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Department of Justice

U.S. Attorney's Office

Southern District of New York

FOR IMMEDIATE RELEASE

Friday, September 23, 2016

Manhattan U.S. Attorney Sues Garment Wholesaler, Garment Importers, And Executive For Scheme To Avoid Paying Millions In Import Duties On Garments

Defendants Presented Phony Invoices to Misstate the Amount of Import Duties Owed

Preet Bharara, the United States Attorney for the Southern District of New York, Robert E. Perez, Director, Field Operations New York, U.S. Customs and Border Protection (CBP), and Angel M. Melendez, Special Agent in Charge of New York, U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI), announced today that the United States has filed a civil complaint (the "Complaint") alleging violations of the False Claims Act by YINGSHUN GARMENTS, INC. ("YINGHSUN"), an importer of women's apparel manufactured in China; MARIE ROGERS ("ROGERS"), former Managing Director of YINGSHUN; IMPORT GLOBAL DESIGNS INC. ("IMPORT GLOBAL") and OLGREM LLC ("OLGREM"), successor entities to YINGSHUN; and NOTATIONS, INC. ("NOTATIONS"), a wholesaler of women's apparel and YINGSHUN's biggest customer. The Complaint alleges that defendants conspired to defraud and did defraud CBP by engaging in a double-invoice scheme whereby YINGSHUN (and later IMPORT GLOBAL and OLGREM), presented false and fraudulent invoices to CBP for the purpose of avoiding import duties on garments sold to NOTATIONS. The Complaint further alleges that NOTATIONS took actions to aid YINGSHUN in perpetrating and concealing the fraud.

As set forth in the Complaint, filed yesterday in Manhattan federal court, import duties for merchandise imported into the United States are calculated by multiplying the value of the merchandise by the applicable duty rate. An importer or its agent must therefore disclose to CBP the value of all imported merchandise and furnish an invoice to justify that value. The Complaint alleges that YINGSHUN created false and fraudulent commercial invoices for garments purchased by NOTATIONS, which undervalued the garments by 75% or more. YINGSHUN then submitted these false invoices to CBP and, based upon the gross undervaluations, paid significantly less in import duties than it actually owed. NOTATIONS was aware of YINGSHUN's fraudulent scheme and benefited from it, as YINGSHUN's underpaying of import duties resulted in NOTATIONS paying lower prices for the garments it was purchasing from YINGSHUN, among other benefits. Rather than taking steps to prevent the fraud, NOTATIONS agreed to create and accept false and misleading documents in order to perpetuate the false impression that YINGSHUN's fraudulent invoices reflected actual prices paid for the garments. ROGERS managed all aspects of YINGSHUN's business and facilitated the double-invoice scheme, including by utilizing a "formula" that generated garment prices for NOTATIONS that incorporated the underpayment of import duties.

ROGERS also created IMPORT GLOBAL and OLGREM and continued YINGSHUN's fraudulent scheme through these entities, in order to avoid detection by CBP.

This matter was initiated by a relator pursuant to the *qui tam* provisions of the False Claims Act, 31 U.S.C. §§ 3729 *et seq.*

According to the Complaint, the defendants have subjected CBP to millions of dollars in losses from unpaid import duties as a result of the double-invoice scheme.

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Mr. Bharara thanked CBP and HSI for their efforts and ongoing support and assistance with the case.

The case is being handled by the Office's Civil Frauds Unit. Assistant U.S. Attorney Cristy Irvin Phillips is in charge of the case.

16-256

USAO - New York, Southern

Topic:

Financial Fraud

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Updated September 23, 2016