

CFA provides information about our industry's vulnerable business issues. The current issue's importance sends a clear "Protect Yourself" message and is part of CFA's continuing effort to assist our members.



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"PROTECT YOURSELF"

Attention: DDP & LDP Importers

Delivered Duty Paid (DDP) Purchaser settles 'False Claim Act'

A major California fashion apparel company, who purchased imported merchandise designated as "Delivered Duty Paid" (DDP) just settled with the Department of Justice, under the "False Claim Act". The decision was based on the company either "**permitting or turning a blind eye**" to its importer *undervaluing the imported garments for an extended time*.

This case was originally brought by a private party, who will receive approximately 23% of the settlement. Interestingly, the same party also brought a similar case several years ago against another importer and received approximately \$2 million. In both situations, a private attorney from another state handled the court documents.

BACKGROUND:

In a similar case in 2014, the Court of Appeals for the Federal Circuit held that **corporate officers of these companies can be personally liable for negligent misinformation on entry documentation**.

The Court held that the company was personally liable for sending commercial invoices to its customs broker which **undervalued the goods**. These cases suggest that a corporate importer of record could be **liable** as an "introducer" for negligent entry statements. Therefore, anyone involved with the import process is at risk and should take proactive measures to protect themselves. In addition, as result of these decisions, *a careful review of entry documentation and compliance procedures is warranted*.

For more information contact:

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