

Court of Appeals Affirms Transaction Value Applies When Sales are Structured as Domestic, if the Sales Trigger Exportation to the US

Prior to the IEEPA tariff refund exuberance, the US Court of Appeals for the Federal Circuit (CAFC) issued an important precedential decision, Midwest-CBK, LLC v. United States, No. 2024-1142 (Fed. Cir. Jan. 8, 2026). In this case, the CAFC affirmed a US Court of International Trade (CIT) decision rejecting an importer's attempt to value merchandise using the deductive value method where US customer orders triggered export of the goods from abroad. The case involved Midwest, a US importer of Christmas ornaments and seasonal decorations, and provides important guidance on customs appraisement.

Background

The fact pattern in this case is particularly relevant to Canadian companies that export to the United States to fulfill US orders, but certainly applies to other companies that import into the US to fulfill orders from foreign-based inventories.

Midwest maintained an office in Minnesota, with its inventory stored in Canada. Merchandise was purchased by Midwest Canada from suppliers in China and imported into Canada. A US-based sales team solicited orders from US customers, which were submitted to Midwest personnel in Minnesota and Ontario. Invoices were prepared in Ontario and couriered to Buffalo, New York, for mailing, and US customers remitted payment to a Buffalo post office box.

Once orders were placed, the goods were shipped from Canada to the US, with Midwest US acting as the importer of record. Upon arrival, the merchandise was tendered to UPS or another carrier for final delivery.

In 2013, Midwest informed US Customs and Border Protection (CBP) that it intended to appraise the entries using deductive value, asserting that the sales were domestic rather than sales for exportation to the US and, therefore, that transaction value was not the appropriate valuation methodology. In response, CBP initiated a regulatory audit to determine the proper basis of valuation and ultimately appraised the merchandise using transaction value. Midwest challenged CBP's determination, leading to the litigation.

Appraisement and Transaction Value

Midwest argued that transaction value was inapplicable because, although a sale clearly occurred, the transactions did not meet the statutory definition of a sale for exportation to the United States as they were domestic sales. Midwest noted that US customers received invoices from and sent payment to a US address, and the sales were made FOB Buffalo, which, under New York's Uniform Commercial Code, were domestic sales. Midwest argued that, as a result, there was no sale for export, rendering transaction value inapplicable and deductive value the most appropriate valuation methodology.

Both the CIT and CAFC rejected this argument. The courts emphasized that the transaction value statute does not explicitly require a sale between a US party and a non-US party. Instead, the relevant inquiry is whether a sale caused merchandise to be exported to the United States. Here, US customer orders triggered the shipment of goods from Canada into the United States, satisfying the statutory requirements for transaction value.

The courts also rejected Midwest's reliance on pre-1979 case law that distinguished between export value and domestic value. That framework was repealed by the Trade Agreements Act of 1979, reflecting Congress's intent to prioritize transaction value based on the price actually paid or payable between buyer and seller, regardless of where the sale took place.

Key Takeaways for Importers

- Transaction value may apply even where sales are structured and documented as domestic sales occur within the United States;
- An international or foreign sale is not required for transaction value to apply, so long as the sale triggers exportation of goods to the United States; and
- The default valuation methodology is transaction value, relying on pre-1979 valuation principles will not support appraisement positions.

As part of exercising reasonable care, importers using supply chains involving cross-border warehousing, or with a US order-taking structure should carefully review their valuation methodologies to ensure compliance with current CBP rulings and applicable case law.

Our firm continues to monitor developments in customs valuation and remains available to assist with valuation reviews, audit and investigations defense, refund claims, protests, prior disclosures, and compliance strategy development.

If you have any questions regarding customs valuation or related trade matters, please contact us:

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