

Divest Order Shows How Security Fears Extend CFIUS Scope

By **Thaddeus McBride and Faith Dibble** (August 21, 2025)

In a remarkable decision on July 8, the Trump administration issued an order to block and force the unwinding of a transaction that occurred more than five years ago.[1] It appears that the president's decision was based on an ex post facto review by the Committee on Foreign Investment in the United States, which recommended that the president prohibit the transaction.[2]

Specifically, the order retroactively blocks the February 2020 acquisition of Jupiter Systems LLC, a U.S.-based audiovisual equipment supplier, by Suirui International Co. Ltd., a Chinese-based cloud communication service carrier. Per a U.S. Department of the Treasury statement, because there are national security concerns due to "the potential compromise of Jupiter's products used in military and critical infrastructure environments," the order gives Suirui 120 days to divest its interests in Jupiter and certain of Jupiter's non-U.S. assets.

While unusual, this matter highlights the increasing breadth of U.S. national security concerns, especially related to China, and the wide scope CFIUS has to review transactions.

Background on CFIUS

CFIUS reviews investments in and acquisitions of U.S. businesses by foreign persons, including a U.S. company buyer or investor that is ultimately owned by a foreign person or entity. The primary focus of the CFIUS review process is national security, an area of risk that has expanded substantially in recent years.

If national security risks are raised by a particular transaction and cannot be mitigated through compliance measures or the divestment of certain assets, CFIUS can recommend that the president block the transaction. The president then has 15 days to act, including by prohibiting the transaction before closing or ordering divestment afterward. The president's decision is not subject to judicial appeal.

While many in-scope transactions are submitted to CFIUS, either voluntarily or pursuant to a mandatory filing requirement, CFIUS may also investigate nonnotified transactions, which remain subject to review indefinitely. The circumstances of the Jupiter transaction indicate that CFIUS was not notified, despite the transaction falling within its jurisdiction and raising apparent national security concerns.

The Jupiter transaction marks only the fourth time a nonnotified transaction — that is, a transaction about which the parties do not notify CFIUS — has been blocked by presidential order following a recommendation by CFIUS.

In its annual report to Congress for 2023, CFIUS indicated that nonnotified transactions tend to be among the most complex matters it reviews, frequently requiring detailed investigation and mitigation measures.[3] In that report, CFIUS identified many means by which it identifies nonnotified transactions, including interagency referrals, public tips,



Thaddeus McBride



Faith Dibble

classified and media reports, congressional notifications, and commercial databases.

To that end, CFIUS reportedly screened thousands of nonnotified transactions in 2023 alone, and then initiated inquiries into 60 of those deals. Of those 60, CFIUS requested filings in 13 cases. Additionally, in three other instances, parties that received outreach from CFIUS filed a voluntary declaration or notice.

Order Provides Specific Requirements for Divestment, Compliance During Pendency of Divestment

The July 8 order is detailed and strict. As a starting point, it requires Suirui to sell all Jupiter assets, with a few exceptions, within 120 days, unless an extension is granted. In particular, the order requires the following:

- CFIUS must be notified of any potential buyer of the Jupiter assets, and will have 30 days to review and approve any potential buyer. In conducting its review, in addition to national security concerns, CFIUS will consider factors including whether the buyer is a U.S. person, whether the buyer has any direct or indirect ties to Suirui, and the buyer's willingness to comply with CFIUS requirements.
- During the 120-day period, the parties must certify on a weekly basis that they are complying with the terms of the order.
- Absent approval from CFIUS, Suirui personnel were immediately prohibited from accessing Jupiter's nonpublic source code and technical information, IT systems, products, parts and components, books and records, and U.S. facilities. Jupiter had seven days after the date of the order to establish, to CFIUS's satisfaction, firewall measures to block such access.
- CFIUS may audit the parties' compliance with the order, and the parties must permit designated U.S. government personnel access to all U.S. locations to inspect or copy records, audit IT systems and data, and interview personnel. CFIUS has up to 90 days following the sale to complete these inspections.

National Security Concerns Lead to Forced Divestment

Publicly available information suggests that Jupiter is a supplier to U.S. government entities involved in national security and intelligence operations. According to its website, Jupiter's customer base includes U.S. government agencies such as the CIA, National Security Agency and NASA, as well as major defense contractors such as Lockheed Martin.[4] Jupiter markets products designed for secure use within sensitive federal, intelligence and military environments.

Considering Jupiter's product offerings and customers, Chinese ownership of the company not surprisingly raised national security concerns. Suirui has also apparently made recent investments in industrial surveillance and operational robotics technologies. This investment may have heightened U.S. government concerns regarding potential espionage or unauthorized technology transfer.

Presumably, there would have been similar concerns at the time of the transaction, yet the parties almost certainly did not notify CFIUS, even informally. It also appears that neither party released an announcement of the transaction, though in a press release dated May 18, 2020, Jupiter did announce that a Suirui co-chairman was the new chair of the Jupiter

board.[5]

In a now-deleted statement released on July 12, Jupiter acknowledged the order and stated that it is "actively reviewing the decision in consultation with legal counsel and our stakeholders." [6] It stated — perhaps overly optimistically — that it did not anticipate any disruptions in business or service, and reaffirmed its "commitment to innovation, national security, and compliance with U.S. laws and regulations."

Continued Wariness of Direct Chinese Investment

It is not clear how CFIUS became aware of the transaction or the extent to which CFIUS conducted its review with any involvement or even the awareness of Jupiter and Suirui. What is clear is that the order reflects ongoing concerns regarding acquisitions involving Chinese investors.

While there have been only a few presidential actions requiring the ex post facto blocking of a transaction, the majority have involved Chinese investors or affiliates.

For example, during his first term, President Donald Trump mandated the divestiture in 2020 of U.S. firm StayNTouch Inc. from its Chinese acquirer, Beijing Shiji Information Technology Co. Ltd. [7] Citing evidence that Shiji "might take action that threatens to impair the national security of the United States," the Trump administration ordered the deal unwound. The terms of that forced divestiture mirror those outlined in the Jupiter and Suirui order.

The order is also consistent with increased congressional attention to investments by entities affiliated with China, particularly in sensitive or strategic sectors.

As noted in a May report from the Congressional Research Service, Congress' attention to CFIUS activities has intensified due to concerns about national security threats posed by Chinese-directed or -controlled investments in critical U.S. industries. [8]

Trump's "America First Investment Policy" memorandum issued in February also made clear the administration's commitment to leveraging all available tools — including CFIUS — to restrict Chinese-affiliated investments in U.S. technology, critical infrastructure, healthcare, agriculture, energy, raw materials and other sectors. [9]

Going Forward

It remains the case that the vast majority of foreign investment in or acquisition of U.S. companies is approved or not subsequently reviewed by CFIUS. It is also the case that CFIUS has increased resources to review any nonnotified transactions. Accordingly, any U.S. company considering investment from or an acquisition by a non-U.S. party needs to evaluate not only its own national security risk profile, but also the dynamic of particular foreign investors.

Given the amount of time needed to navigate the CFIUS process, a CFIUS assessment should occur early in the planning for the transaction. This is especially true for a U.S. company in a sensitive industry and/or if the investor is Chinese — including from Hong Kong.

Two other points are worth mentioning.

First, CFIUS will be particularly interested in foreign investment in a company that has meaningful contracts with the U.S. government. Any access to U.S. government customers or facilities is likely to trigger closer scrutiny of such a transaction.

Second, implicit in the decision to go through the CFIUS process is the benefit of predictability.

Transactions often appear unproblematic on their face, and the parties may decide they do not want to incur the time or expense of going through the CFIUS process for what they assume will be straightforward CFIUS approval. But unless the parties go through the process, CFIUS will have essentially unlimited time to conduct its review. Predictability is lost.

As Jupiter and Suirui discovered to their detriment, failure to account for broad CFIUS jurisdiction can lead to enormous consequences.

Thaddeus R. McBride is a member and Faith Dibble is an international trade attorney at Bass Berry & Sims PLC.

Bass Berry law clerk Tris Sebesta contributed to this article.

The opinions expressed are those of the author(s) and do not necessarily reflect the views of their employer, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

[1] Executive Office of the President, Order of July 8, 2025, Regarding the Acquisition of Jupiter Systems, LLC by Suirui International Co., Limited, 90 Fed. Reg. 31125 (July 11, 2025), available here: <https://www.federalregister.gov/documents/2025/07/11/2025-13123/regarding-the-acquisition-of-jupiter-systems-llc-by-suirui-international-co-limited>.

[2] U.S. Department of the Treasury, Statement on the President's Decision Prohibiting the Acquisition by Suirui Group Co., Ltd. of Jupiter Systems, LLC (July 11, 2025), available here: <https://home.treasury.gov/news/press-releases/sb0193>.

[3] Committee on Foreign Investment in the United States, CFIUS Annual Report to Congress Report Period: CY 2023, available here: <https://home.treasury.gov/system/files/206/2023CFIUSAnnualReport.pdf>.

[4] Jupiter Systems LLC, Our Customers, available here: <https://www.jupiter.com/>.

[5] Jupiter Systems LLC, Jupiter Systems Welcomes Sidney Rittenberg as CEO and Tim Chen as Chairman of the Board (May 18, 2020), available here: <https://www.jupiter.com/about/press-releases/jupiter-systems-welcomes-sidney-rittenberg-as-ceo-and-tim-chen-as-chairman-of-the-board/>.

[6] Jupiter Systems LLC, Jupiter Systems Statement for 7-11-2025 (July 12, 2025), now deleted.

[7] Executive Office of the President, Order Regarding the Acquisition of Stayntouch, Inc. by Beijing Shiji Information Technology Co., Ltd. (Mar. 6, 2020), available

here: <https://trumpwhitehouse.archives.gov/presidential-actions/order-regarding-acquisition-stayntouch-inc-beijing-shiji-information-technology-co-ltd/>.

[8] Congressional Research Service, Committee on Foreign Investment in the United States (CFIUS) (May 29, 2025), available here: <https://www.congress.gov/crs-product/IF10177>.

[9] Executive Office of the President, America First Investment Policy (Feb. 21, 2025), available here: <https://www.whitehouse.gov/presidential-actions/2025/02/america-first-investment-policy/>.