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Noble Jewelry Pays \$3.85M For Dodging Import Duties

By **Pete Brush**

Law360, New York (August 31, 2011, 3:31 PM EDT) -- A New York jeweler with extensive ties to Hong Kong agreed Monday to pay \$3.85 million for understating the value of imported jewelry to U.S. customs officials, ending a False Claims Act whistleblower suit launched by an ex-employee.

As a result of the deal, approved by U.S. District Judge John G. Koetl, qui tam plaintiff Kenneth Karlin, a manager who worked for a unit of defendant Noble Jewelry Ltd. in 2006 and 2007, will receive \$727,000 once the settlement money is paid.

Noble Jewelry and its Chad Allison Corp. subsidiary, for whom Karlin worked, dodged more than \$1 million in customs payments by understating the value of earrings, pendants and other baubles imported into the U.S. for 12 years starting in 1998, according to the complaint, filed under seal in September 2008 and made public Monday.

"This case is an excellent example of the essential public service a whistleblower can perform by partnering with the government to expose illegal conduct," U.S. Attorney Preet Bharara said.

The defendants first drew the attention of U.S. inspectors in 1998 but claimed their invoices simply were inaccurate, the complaint noted

As part of the settlement the defendants acknowledged that, during the 12-year time period, invoices for expensive jewelry they imported into the U.S. understated the value of the goods to U.S. Customs and Border Protection.

The defendants are part of the Noble Jewelry Cos., incorporated in the Cayman Islands with offices in New York and Hong Kong, prosecutors said, adding that they maintained two sets of books — one of them fraudulent — in order to perpetuate the scheme.

Nearly all of the defendants' shipments from Hong Kong to the U.S. were part of the scheme, Karlin's complaint said.

Karlin's suit was filed under the FCA, which provides for recovery of up to three times the amount of damages incurred by the U.S.

The full amount of the settlement is due by Aug. 24, 2012.

"This case is a great example of a courageous whistleblower standing up for the taxpayers and alerting the government to a serious fraud at a time when every dollar counts," Mark A. Strauss of Kirby McInerney LLP, who represents Karlin, said on Wednesday.

The settlement also says the defendants have not been released from criminal or tax liabilities that could stem from the alleged conduct.

Court papers show Karlin, who hails from Nassau County, N.Y., worked for the defendants from August 2006 through most of 2007.

The defendants are represented by Jeff Udell of Olshan Grundman Frome Rosenzweig & Wolosky LLP.

Karlin is represented by Mark A. Strauss of Kirby McInerney LLP.

The case is USA ex rel. Karlin v. Noble Jewelry et al., case number 1:08-cv-07826, in the U.S. District Court for the Southern District of New York.

--Editing by John Quinn.