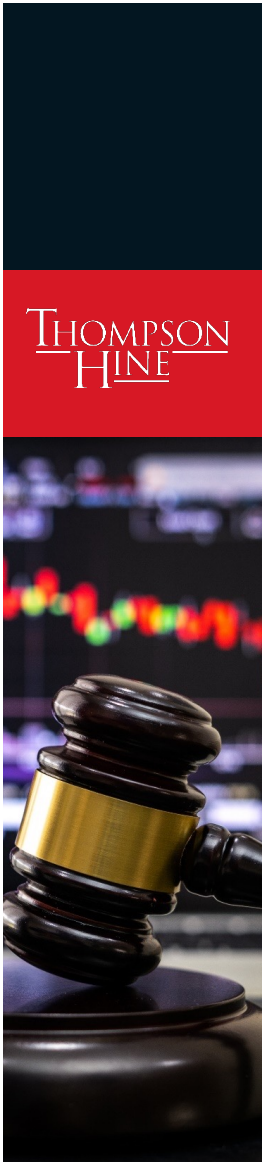
<https://www.justice.gov/opa/pr/new-jersey-resident-sentenced-role-global-export-control-and-sanctions-evasion-scheme>



UBS Gold

- In November 2025, Indonesian company UBS Gold and 3 employees were charged with conspiring to commit wire fraud
- UBS Gold and its employees allegedly evaded duties by shipping scrap gold and Indonesian-made jewelry to Jordan, and replacing the scrap gold with the Indonesian-made jewelry before shipping it into the United States
- Evaded duties imposed on Indonesian imports.

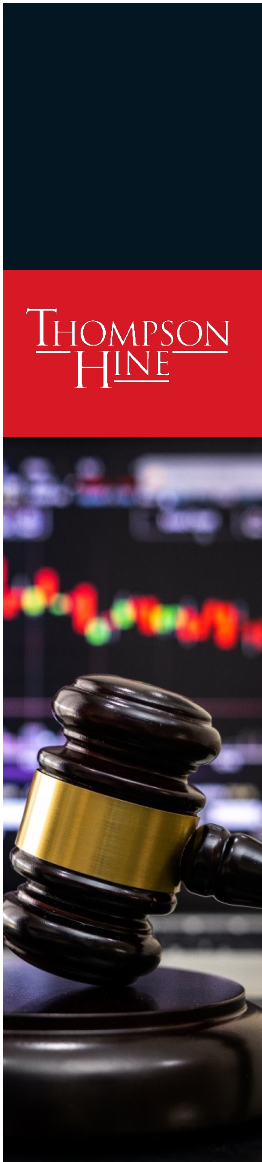
<https://www.justice.gov/usao-nj/pr/indonesian-jewelry-company-co-owner-and-two-other-employees-charged-large-scale-duty-and>



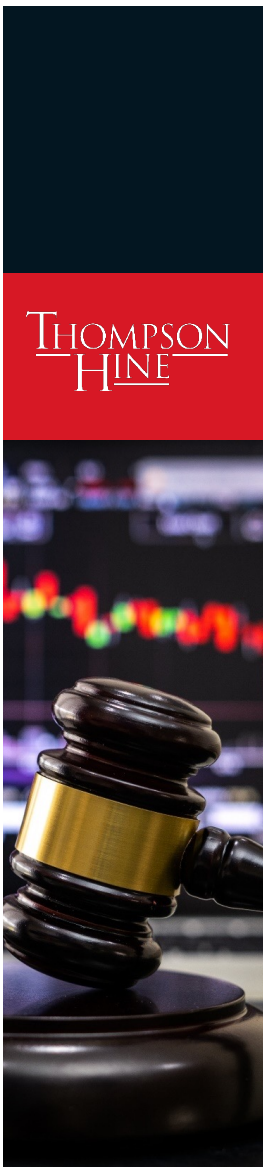
Ceratizit LLC

- On December 18, 2025, DOJ announced that the North Carolina-based distributor of tungsten carbide products agreed to a record-breaking \$54.4M False Claims Act settlement.
- Ceratizit filed to pay duties owed on tungsten carbide products imported from China after transshipped to Taiwan before shipping into the United States.
- Ceratizit misrepresented to CBP that the products originated in Taiwan.
- Caratizit knowingly misclassified tungsten carbide products using the incorrect tariff schedule to reduce duties to CBP
- Originated from a whistleblower complaint; the whistleblower will receive approximately \$9.75M of settlement proceeds

<https://www.justice.gov/opa/pr/ceratizit-usa-llc-agrees-pay-544m-settle-false-claims-act-allegations-relating-evaded-0>



Former DOJ Perspective



DOJ Fraud Section

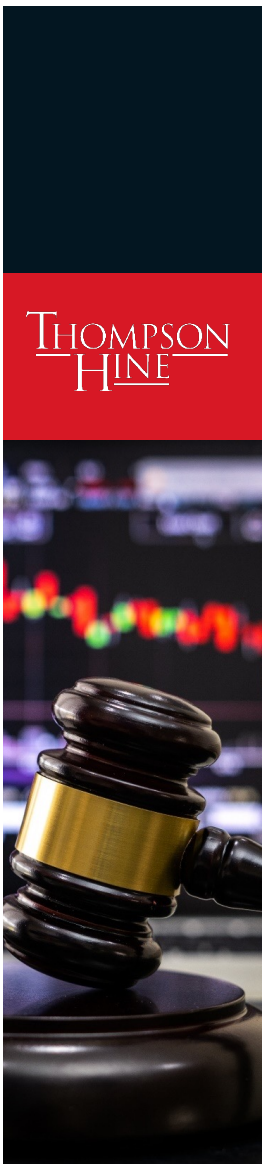
- The Fraud Section “fight[s] against sophisticated economic crime and other forms of complex misconduct that endanger public health and safety.”
- Based in DC at Main Justice
- Frequently partners with local USAOs to investigate and charge
- Houses the Market, Government and Consumer Fraud (“MGC”) Unit

<https://www.justice.gov/criminal/criminal-fraud>

Trade Crimes Task Force

- Launched in August 2025, the Trade Crimes Task Force is a cross-agency involving the Department of Homeland Security and MGC.
- Explicitly enacted to further the Trump administration's "America First Trade Policy"
- DOJ Civil Division is engaged with the Trade Crimes Task Force to the extent penalties are civil in nature

<https://www.justice.gov/opa/pr/departments-justice-and-homeland-security-partnering-cross-agency-trade-fraud-task-force>



Centralized v. Decentralized Enforcement, Investigations, and Prosecutions

| Main Justice | Local United States Attorney Office |
|---|---|
| Routinely handles complex fact patterns involving large-dollar fraud and national and/or cross-border investigations. Historically has had focus on corporate resolutions. | Routinely handles smaller federal matters, though SDNY, EDNY handle large matters frequently |
| Management chain of review is quite layered so cases tend to move more slowly as multiple stakeholders weigh in on charging decisions | More streamlined chain of review so cases move faster. |
| Historically, Fraud Section sought out high-profile matters so sweetheart plea deals less likely. | Prosecutors have larger caseloads so potential for pre-trial plea is possibly greater in some instances (triage) |
| Very successful Health Care Fraud Task Force. If they translate that model to Trade Crimes, it could be highly effective. (Healthcare Task Force excels at using data analytics to identify targets.) | Some offices may focus less on trade crimes due to other pressing caseloads (e.g. immigration, narcotics, violent crime (DC). |

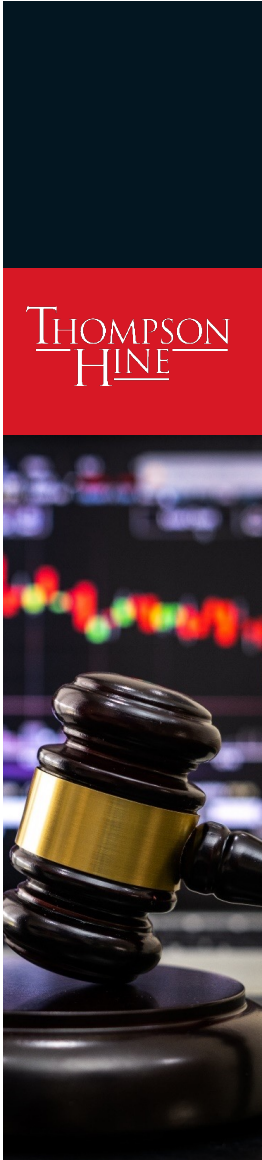


Trade Crimes in Trump II Year One

- Even before the Trade Crimes Task Force, DOJ secured significant results from the Trump administration's trade crime enforcement policies
 - Focuses: Foreign Terrorist Organizations, Specially Designated Global Terrorists, cartels, China, Russia, LatAm, Middle East
- Centralizing the Trade Crimes Task Force at Main Justice will increase consistency in how investigations and matters are handled and resolved
- Corporate and individual whistleblower reports are increasing and incentivized
- Despite some contrary commentary, investigations and prosecutions involving companies have not decreased; if anything, in the trade crimes arena, it has sharply increased

The Writing on the Wall

- The Trump administration's DOJ has seen significant numbers of departures at Main Justice and USAOs
 - Effect: New prosecutors and supervisors may have considerably less experience
 - Effect: Cases built by inexperienced prosecutor may take longer to put together and may result in investigations that do not result in charges (false starts)
- Trial numbers are down year after year
 - Effects: Prosecutor acquire less trial experience; perhaps lends to additional time spent on investigation, review, and negotiations
 - Could hamper getting plea deals as prosecutors want to gain trial "chops"



Staying Ahead of the Curve

- Retain experienced defense, compliance, and investigations counsel to identify and remediate concerns before enforcement
- Consider review of recent international transactions to ensure proper documentation, duty payments, and disclosures; consider self-reporting obligations, pros, and cons
- Create a plan for the worst-case scenarios (e.g., search warrant execution, warehouse raid, executive knock-and-talk)

For More Information



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