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From Trade War to Courtroom:

The High-Stakes Battle Over

Trump's Tariffs

By

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Table of Contents

Executive Summary	Page 3
1. Tariffs: The Background	3
2. The US Court of International Trade	4
3. Federal Circuit Case	4
4. Are The Tariffs Legally Binding?	5
5. What Happens Next?	5
NOTES	6

Page | 2



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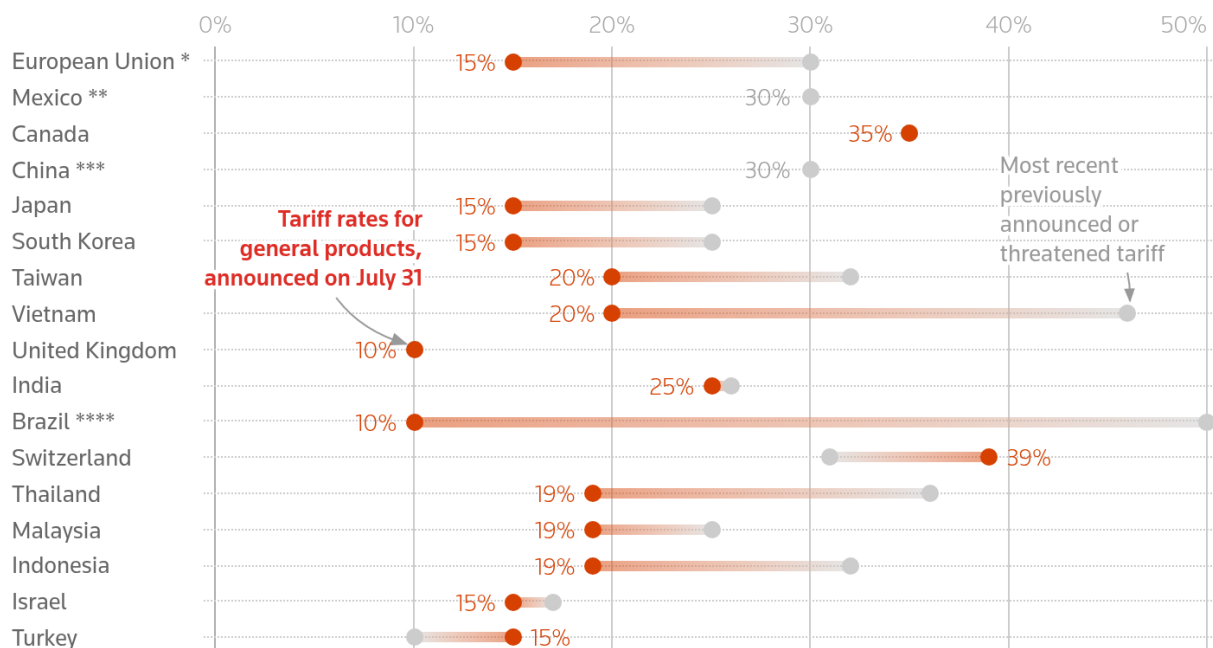
28 August 2025

Executive Summary

Page | 3

- ✦ Trump's April "Liberation Day" tariffs imposed a 10% baseline on most imports, with additional country-specific rates; August brought further tariff hikes on over 60 nations.
- ✦ Multiple lawsuits challenge Trump's use of the International Emergency Economic Powers Act (IEEPA) to impose tariffs without Congress, arguing the law was never intended for such measures.
- ✦ In May, the US Court of International Trade ruled that Trump exceeded his IEEPA authority for the April tariffs; the administration appealed, and the Federal Circuit has heard arguments but not yet ruled, allowing tariffs to remain in place in the meantime.
- ✦ The dispute is likely headed to the Supreme Court, with the outcome set to shape the limits of presidential trade powers.

Key Picture: Latest Trump Tariffs On US Top Trading Partners



Note: Data as of Aug. 1, 2025, 3:00 a.m. GMT; * European Union's tariff rates depend on goods with column 1 duty rate: Duty rate > 15% got 0% tariff, and duty rate < 15% got 15% minus column 1 duty rate tariff; **Mexico trade deal was extended for 90 days; ***The U.S.-China trade deal negotiation is still ongoing, and the temporary tariff rate for China (including Hong Kong and Macau) is 30%; ****Brazil's cumulative rate is 50% since the IEEPA order imposes another 40%; Each trade deal has various exclusions for certain types of products.

Source: [The White House](#); [Reuters Reporting](#) | By Pasit Kongjunakornkul Aug. 1, 2025 | [Reuters](#)

1. Tariffs: The Background

In April 2025, President Trump marked what he called "Liberation Day" by declaring a national emergency under the IEEPA and imposing sweeping trade measures. A universal 10 percent tariff on all US imports took effect on April 5, alongside reciprocal tariffs of 10 to 50 percent on about 60 countries to be phased in later.¹

Although these tariffs were scheduled to take effect on April 9, they were paused for 90 days amid global upheaval.² Meanwhile, the US imposed and later expanded sector-specific tariffs - for example, increasing steel and aluminium tariffs from 25% to 50% in June.³ Between April and June, the US-China trade conflict also intensified, with American tariffs on Chinese imports climbing as high as 145% and China responding with duties of up to 125% on US goods. In mid-May, the two sides agreed to a 90-day truce aimed at halting any further escalation. In August, the tariff truce was extended by another 90 days.⁴

Page | 4

In July, the suspension of country-specific reciprocal tariffs - originally set to expire in early July - was extended once more, this time until August 7. The administration kept working on bilateral exemptions or arrangements with select partners, including the UK, Vietnam, and the EU.⁵

In August, Trump significantly ramped up tariff measures. Previously paused reciprocal tariffs targeting particular countries officially resumed. Trump maintained a baseline 10 percent rate for countries where the US runs a trade surplus but imposed higher rates on others, including 15 percent on the EU and higher duties on at least 67 additional nations. Canada faced a 35 percent tariff, Switzerland 39 percent, and Taiwan, the Philippines, and Vietnam roughly 20 percent each. India was hit with a 25 percent tariff, with Trump announcing plans to double that to 50 percent on August 27 as a penalty for its purchases of Russian oil.⁶ Some countries, including the EU and Japan, negotiated partial relief from planned tariff hikes through last-minute agreements. Others were not given such concessions and now face significantly higher duties.⁷

Trump's April "Liberation Day" tariffs and the August escalation quickly became the subject of intense legal battles. These cases are now moving through the federal courts, with the outcome likely to determine the scope of presidential emergency trade authority for years to come.

2. The US Court of International Trade

On May 28, the US Court of International Trade struck down most of Trump's blanket tariffs, ruling that he had exceeded his authority by using the International Emergency Economic Powers Act (IEEPA) to impose across-the-board duties on imports.⁸ A group of private plaintiffs and 12 US states filed a case contesting the Trafficking Tariffs as well as the Worldwide and Retaliatory (or Reciprocal) Tariffs introduced in April 2025.⁹

The three-judge panel found that while Congress has exclusive power under the Constitution to regulate commerce with other nations, the president's emergency powers do not override that authority, and federal law does not permit such sweeping tariff measures. The court ordered the administration to issue new orders reflecting the injunction within 10 days, prompting an immediate appeal from Trump's team.¹⁰ The Trump administration challenged that decision in the Federal Circuit.¹¹ On May 29, the Court of Appeals for the Federal Circuit issued a temporary stay, reinstating the tariffs while it considered the appeal.¹²

3. Federal Circuit Case

The Federal Circuit litigation contests the tariffs Trump placed in April. It focuses on Trump's reliance on the International Emergency Economic Powers Act (IEEPA), which authorises the president to respond to "unusual and extraordinary" threats during national emergencies. Trump had argued that trade imbalances, weakening manufacturing, and cross-border drug trafficking warranted the tariffs under IEEPA. The challengers - comprising a dozen Democratic-led states and five small US businesses - maintain that IEEPA does not authorise tariffs and that the Constitution assigns the power to impose tariffs and other taxes to Congress, not the president.¹³

Arguments in the appeal were heard by the full Federal Circuit on July 31, 2025, reflecting the significant constitutional stakes involved.¹⁴ The challengers argued that Trump bypassed Congress by using the International Emergency Economic Powers Act (IEEPA), a 1977 law that lets presidents act during a national emergency - for example, by freezing assets or blocking financial transactions, but does not mention tariffs and has never been used to impose them. Judges questioned Trump's lawyers on why IEEPA should apply to tariffs at all and whether Trump's claim that the trade deficit is a "national emergency" was valid.¹⁵

Some judges observed that if the president could declare an emergency without judicial oversight and impose tariffs of any magnitude or length, much of the country's intricate and long-standing trade system would effectively be rendered unnecessary.¹⁶

4. Are The Tariffs Legally Binding?

Many of the high-profile deals, such as the ones with Japan and the EU, weren't formal, ratified treaties but rather political agreements or executive-branch arrangements. Japanese officials confirmed there was no written, legally binding agreement¹⁷; the EU, meanwhile, has been awaiting US action and an executive order to put a late-July framework into effect.¹⁸

Page | 5

Under US law, non-treaty arrangements such as sole-executive agreements or non-binding commitments do not have the same lasting force as treaties ratified by the Senate and, on their own, do not establish new domestic legal powers.¹⁹ At the same time, the legal basis for April's and August's tariffs is being litigated. As of mid-August 2025, no final ruling has been issued by the Federal Circuit; both sides are awaiting its decision, which is expected to be appealed to the Supreme Court regardless of the outcome.²⁰

Overall, the trade deals are only tentative. They can only move forward if executive orders are issued, and those orders hinge on the IEEPA tariffs holding up in court. That's why the agreements' terms have been kept flexible and why parts of the EU arrangement are still on hold until the US completes its legal and procedural processes.²¹

5. What Happens Next?

If the Federal Circuit rules against Trump's tariffs, the case is almost certain to continue, with the losing side expected to appeal to the Supreme Court. The Supreme Court is not obligated to hear every case, but is widely expected to take this one. A ruling could come as early as late 2025 if the court moves quickly.²²

If Trump loses at the Supreme Court, importers may pursue refunds for tariffs already paid, though the process would be slow and handled first by US Customs and Border Protection, with possible appeals to the Court of International Trade. A defeat could also weaken Trump's ability to use emergency tariffs as a bargaining chip in trade negotiations, although he could still impose tariffs under other legal provisions, such as the 1962 national security law used for steel and aluminium duties.²³

NOTES

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⁷ Ibid.

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²³ Ibid.