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U.S. Importers Plan a Court Challenge to Trump’s Ban on Some Canadian Alcohol

The expected suit would test the administration’s use of Section 338 after Sept. 29 rules blocked some bottled imports.

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U.S. importers of Canadian alcoholic drinks are preparing a court challenge to the Trump administration’s new import restrictions, as American wine and spirits producers report steep losses in the Canadian market after more than a year of trade retaliation

between the two countries.

The Wine & Spirits Shippers Association said in an Oct. 9 update that the Liberty Justice Center intends to challenge the administration’s measures later this month. The group said it plans to seek relief not only for named plaintiffs but also more broadly for affected importers, and it invited companies to express interest in joining the effort. As of that announcement, however, no court had suspended the restrictions, no case number had been identified and the measures remained in effect.

The dispute widened on Sept. 29, when a presidential proclamation took effect blocking the entry of certain Canadian alcoholic beverages into the United States. The action followed additional 50% duties applied in August to selected Canadian goods. According to guidance from U.S. Customs and Border Protection, products covered by the prohibition generally cannot enter the country at all, even if an importer is willing to pay the tariff. Customs said prohibited entries would be rejected, including attempts to move covered goods into bonded warehouses or foreign-trade zones.

The new rules go beyond a price increase at the border. For some U.S. distributors, the issue is not that Canadian products have become more expensive. It is that some finished bottled products may not be allowed into the country in the first place, depending on their tariff classification and packaging.

Customs guidance indicates that the treatment is not the same for every shipment. Some restrictions apply only to products packaged for consumer sale, such as bottles, cans, boxes and kegs. That means some bulk alcohol shipments may still be allowed to enter. The Wine & Spirits Shippers Association said bulk wine may still be imported but is subject to the 50% Section 338 surcharge, while certain bulk spirits may be exempt from both the ban and the added duty. Trade lawyers and industry groups have warned that the outcome depends on the exact tariff code and shipment details, not on broad assumptions about product type.

The legal basis for the administration’s action is Section 338 of the Tariff Act of 1930, an old trade law that allows the president to impose duties of up to 50% against countries found to discriminate against U.S. commerce. It also allows import exclusions under certain conditions if the discrimination continues. According to the Center for

Strategic and International Studies and earlier reporting by The Associated Press, the provision had not previously been used to impose presidential tariffs.

The White House has argued that Canadian liquor restrictions unfairly targeted U.S. beverages while leaving products from other countries on store shelves. Canadian officials have said the provincial actions were responses to earlier U.S. tariffs. The dispute has since become a two-way commercial fight in which each side says it is answering the other's escalation.

Any legal challenge is expected to focus on whether the administration lawfully used Section 338 and whether the statutory conditions were met. Past tariff cases involving other laws do not settle the question. The Liberty Justice Center previously challenged Trump tariffs imposed under the International Emergency Economic Powers Act and under Section 122 of the Trade Act of 1974, but Section 338 raises different issues. Some trade lawyers have argued that later trade laws may have narrowed or superseded the old statute, while others say its text still gives the president broad power. Even if importers win against the ban itself, that may not remove every duty because the Sept. 29 proclamation contemplates restoring the 50% tariff if the exclusion is struck down.

The court fight is developing at a time when U.S. exporters are already reporting major damage in Canada. Toasts Not Tariffs, a coalition representing 59 national and state organizations, said U.S. wine exports to Canada have fallen 87%, from about US$456 million to US$60 million, since Canadian provincial restrictions began in March 2025. The same coalition said U.S. spirits exports to Canada fell 70%, from US$232 million to US$72 million.

Those losses are linked to Canada's restrictions on U.S. alcohol sales, not to Washington's Sept. 29 import ban on Canadian goods. The two measures affect opposite sides of the trade relationship. Canada's provincial moves hit U.S. producers trying to sell to Canadian consumers, while the U.S. ban now hurts Canadian exporters and the American importers, wholesalers, restaurants and retailers that handle those products.

The Canadian restrictions did not begin as one single national measure. In March 2025, Ontario directed the Liquor Control Board of Ontario to stop buying U.S. products and remove them from stores, its online catalog and wholesale ordering systems. The LCBO said at the time that it carried more than 3,600 products from 35 U.S. states and had previously sold up to C$965 million in American products each year. Quebec also removed U.S. products, and other provinces adopted restrictions as the trade dispute grew.

Because alcohol sales in Canada are heavily shaped by provincial liquor systems, access can be shut off quickly for exporters that depend on those channels. Bars and restaurants in some provinces lost their normal wholesale route for U.S. products, while consumers were steered toward domestic bottles or imports from other countries. That shift matters across the beverage business because changes in shelf access and provincial purchasing can quickly alter distribution patterns, create openings for rival suppliers and make it hard for wine, beer and spirits brands to regain lost space even after a dispute eases.

Provincial responses have not been uniform. According to industry and U.S. accounts, Alberta and Saskatchewan later lifted their bans on American alcohol. Saskatchewan then imposed a different measure after Washington’s August tariffs, announcing an additional 50% levy on newly ordered U.S.-origin alcoholic beverages effective Sept. 8. That approach does not block every sale, but it raises the price of affected products and can still discourage orders.

Canadian producers also face large exposure to the U.S. market. Spirits Canada said exports of Canadian spirits to the United States reached about US$948.6 million in 2025, or about 93% of Canada’s total spirits export value. The group estimates that nearly half of Canadian spirits production depends on U.S. demand. It has also said the industry contributes about US$5.8 billion to Canada’s GDP and supports nearly 48,800 full-time-equivalent jobs. Those figures describe the sector’s scale, not verified losses tied directly to the latest U.S. ban.

In the United States, industry groups say the commercial fallout extends well beyond producers. Toasts Not Tariffs has warned that restaurants, bars and stores rely on selections from both countries and that the dispute is disrupting inventory planning ahead of the holiday season. For many businesses, replacing a missing Canadian whisky, wine or liqueur is not simply a matter of switching labels. Contracts, menus, brand positioning and customer demand all play a role, especially for importers and hospitality operators that focus on niche or premium products.

For now, the restrictions remain in place while legal and diplomatic efforts continue. On Oct. 8, U.S. Trade Representative Jamieson Greer said high-level communication with Canadian officials was continuing, though Washington was maintaining its negotiating position. No settlement has been announced, and no court has yet provided relief. Until that changes, importers on both sides of the border are left planning around a trade dispute that is cutting into export sales, narrowing market access and reshaping beverage flows between two of North America’s most closely connected alcohol markets.