

\$549.5 Million FCA Settlement Resolves Customs Fraud and Duty Evasion Allegations Involving Chinese Aluminum Extrusions

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On May 13, 2026, the U.S. Department of Justice (DOJ) announced that Perfectus Aluminum Inc., Perfectus Aluminum Acquisitions LLC, and four affiliated warehousing companies (collectively, the Companies) agreed to pay \$549.5 million to resolve civil allegations that they violated the False Claims Act (FCA) by submitting false customs forms to U.S. Customs and Border Protection (CBP) to evade antidumping and countervailing duties on aluminum extrusions imported from the People's Republic of China (the Settlement). Characterized by counsel for one of the whistleblowers as "10 times larger than any other customs fraud settlement in history," the Settlement reflects the government's increasingly aggressive posture toward customs fraud and duty evasion, and underscores the central role that whistleblowers continue to play under the FCA's *qui tam* provisions.

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The False Claims Act and *Qui Tam* Provisions

The FCA, codified at 31 U.S.C. §§ 3729–3733, imposes civil liability on any person or entity that knowingly submits a false claim to the federal government, makes or uses a false record material to such a claim, or otherwise acts to avoid an obligation to pay money to the United States. The statute’s *qui tam* provisions authorize private individuals—known as “relators”—to bring suit on the government’s behalf and to share in any resulting recovery.

The civil actions resolved by the Settlement were filed by three relators under the FCA’s *qui tam* provisions: two individuals and one trade association, the Aluminum Extruders Council.¹ Under the terms of the Settlement, the relators will receive 17.5% of the proceeds returned to CBP. Notably, counsel for the Aluminum Extruders Council described the trade association as “not a typical whistleblower in this case, but also a party injured by the fraudulent evasion scheme,” a characterization that highlights the breadth of parties—including industry participants and competitors—that may have standing to bring *qui tam* actions in the customs fraud context.

Antidumping and Countervailing Duties

Antidumping duties are tariffs imposed on imported goods sold in the United States at less than fair value, and are intended to protect domestic producers from foreign companies that “dump” products into the U.S. market at artificially low prices.

Countervailing duties are tariffs designed to offset subsidies provided by foreign governments to their domestic producers, which would otherwise confer an unfair competitive advantage in international trade.

During the relevant time period, aluminum extrusions imported from China were subject to both antidumping and countervailing duties.

The Alleged Scheme

According to the DOJ, from July 2011 through June 2014, the Companies knowingly made—and caused others to make—false statements on CBP Form 7501 Entry Summaries that were material to the Companies’ obligation to pay duties on more than 2.2 million aluminum extrusions imported from China. Specifically, the DOJ alleges that the Companies misrepresented the imported merchandise as finished “pallets” not subject to the applicable duties, when in reality the extrusions had merely been spot-welded together to give them the appearance of functional pallets. According to the government, no actual customers existed for these purported pallets, and none was ever sold.

The DOJ has alleged that the scheme was part of a broader effort orchestrated by a Chinese billionaire to import vast quantities of aluminum into the United States and stockpile it in warehouses across Southern California in order to inflate the apparent value of his company, reportedly Asia’s largest manufacturer of aluminum extrusions.

The Settlement follows a substantial parallel criminal prosecution. On August 23, 2021, a federal jury in the Central District of California convicted the Companies of conspiracy to defraud the United States, among other charges, in connection with the same import scheme; the Companies were subsequently ordered to pay approximately \$1.83 billion in criminal restitution.²

Key Takeaways for Importers and Companies Subject to Trade Duties

In light of the Settlement and the government’s continued focus on customs fraud enforcement, companies involved in the importation of goods

¹ See *United States ex rel. Rapport v. Pengcheng Aluminum Enterprise, Inc. USA, et al.*, No. 15-cv-00712-JLS (C.D. Cal); *United States ex rel. Shen v. Zhongtian LIU, et al.*, No. 17-cv-05103 JLS (C.D. Cal); *United States ex rel. Aluminum Extruders Council v. China Zhongwang Holdings Limited, et al.*, No. EDCV 18-07912 JLS (C.D. Cal) (consolidated under lead case No. 15-cv 00712-JLS (SPx)).

² See *United States v. Perfectus Aluminum Inc., et al.*, No. 19-cr-00282 (C.D. Cal. Aug. 23, 2021).

subject to antidumping and countervailing duties should consider taking the following steps:

- **Review Customs Compliance Programs.** Companies should conduct comprehensive reviews of their customs compliance programs and internal controls to confirm that all customs entries accurately describe the nature, classification, and valuation of imported merchandise. Any discrepancies identified should be promptly addressed and, where appropriate, corrected through voluntary self-disclosure to CBP.
- **Review Product Classifications.** Importers should reassess their tariff classifications for products subject to antidumping or countervailing duty orders to confirm that merchandise is correctly classified and that all duty obligations are being met. Heightened scrutiny is warranted for products susceptible to circumvention or evasion concerns—such as goods that have been minimally processed, modified, or reconfigured prior to importation.
- **Document Trade Compliance Decisions.** Companies should carefully document the rationale supporting product classification and valuation decisions, as well as material communications with CBP and trade counsel concerning duty obligations.
- **Consider Potential Whistleblower Exposure.** The Settlement highlights the critical role of *qui tam* whistleblowers under the FCA. Companies should be aware that employees, competitors, industry associations, and other interested parties may bring whistleblower actions alleging customs fraud, and that relators can share in recoveries that, as this case demonstrates, may be extraordinarily large. Accordingly, companies should ensure that they have in place a well-functioning and reliable whistleblower reporting channel that is optimized to receive reports and identify potential misconduct at the earliest possible stage, so as to maximize the ability to react, investigate, and make decisions as appropriate.

- **Assess Cumulative Enforcement Risk.** The case illustrates that customs fraud can give rise to both criminal prosecution and parallel civil FCA liability, with cumulative exposure that may dwarf the value of the duties evaded. Here, the Companies faced approximately \$1.83 billion in criminal restitution followed by the \$549.5 million civil settlement—combined exposure of nearly \$2.4 billion.

Conclusion

The \$549.5 million Settlement is a landmark resolution in the customs fraud space and a powerful reminder of the significant legal and financial exposure that companies may face when they fail to comply with U.S. trade duty obligations. The matter underscores that DOJ and CBP will pursue both criminal and civil remedies to address customs fraud, and that the FCA’s *qui tam* provisions give whistleblowers—including industry associations and competitors—both a powerful mechanism and a powerful incentive to bring such conduct to the government’s attention.

Companies engaged in international trade should take proactive steps to strengthen customs compliance and mitigate the risk of enforcement actions that, as this Settlement demonstrates, can carry severe financial consequences.

This article was prepared with contributions from Cleary associate Joie Goodman.

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