Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Timber & Lumber Co.*, 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

UNITED STATES *v.* HAGGAR APPAREL CO.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

No. 97–2044. Argued January 11, 1999– Decided April 21, 1999

Respondent sought a refund for customs duties imposed on garments it shipped to this country from an assembly plant it controlled in Mexico. If there were mere assembly in Mexico without other steps, the garments would have been eligible for a partial duty exemption under subheading 9802.00.80, Harmonized Tariff Schedule of the United States (HTSUS), 19 U. S. C. §1202, which applies to articles assembled abroad and not otherwise improved except by an "operatio[n] incidental to the assembly process." Respondent, however, also sought to permapress the garments in order to maintain their creases and avoid wrinkles. To accomplish this, respondent baked the chemically pretreated garments at the Mexican plant. Claiming the baking was an added process in addition to assembly, the Customs Service denied a duty exemption under 19 CFR §10.16(c)(4), its regulation deeming all permapressing operations to be an additional step in manufacture, not part of or incidental to the assembly process. Respondent brought this suit in the Court of International Trade, which declined to treat the regulation as controlling and ruled in respondent's favor. The Court of Appeals for the Federal Circuit affirmed, declining to analyze the regulation under *Chevron U. S. A. Inc.* v. *Natural Resources Defense Council, Inc.*, 467 U. S. 837.

Held:

1. The regulation in question is subject to *Chevron* analysis. Pp. 4–12.

(a) The statutes authorizing customs classification regulations are consistent with the usual rule that regulations of an administering agency warrant judicial deference; and nothing in the regulation in question persuades the Court that the agency intended the regulation to have some lesser force and effect. The statutory scheme does

not support respondent's contention that the regulation is limited in application to customs officers themselves and is not intended to govern the adjudication of importers' refund suits in the Court of International Trade. The Customs Service (which is within the Treasury Department) is charged with fixing duties applicable to imported goods under regulations prescribed by the Secretary of the Treasury. See 19 U. S. C. §1500(b). Respondent argues in vain that §1502(a), which directs the Secretary to make classification rules for "the various ports of entry," authorizes regulations that have no bearing on the importer's rights, but simply ensure that customs officers around the country classify goods according to a similar and consistent scheme. Like other regulations which help to define the legal relations between the Government and regulated entities, customs regulations were authorized by Congress at least in part to clarify the rights and obligations of importers. This conclusion is not altered by the circumstance that the United States Trade Representative and the International Trade Commission have certain responsibilities for recommending and proclaiming changes in the HTSUS. These powers pertain to changing or amending the tariff schedules themselves; the Treasury Department and the Customs Service are charged with administering the adopted schedules applicable on the date of importation. Language respondent cites in 19 CFR §10.11(a) does not suffice to displace the usual *Chevron* deference. Particularly in light of the fact that the agency utilized the notice-and-comment rulemaking process before issuing the regulations, the argument that they were not intended to be entitled to judicial deference implies a sufficient departure from conventional contemporary administrative practice that this Court ought not to adopt it absent a different statutory structure and more express language to this effect in the regulations themselves. Pp. 4–9.

(b) The Court also rejects respondent's argument that even if the Treasury Department did intend the regulation to bear on the determination of refund suits, 28 U. S. C. §§2643, 2640(a), and 2638 empower the Court of International Trade to interpret the tariff statute without giving *Chevron* deference to regulations issued by the administering agency. A central theme in respondent's argument is that such deference is not owed because the trial court proceedings may be, as they were below, *de novo.* The conclusion does not follow from the premise. *De novo* proceedings presume a foundation of law. The question here is whether the regulations are part of that controlling law. Deference can be given to the regulations without impairing the court's authority to make factual determinations, and to apply those determinations to the law, *de novo.* Under *Chevron*, if the agency's statutory interpretation clarifies an ambiguity in a way that is

reasonable in light of the legislature's revealed design, the Court gives that judgment controlling weight. *NationsBank of N. C., N. A.* v. *Variable Annuity Life Ins. Co.*, 513 U. S. 251, 257. Although the statute under which respondent claims an exemption gives direction not only by stating a general policy (to grant the partial exemption where only assembly and incidental operations were abroad) but also by determining some specifics of the policy (finding that painting, for example, is incidental to assembly), the statute is ambiguous nonetheless in that the agency must use its discretion to determine how best to implement the policy in those cases not covered by the statute's specific terms. Finally, contrary to respondent's contention, the historical practice in customs cases is not so uniform and clear as to convince the Court that judicial deference would thwart congressional intent. See, *e.g., United States* v. *Vowell*, 5 Cranch 368. Pp. 9–12.

2. If the regulation in question is a reasonable interpretation and implementation of an ambiguous statutory provision, it must be given judicial deference. Pp. 12–14.

(a) The customs regulations may not be disregarded. Application of the *Chevron* framework is the beginning of the legal analysis, and the Court of International Trade must, when appropriate, give regulations *Chevron* deference. Cf. *Atlantic Mut. Ins. Co.* v. *Commissioner*, 523 U. S. 382, 389. That court's expertise guides it in making complex determinations in a specialized area of the law; it is well positioned to evaluate customs regulations and their operation in light of the statutory mandate to determine if the preconditions for *Chevron* deference are present. Pp. 12–13.

(b) This Court declines to reach the question whether 19 CFR §10.16(c) meets the preconditions for *Chevron* deference as a reasonable interpretation of the statutory phrase "operations incidental to the assembly process." Because the Federal Circuit determined the *Chevron* framework was not applicable, it did not go on to consider whether the regulation ultimately warrants deference under that framework. Respondent's various arguments turning on the details and facts of its manufacturing process are best addressed in the first instance to the courts below. Pp. 13–14.

127 F. 3d 1460, vacated and remanded.

KENNEDY, J., delivered the opinion for a unanimous Court with respect to Parts I, II, and III, and the opinion of the Court with respect to Part IV, in which REHNQUIST, C. J., and O'CONNOR, SCALIA, SOUTER, THOMAS, and BREYER, JJ., joined. STEVENS, J., filed an opinion concurring in part and dissenting in part, in which GINSBURG, J., joined.