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Beyond Borders: Navigating Jurisdictional Conflicts and Choice-of-Law Issues in Trademark Transfers in Cross-Border Mergers and Acquisitions

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Abstract: Cross-border mergers and acquisitions (M&A) often hinge on the seamless transfer of trademark; however, jurisdictional conflicts and divergent choice-of-law regimes could disrupt transactions and expose parties to unforeseen liabilities. This paper examines three primary legal challenges: extraterritorial application of trademark statutes, forum shopping coupled with jurisdictional uncertainty, and divergent substantive trademark regimes. To address these challenges, it proposes three concrete coping strategies: precise contractual drafting and arbitration clauses, pre-closing harmonization combined with risk-allocation tools, and rigorous post-closing monitoring and enforcement protocols. Anchoring the analysis is the Supreme Court's June decision in Abitron Austria GmbH v. Hetronic International, Inc., which significantly curtailed the Lanham Act's extraterritorial application and underscored transaction teams' need to secure local rights in every relevant market. Employing comparative law, model clauses, and doctrinal insights, this paper delivers a structured roadmap to safeguard trademark transfers' validity and enforceability, long-term protection of trademark transfers across diverse and evolving legal landscapes.

Keywords: Trademark transfer, cross-border M&A, jurisdictional conflicts, choice of law, extraterritoriality

1. Introduction

Cross-border mergers and acquisitions (M&A) are widely regarded as a fast track to corporate growth, and the promise of synergies—where one plus one equals more than two—has drawn countless companies into the global marketplace [1]. In an era of globalization, the acquisition of established brands through cross-border M&A represents a strategic imperative for multinational corporations seeking market entry and growth. Trademarks, as a reflection of brand value and consumer trust, frequently account for a material portion of deal valuation; yet their territorial nature means rights exist only within the borders of the securing jurisdiction. The intricacies of national IP systems—"first-to-use" in common-law jurisdictions versus "first-to-file" in civil-law systems—combine with conflicting statutory reaches to create a minefield for dealmakers [2]. Absent careful

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transactional design, assignments may be invalidated by third-party challenges, regulatory unwinds, or post-closing enforcement gaps.

A recent case—Abitron Austria GmbH v. Hetronic International, Inc.—highlights the legal risks that arise when parties assume broad cross-border enforceability under a single national statute [3]. In the case, the Supreme Court addressed whether Sections 32(1)(a) and 43(a)(1) of the Lanham Act apply extraterritorially to foreign uses of U.S. trademarks. Hetronic International, an Oklahoma-based manufacturer, sued its former Austrian distributor, Abitron, for continuing to use the HETRONIC mark on reverse-engineered remote-control products sold in Europe. A jury awarded Hetronic approximately $96 million based on Abitron's global sales, and the Tenth Circuit affirmed, invoking its two-step test for extraterritorial application. On June 29, 2023, the Supreme Court unanimously vacated the award, holding that "use in commerce" under the Lanham Act requires domestic activity and that the Act's language lacks a clear extraterritorial command. The Court emphasized that any extension beyond U.S. borders risks embroiling courts in foreign policy disputes and undermining international trademark systems [4]. This decision recalibrates M&A risk assessments: parties can no longer assume that U.S. injunctive or damages relief will reach unauthorized foreign uses, making localized rights clearance and enforcement provisions indispensable.

Accordingly, based on the above case, this paper examines the principal legal challenges posed by jurisdictional conflicts and choice-of-law issues in trademark transfers. It proposes coherent countermeasures—contractual, procedural, and operational—to mitigate these risks. By offering a practical framework for navigating the complexities of international trademark law, this study aims to provide valuable guidance for legal practitioners, corporate counsel, and policymakers involved in cross-border transactions.

2. Legal challenges

2.1. Extraterritorial reach of national trademark statutes

The presumption against extraterritoriality is a foundational principle in U.S. statutory interpretation, obliging courts to confine statutory interpretation to domestic boundaries unless Congress expressly dictates otherwise. Sections 32(1)(a) and 43(a)(1) of the Lanham Act prohibit the unauthorized "use in commerce" of registered marks, but prior to mid-2023, lower courts were deeply divided over whether those prohibitions could be applied to foreign conduct that merely impact U.S. commerce. This judicial uncertainty created significant legal risks for cross-border mergers and acquisitions, where trademark rights and enforcement strategies are central to deal structuring and post-closing integration.

The Second and Federal Circuits applied the Vanity Fair test, which considered three key factors: citizenship of the parties, the existence of a substantial effect, and on U.S. commerce, and the potential for conflict with foreign rights. In contrast, the Ninth Circuit adopted a more flexible balancing approach, weighing whether the foreign conduct had "some effect" on American foreign commerce against the broader interests of international comity and the risk of interfering with foreign legal systems. The Tenth Circuit, however, formalized a two-step framework: first determining whether the defendant was a U.S. citizenship; then evaluating whether the foreign conduct had a "substantial effect" on U.S. commerce; and finally, weighing whether extraterritorial application would create direct conflicts with foreign law [5]. This expansive approach risked subjecting every foreign sale to U.S. injunctions and treble-damages liability, imperiling routine assignments in cross-border deals.

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By vacating a $96 million award against Abitron Austria for its European sales of remote controls, the Supreme Court underscored that "use in commerce" must occur domestically to trigger Lanham Act relief. The majority emphasized that without a clear and extraterritorial command, U.S. courts should refrain from extending domestic trademark law to foreign activities, warning that such overreach risks entangling the judiciary in sensitive foreign policy disputes and undermining the sovereignty of other trademark regimes [6].

For M&A practitioners, the Abitron ruling compels explicit allocation of post-closing enforcement responsibilities in each jurisdiction, as domestic statutes cannot remedy breaches abroad.

2.2. Forum shopping and jurisdictional uncertainty

In the European Union, the Brussels I Recast Regulation (EU 1215/2012) establishes a harmonized framework for jurisdiction rules, mandating that defendants be sued in the courts of their domicile but providing exceptions for intellectual property disputes. Specifically, IP cases may be brought in the courts of the Member State where the trademark is registered or where the alleged infringement occurs [7]. This framework offers relative predictability, yet it also allows for strategic maneuvering, particularly when multiple infringing acts span several jurisdictions.

Conversely, U.S. lacks a comparable uniform jurisdictional code. Instead, U.S. courts assert personal jurisdiction based on the constitutional doctrine of "minimum contacts", enabling strategic venue selection based on perceived procedural or substantive advantages. Due to the absence of a non-binding forum-selection clauses, parties may face parallel suits across multiple jurisdictions—each with its own statute of limitation,rules of evidence, and calculation of damages—raising transaction costs and yielding inconsistent judgments on the same trademark.

Compounding this uncertainty, civil-law jurisdictions recognize public policy exceptions — commonly known as "lois de police" in civil law systems — can override contractual choice-of-law if the chosen law conflicts with a forum's mandatory provisions [8]. This unpredictability undermines legal certainty in M&A negotiations, as acquiring parties cannot be sure which jurisdiction will ultimately govern disputes or what substantive rules will apply.

The surge in online sales in the digital economy has increased jurisdictional conflicts. Traditional connection points —such as the location of physical sales or business establishments—have become less relevant, while new connection points, such as server location, website URLs and user data flows, remain legally controversial. These jurisdictional fault lines undermine legal certainty in M&A negotiations, as acquiring parties cannot reliably predict where disputes will be heard or which substantive laws will govern, complicating valuation, indemnity planning, and closing conditions.

2.3. Divergent substantive law and reservation of public order

Trademark regimes vary significantly across jurisdictions, creating complex challenges for cross-border M&A transactions. Common-law countries typically adopt "first-to-file" systems, requiring trademark owners to demonstrate actual commercial use to establish and maintain rights. In contrast, civil-law jurisdictions generally follow a "first-to-file" approach, granting trademark protection based on timely registration, regardless of whether the mark has been used commercially.

Moreover, the consequences of trademark non-use differ substantially. In many civil-law jurisdictions, trademarks can be cancelled if they remain unused for a specified statutory period, typically three to five years. Common-law systems, while also recognizing non-use as grounds for

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cancellation, often apply more flexible standards, considering factors such as intent to resume use and market conditions.

European Union's Rome I Regulation (EC 593/2008) allows parties to choose governing law for contracts, including IP assignments, but notes that forum "mandatory rules" cannot be derogated from, limiting autonomy over substantive outcomes [9]. Furthermore, the principle of public order reservation—the court may refuse or exclude the application of a foreign law when it should apply it as the applicable law according to its own conflict rules, or when providing international civil judicial assistance upon request, if the result of the application of that foreign law or the provision of judicial assistance conflicts with the important interests, basic policies, basic moral concepts or basic principles of law of the forum state—may override contractual clauses and render assignments void or unenforceable. Moreover, the lack of harmonization on issues such as assignment formalities, translation requirements, and notarization also amplifies the risk of latent title defects.

Therefore, acquirers in cross-border M&A transactions face significant risks. Despite valid assignments under one jurisdiction's law, they may still be subject to cancellation or infringement claims in another. These vulnerabilities can erode the overall value of the acquired intellectual property portfolio, trigger costly post-closing litigation, and ultimately compromise the strategic objectives of the transaction.

3. Coping strategies

3.1. Precise contractual drafting and arbitration clauses

A foundational countermeasure is the meticulous drafting of governing-law and forum-selection clauses, coupled with arbitration provisions. These mechanisms work in tandem to channel potential disputes into a predictable, neutral, and enforceable forum, thereby reducing uncertainty and protecting the value of the underlying transaction.

Governing-law clauses should expressly invoke the chosen legal system—whether a specific U.S. state law, English law, or another jurisdiction's statute— and disclaim recusation to prevent courts from importing foreign conflicts principles.

To further limit jurisdictional unpredictability, parties should include exclusive forum-selection clauses—such as submitting to the jurisdiction of a designated federal or state court—curtail parallel proceedings under divergent jurisdictional doctrines.

For parties seeking greater confidentiality and flexibility, arbitration offers a compelling alternative. Institutional arbitration under the rules of the International Chamber of Commerce (ICC), the London Court of International Arbitration (LCIA), or the UNCITRAL Arbitration Rules allows parties to select arbitrators with relevant expertise in intellectual property and international commercial law. Moreover, binding arbitration awards enforceable under the New York Convention in 173 states, parties can sidestep national public-policy exceptions and obtain streamlined remedies [10].

To further streamline dispute resolution and preserve commercial relationships, parties may incorporate diversified dispute-resolution clauses—like from negotiation to mediation and then to arbitration—fosters early issue resolution, preserves business relationships, and mitigates the risk of protracted cross-border litigation.

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3.2. Pre-closing harmonization and risk allocation tools

To forestall post-closing challenges, transaction teams must synchronize assignment formalities across all pertinent jurisdictions before deal consummation. This entails simultaneous execution and recordation of assignment instruments in each trademark office, accompanied by required translations, notarizations, and declarations of use in use-based systems [11].

While the Madrid System offers a streamlined filing pathway, national offices retain discretion to refuse or demand local supplements, making parallel direct filings in strategic markets prudent [5]. In addition to procedural harmonization, parties should secure letters of consent or coexistence agreements from co-owners, licensees, and prior assignees. These instruments help preempt oppositions and cancellation actions by third parties and reduce the likelihood of future conflicts over trademark ownership or scope.

Notwithstanding these precautions, latent defects can emerge; accordingly, purchase agreements should incorporate comprehensive representations and warranties as to IP ownership, scope, validity, and non-infringement, together with bespoke indemnities featuring appropriate survival periods and liability caps calibrated to each jurisdiction's risk profile.

3.3. Post-closing monitoring and enforcement protocols

Post-closing vigilance is vital to preserve trademark value and deter infringement. Implementing a centralized IP management platform is a critical first step. Such platforms integrate global trademark renewal periods, proof-of-use filings, and jurisdictional watch services, ensureing compliance with local maintenance requirements and early detection of unauthorized uses.

Moreover, engaging customs authorities through recordation programs deters grey-market imports, while online marketplace policing—leveraging DMCA-style takedown notices on Amazon, Alibaba, and social platforms— shields brands from counterfeits and parallel imports [6]. Ultimately, calibrating enforcement thresholds—through careful cost-benefit analysis of cease-and-desist demands, administrative proceedings, and litigation—ensures efficient resource allocation and enhances the overall return on trademark protection investments.

4. Conclusion

Cross-border M&A transactions in the trademark arena are fraught with jurisdictional conflicts and choice-of-law discrepancies that can undermine deal certainty and erode brand value post-closing. The Supreme Court's decision in Abitron underscores the inherently domestic scope of U.S. trademark law and obliges acquirers to secure enforceable rights wherever their marks will operate. By marrying meticulously drafted transfer and arbitration provisions, pre-closing risk harmonization, and post-closing portfolio surveillance, transaction teams can deftly traverse divergent legal regimes and fortify trademark assets against challenge. This integrated framework not only curtails potential litigation but also sustains the commercial resilience and full value of global brand acquisitions.

However, this study is not without limitations. For example, its analysis is primarily grounded in U.S. and EU legal systems, with limited examination of emerging markets such as China, India, and Southeast Asia, where trademark enforcement mechanisms and judicial practices may differ significantly. Future research should expand the comparative scope to include these jurisdictions, offering a more globally representative assessment of cross-border trademark risks.

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