I. China’s Antitrust Litigation Development

Year 2017 witnesses a variety of developments in administrative and civil litigation under the China Anti-Monopoly Law (“AML”).

A. AML ADMINISTRATIVE LITIGATION

Two appellate rulings from AML administrative litigation were issued in 2017. In Thsware, defendant Guangdong Province Education Bureau formed a committee with a software company Guanglianda and a local trade association to prepare for a national vocational school skills contest. The committee designated Guanglianda to be the sole provider of software and equipment for the engineering cost estimate contest in Guangdong. Guangdong Higher People’s Court affirmed the judgment of first instance that the Education Bureau abused its administrative power by failing to choose a software and equipment provider in a transparent and fair process and causing damages to Guanglianda’s competitors.

In Honglin, the court affirmed Shanxi Province Price Bureau’s finding that a vehicle inspection service provider engaged in an illegal agreement with its competitors through a local trade association to fix the prices of vehicle inspection services. Defendant denied the allegations, asserting it had objected to the price agreement discussed at the association meetings and refused to submit guarantee fees. Shanxi Province Price Bureau ruled, and the court affirmed, that defendant had participated in a tacit price-fixing agreement in coordination with competitors.

* Athenia Jiangxiao Hou, Michael Dewey and Qing Lyu, Chief Legal Officer and Corporate Counsel of Fuyao Glass America Inc., edited this article.

1. Wei Huang, Senior Partner of Tian Yuan Law Firm (Beijing) authored this section.


4. Chinese Courts will hold an industry agreement illegal, whether it is blessed by a government agency or reached for otherwise benign reasons. See also Linyi Shengda Lianhe Accounting Firms v. Shandong Administration of Industrial and Commerce, Jing 02 Xing
B. AML Civil Litigation

Antitrust litigation related to Standard Essential Patents ("SEPs") gains momentum. Apple sued Qualcomm in China, alleging Qualcomm abuses its market dominance in violation of the AML and seeking CNY one billion damages.\(^5\) Apple asserts multiple claims, including excessive pricing, refusal to deal, restrictive dealing, bundled sale, imposition of unreasonable trading conditions, and discriminatory treatment. The case is still at an early stage where parties are litigating jurisdiction. In another much reported SEP case, the court ruled in favor of an SEP holder in its lawsuit against an SEP user\(^6\), finding the user’s unreasonable information request intentionally delayed licensing negotiation and granted the SEP holder’s injunction request.

1. SEP Litigation and Licensing Negotiation

SEP holders seeking injunctions can be held liable for abusing their market dominance in certain jurisdictions.\(^7\) In China, courts balance the interests of SEP holders and those of SEP users. The court granted SEP holder’s injunction application in WNCOMM v. Sony, on the ground that the user defendant had made unreasonable information request and had intentionally stalled the licensing negotiation in about six years.

Detailed guidelines on IP abuses under the AML are in deliberation. A recent draft guideline on IP abuses\(^8\) by the Anti-Monopoly Committee provides that SEP holders having market dominance may not use injunction requests to force patent users to accept unreasonable licensing terms and that such conduct may be deemed as

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7. See Huawei Technologies Co. Ltd v. ZTE Corp. & ZTE Deutschland GmbH, C-170/13, Court of Justice of the European Union, Civil Judgment (July 16, 2015).

anticompetitive. The draft guideline does not explicitly state an injunction request can support an independent antitrust claim.

2. Court Jurisdiction

China established Intellectual Property ("IP") Courts in Beijing, Shanghai and Guangzhou in 2014 to hear patent related cases. Courts are expected to form a consensus that the determination of IP Court jurisdiction be based on the amount of AML disputes. The Beijing Higher Court has clarified the jurisdiction of courts in Beijing: when the claimed amount in an AML lawsuit is more than CNY 100 million and involves a foreign entity, the lawsuit is to be heard by the Beijing Higher Court (and not the IP Court) for first instance. Shanghai Higher People’s Court issued similar directions. Guangzhou IP Court and Guangdong Higher Court are expected to note these decisions when they determine their respective jurisdictions over AML cases involving patents in Guangdong.

3. Market Definition in AML Cases Involving Internet Products

After the Supreme People’s Court’s (“SPC”) ruling in Qihoo v. Tencent, the definition of a relevant market continues to be the litigation focus in cases concerning internet products with varied platform characteristics. Plaintiffs typically define relevant markets based on defendants’ business scope. Courts frequently dismiss


12. Qihoo Tech. Co., Ltd. v. Tencent Tech. (Shenzhen) Co., Ltd. & Shenzhen Tencent Computer System Co., Ltd., China Supreme People’s Court, Min San Zhong [2013] No. 4 (affirming lower court’s dismissal of Qihoo’s claims against Tencent, holding Qihoo failed to defined an appropriate relevant market and failed to prove Tencent’s market dominance with a presumption that Qihoo’s market definition is appropriate).
plaintiffs’ claims for failure to define a relevant market properly. In *Emoji*[^13], plaintiff based its proffered market definition on defendant’s business operations and defined the relevant market as the instant messaging service market in China. The court rejected this definition, holding the proffered definition is not related to plaintiff’s need to distribute his emojis on defendant’s instant messaging platform.

C. ANTITRUST LITIGATION IN OIL INDUSTRY

In the first antitrust civil litigation involving the oil industry, Yunnan Province Higher People’s Court affirmed the retrial judgment, finding that defendants did not abuse market dominance by refusal to sell plaintiffs’ bio-diesel[^14]. The court did not address the essential facility doctrine which is commonly in refusal to deal cases in the United States. There, parties do not dispute that the Renewable Energy Law ("REL") requires defendants to sell plaintiff’s product, which competes with defendants’ own products. The focus of the appeal was whether defendants violated the AML for not selling plaintiff’s product when the government had not issued REL implementation details. The court held, while the AML does not preempt the application of the REL, the court cannot compel parties to deal with each other when the complementary regulatory policies do not exist. The court affirmed the dismissal of plaintiffs’ claim.

II. Judicial Interpretation IV on Company Law Unveiled[^15]

China promulgated its Company Law[^16] in 1993 and several amendments have followed. The SPC issued three judicial interpretations to fill gaps and clarify certain key elements. Disputes and enforcement variations also increase in light of rapid economic and corporate growth. The SPC announced Judicial Interpretation IV to the Company Law which became effective on September 1, 2017.[^17]

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[^15]: This section is authored by Steven Shengxing Yu, partner of Hiways Law Firm (Shanghai).


The 27-article Judicial Interpretation IV addresses several key elements which had been debated in the legal and business fields for years, including the validity of corporate resolution, shareholder’s right to information and profit distribution, preemptive right, and shareholder derivative actions. This article focuses on the validity of corporate resolutions and preemptive right, which are believed to be ground breaking for extending important protection to minority shareholders.

Under the current Company Law, a shareholders’ resolution may be declared null or revoked through judicial remedy. Article 5 of Judicial Interpretation IV states a resolution need not go through the complicated judicial remedy process when circumstances exist voiding the resolution procedurally. Examples of such circumstances include no meeting having been convened, no resolution having been voted upon, the number of meeting attendees being legally insufficient or a decision not being duly made. In such circumstances, “the resolution has never been formed.”

Shareholders’ access to corporate information is important to protecting shareholder rights. Prior to the Judicial Interpretation IV, once an individual lost his shareholder status, that individual could no longer file a lawsuit seeking corporate information. This limitation would often cause the person to miss his opportunity to seek judicial remedy even if his exit resulted from misrepresentations. Article 7 of Judicial Interpretation IV shows the SPC attempts to strike a balance between the interests of shareholders and corporations.

Article 7 allows courts to accept a case even though the plaintiff is no longer a shareholder. Courts will permit a shareholder-plaintiff access to the relevant corporate documents if the plaintiff can provide prima facie evidence that his legal rights and interests were damaged when he was a shareholder. Furthermore, to reinforce shareholders’ right to access corporate information, the SPC has limited companies’ abilities to defer a shareholder’s request, directed courts to issue enforceable verdicts with specificity, and provided for accountants, lawyers and other shareholder representatives to inspect company documents.

Judicial Interpretation IV provides more guidance on exercising preemptive rights in equity transfers. First, natural-person shareholders have no preemptive rights in cases of succession (unless otherwise specified by the company bylaws or shareholder


19. Judicial Interpretation IV, supra note 17, art. 5.
agreement). Second, the timeframe for exercising preemptive rights shall be as prescribed by the company bylaws, (absent any requirement in the bylaws) the terms specified in the shareholder notice, or (absent any requirement in the shareholder notice or the notice provides less than a 30-day timeframe) 30 days by default. All shareholders must be offered the “same terms” including payment method and payment terms of the equity transfers. Third, share transfer is not irrevocable and courts will not force a transfer when other shareholders have acted under “same terms” (unless otherwise specified by the company bylaws or shareholder agreement).

Compared with the previously circulated draft, Interpretation IV sends a strong signal to protect the interests of “the weak” -- minority shareholders and those who do not run the company’s daily operations. It also helps clarify certain controversial areas, paving the way for market forces and practice to follow.

III. Regulations to Restrain Shadow Banking

Shadow banking in China has grown rapidly in recent years into a powerful, complex and opaque financial sector, and the Chinese economy has become increasingly dependent on it for credit. Chinese shadow banking involves three primary types of activities: 1) banks, restricted by regulatory requirements such as loan limits and capital requirements, provide underserved credit demand via off-balance sheet channeling; 2) credit enhancement institutions help enlarge the lending pool by providing guaranteed or short-term loans to low credit customers; and 3) non-bank institutions including insurance companies, financial leasing companies and wealth management institutions serve credit demands not served by banks.

Shadow banking poses substantial risks to Chinese economic stability because of its extensive scope and the practical difficulty in monitoring and containing the risks. It provides alternative financing and investment solutions to small and medium-sized enterprises whose credit needs are not fully served by the traditional banking sector and an under-developed equity market. Emerging municipal commercial banks embrace shadow banking as an effective credit-generating business

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20. Id., art. 16.
21. Id., art. 17 and art.18.
22. Id., art. 21.
23. This section is authored by Jiangxiao Athena Hou, Chief Legal officer of Fuyao Glass America Inc., and Ming Li, an LL.M. student at Cornell Law School.
model and safe haven from various regulatory restrictions. It is estimated to have tied up nearly 20 trillion dollars’ worth of assets in China.26

Chinese regulators adopted a series of new policies in 2017 in attempt to rein in shadow banking.

A. FINANCIAL STABILITY AND DEVELOPMENT COMMITTEE

Speaking at a high-level financial policy meeting in July 2017, President Xi Jinping announced the establishment of a cabinet-level committee to coordinate China’s financial regulation.27 Subsequently in November 2017, the State Council created the Financial Stability and Development Committee (the “Committee”). Vice Prime Minister Ma Kai, who is in charge of the national financial sector, serves as its Chairman.28 The central bank People’s Bank of China (“PBOC”), China Banking Regulatory Commission (“CBRC”), China Insurance Regulatory Commission (“CIRC”) and China Securities Regulatory Commission (“CSRC”) will each nominate a representative to the Committee as Vice Chairpersons to coordinate the Committee’s activities.29 This Committee will coordinate regulatory efforts across the government agencies and address systemic risks including, in particular, shadow banking.30

B. NEW REGULATORY MEASURES

Starting from the first quarter of 2017, the POBC requires off-balance-sheet wealth management products (“WMP”) be reported as “broad-based credit” in the Macro Prudential Assessment (“MPA”)31 – a point-based framework to evaluate the risks in bank credit exposure. The funds from WMPs are often invested by banks and non-banking institutions with many layers – a typical scheme of shadow

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30. Id.  
banking. The requirement also helps to control banks’ lending growth at a “rational and appropriate” pace. As a result, WMP sales and interbank negotiable certificates of deposit (“NCDs”) decreased substantially. The PBOC also sanctioned three municipal commercial banks for failing to satisfy MPA requirements.

Following PBOC’s new policy, the CBRC published a set of new rules to control a broad range of risks in the financial system and in particular NCDs. All banks are required to conduct self-examination and report their arbitrage-related business, including any intentional circumvention of regulatory parameters by moving non-performing assets off the balance sheets through various asset management plans, circumvention of asset adequacy ratio requirements by converting asset types and using WMPs and other banking tools, and circumvention of liquidity indexes through NCDs and interbank facilities.

C. COURT JUDGEMENT

In addition to these new regulatory rules, a recent court decision sent a chilling message to shadow banking participants. Plaintiff, a financial trust company, alleged in defendant’s bankruptcy proceeding that its investment in defendant’s real estate company was debt, not equity, investment and therefore plaintiff was a secured creditor with a priority claim over defendant’s assets. Plaintiff asserted that its agreement with defendant and two of defendant’s principals (and shareholders) was a financing arrangement which provided for a specific maturity date, a fixed return rate and corresponding pledge of assets. To circumvent the banking regulations, plaintiff received defendant’s shares in return so that it would appear to be an equity acquisition agreement, but the agreement explicitly limited plaintiff’s participation in the management of the defendant company.

The court held plaintiff acquired the shares from defendant’s principals and became a majority shareholder of the defendant company. The arrangement was a stock purchase agreement between the shareholders, not a loan agreement between a

32. Id.
33. Id.
37. Id.
38. Id.
debtor and a secured creditor. Had the parties intended to make a financing arrangement, they could have entered into a loan agreement with appropriate language about the pledging of assets. The court showed no sympathy to the plaintiff, noting that the plaintiff was well aware of its “trust company” status, the prohibition for trust companies to provide financing to the real estate project at issue, and the legal consequences of its own actions.

This case received nationwide attention because it detailed the legal risks of shadow banking activities. While shadow banking is an attractive business model to small and medium-sized companies, it poses significant risks to business and national economic stability. These new policies are the first steps and have thus far produced positive results in risk monitoring and curbing shadow banking’s rapid growth.

IV. Navigating the New Regulatory Hurdles on Data Compliance

A. Overview of China’s Cybersecurity Law

China’s Cybersecurity Law (“CSL”) is effective on June 1, 2017, is the first national law regulating personal information, data and cybersecurity protection. The CSL adopts a graded system for cybersecurity protection and puts forward the concept of Critical Information Infrastructure (“CII”) for the first time. Among the requirements, the cross-border data transfer restriction may be one of the biggest challenges to multinational corporations.

B. Determination of CII

CII operators, under the CSL, must comply with stricter cybersecurity protections and restrictions on data cross-border transfer. The determination of CII status is of great significance for businesses. The CSL lists certain sectors related to CII, including public communications, information service, energy, transport, water conservancy, finance, public service and electronic government administration. Furthermore, the Draft CII Regulation details and extends the CII scope by

39. Id.
40. Id.
41. Id.
42. This section is authored by Ken Dai, Partner at Dentons Law Offices (Shanghai).
44. CSL, supra note 44, art. 31.
including additional sectors, which will likely increase the challenges and potential exposure.

C. DATA CROSS-BORDER DATA TRANSFER RESTRICTION

Under the CSL, if a company is determined to be a CII operator, personal information and important data collected and generated by it within China must be stored in China. Such restrictions, however, may also apply to general network operators under the data exporting rules of the CSL, which are under review. Furthermore, under certain conditions, statutory security assessments must be conducted before transferring personal information and important data outside China.

D. INCREASINGLY ACTIVE ENFORCEMENT

In the past six months, internet police in several provinces and cities have actively taken enforcement actions under the CSL. Most investigations targeted at companies which fail to fulfill their obligations under the graded system for data protection. For example, the Public Security Bureau of Chongqing found that a technology company failed to maintain its network logs for more than six months in violation of the CSL. The SPC has released seven guiding cases involving the infringement of personal information, indicating increasing enforcement attention to personal information infringement.

E. SPECIAL CRIMINAL ENFORCEMENT CASE

Nestlé employees’ infringement of pregnant women’s personal information was one of the biggest data privacy cases in 2017. From 2011 to 2013, to promote formula milk powder, six Nestlé employees paid hospital medical staff in Lanzhou city for more than 120,000 pieces of personal information, including names and mobile phone numbers. The court held these employees criminally liable for infringing personal information and sentenced them to imprisonment. Defendants appealed on grounds that it was Nestlé and not them who should be liable for the privacy infringement. The Intermediate People’s Court dismissed the appeal and affirmed the original judgment. Significantly, Nestlé’s Employee Code of Conduct and other policies, which contain provisions protecting personal information, was an important factor for the court to find no corporate liability.

F. CONCLUSION

A preliminary legal framework of cybersecurity and data protection is established in China. While specific guidance is in deliberation, enforcement authorities are expected to focus on protecting personal information, ensuring

cybersecurity and regulating CII. Compliance with cybersecurity and data protection will become a top priority for domestic and international companies.

V. Trademark Law Development in China

In 2017, Chinese courts enhanced rules to address bad faith filings, including stronger anti-dilution protection for well-known trademarks, correcting abuse of the inclusive development rule, protection for celebrity names and broadening application of Article 44.1 of the Trademark Law to prohibit rampant squatting.

A. Anti-Dilution Protection of Well-known Trademarks

Chinese courts have become more open to the anti-dilution doctrine. The SPC recognized Starbucks (Chinese transliteration of Starbucks) as a well-known trademark and extended anti-dilution protection to the trademarks for floor boards and other wood-related goods. The Beijing Higher People’s Court provided anti-dilution protection for the famous auto brand Jeep and rejected a bad faith filing from AFS Jeep for import-export agencies and other services. An application for 米其林 (Chinese transliteration of MICHELIN) for medical devices was also denied because of its potential dilution of the MICHELIN tire brand.

B. Limiting Applications of Inclusive Development Rule

The SPC introduced the Inclusive Development Rule in 2009, under which courts can allow two similar trademarks to co-exist if the junior mark had acquired a reputation through use. The rule poses great challenges for famous international brands in their attempts to invalidate bad faith registrations. To prevent abuse of this rule, the SPC directed courts to determine whether the later registrant filed and used their trademark in bad faith and whether the later registered mark had already been

47. This section is authored by Jingbing Li and Yanling Zheng, senior partner and partner of ZY Partners respectively.


52. Zuigao Renmin Fayuan Guanyu Dangqian Jingji Xingshixia Zhishi Chanquan Shepan Fuwu Daju Ruogan Wenti De Yijian (最高人民法院关于当前经济形势下知识产权审判服务大局若干问题的意见) [Opinions of the Supreme People’s Court on Several Issues Concerning the Service of Intellectual Property Trials for Overall Situation under the Current Economic Situation] No.23 Fa 2009, (promulgated by the Supreme People’s Court, Apr. 21, 2009, effective Apr. 21, 2009), art. 9.
used and well-recognized before the application date of the senior trademark. Bad faith registrations, like 拉菲庄园 (Château Lafite in Chinese characters) for wine, have since been invalidated by the SPC.53

C. PROTECTION FOR CELEBRITY NAMES

Among the series of high-profile Jordan cases, the SPC determined that American sports star Michael Jordan enjoyed prior personal name rights to 乔丹 (Chinese transliteration of Jordan and pronounced as Qiaodan in Mandarin). The SPC found bad faith on the part of Qiaodan Sports Co., Ltd., and denied Qiaodan’s registrations for 乔丹.54 The SPC concluded that Qiaodan’s use of 乔丹 would mislead the relevant public into believing that Michael Jordan endorsed or licensed the use of his name. The SPC directed courts consider the following in granting protection to a person’s name: first, the claimed specific name must be well-recognized among the relevant Chinese public; second, the relevant public must use the specific name to refer to the said natural person; and third, there must have been a stable, corresponding relationship between the specific name and the said natural person.

D. PROHIBITING RAMPANT SQUATTING BEHAVIORS

Article 44.1 of the Trademark Law provides an absolute bar to bad faith registrations obtained through fraud or other illicit means. The Trademark Review and Adjudication Board, Beijing IP Court and Beijing Higher People’s Court have consistently applied Article 44.1 to stop rampant trademark squatting.

VI. EXPANDING APPLICATION OF THE RECORD-FILING SYSTEM55

China took major steps in 2017 to further liberalize its foreign investment regime by expanding the use of a much simplified approval process.

A. THE PRE-EXISTING RECORD-FILING SYSTEM

China significantly transformed its regulatory regime on inbound foreign investment and introduced “record-filing” procedures in late 2016 with the promulgation of two sets of rules: the Provisional Measures on record-filing56 and the

55. This section is authored by Wenxiong Qiu and Qiuming Chen, partner and associate of Zhong Lun Law Firm (Shanghai) respectively.
56. Waishang Touzi Qiye Sheli Ji Biangeng Beian Guanli Zanxing Banfa (外商投资企业设立及变更备案管理暂行办法) [Provisional Administrative Measures on the Record-filing
2016 Announcement No. 22\(^{57}\), both effective on October 8, 2016. Under the record-filing system, foreign investment in China no longer requires case-by-case approval by Ministry of Commerce (“MOFCOM”), so long as the establishment and changes of the foreign invested enterprises are not in a restricted industry sector explicitly identified in a “Negative List” issued by MOFCOM. MOFCOM conducts only a prima facie review of the filings in the simplified record-filing system.\(^{58}\)

B. EXPANDED APPLICATION OF THE RECORD-FILING SYSTEM

An amendment to the Catalogue of Industries for Guiding Foreign Investments was enacted and made effective on July 28, 2017 (the “2017 Catalogue”\(^{59}\)). To implement the amendment, MOFCOM enacted the Decision on the Amendment to the Provisional Measures (the “Amendment”\(^{60}\). Under the 2017 Catalogue and the Amendment (known collectively as the “New Rules”), the record-filing system has been expanded significantly. The New Rules address the absence of a nationwide uniform Negative List and the loopholes in the regulatory scope.

Under the New Rules, the record-filing procedures are expanded to apply to the following type of transactions.

1. CIRCULAR 10 M&AS

Prior to July 30, 2017, foreign investors’ mergers with and acquisitions of domestic companies, including both equity and asset transactions (the so-called for the Incorporation and Change of Foreign-invested Enterprises] (promulgated by Ministry of Commerce, Oct 8, 2016, effective Oct 8, 2016) [hereinafter Provisional Measures].


58. See detailed discussion of this record-filing system at Vol.51 ABA/SIL YIR (n.s.) page nos. 620-622 (2017).


60. Guanyu Xiugai Waishang Touzi Qiye Sheli Ji Biangeng Beian Guanli Zanxing Banfa De Jueding (关于修改《外商投资企业设立及变更备案管理暂行办法》的决定) [Decision on the Amendment to the Provisional Administrative Measures on the Record-filing for the Incorporation and Change of Foreign-invested Enterprises] (promulgated by Ministry of Commerce, July 30, 2017, effective July 30, 2017) [hereinafter Amendment].
“Circular 10 M&As”), are subject to MOFCOM’s case-by-case approval.\textsuperscript{61} Now that the New Rules have removed most of the Circular 10 M&As from the Negative List\textsuperscript{62}, these foreign acquisitions of domestic companies not on the Negative List are no longer subject to MOFCOM approval.

Note that M&As between affiliates ("Connected M&As") are still subject to MOFCOM approval under the New Rules. "Connected M&As" refer to transactions whereby a Chinese domestic entity ("Domestic Investor") merging or acquiring its domestic affiliates through an offshore entity established or controlled by such Domestic Investor.\textsuperscript{63} A Connected M&A is essentially a restructuring of a Domestic Investor and its offshore affiliate. The New Rules expressly exclude Connected M&As from the application of the record-filing system.\textsuperscript{64}

2. FOREIGN STRATEGIC INVESTMENTS

Previously, foreign investors’ strategic investments in shares of listed companies -- "Strategic Investments"-- shall be subject to MOFCOM approval.\textsuperscript{65} Under the New Rules the record filing system becomes applicable to Strategic Investments as well, except when the target company is in an industry sector on the Negative List.\textsuperscript{66}

C. FOREIGN INVESTMENT SUBJECT TO OWNERSHIP OR MANAGEMENT CONTROL RESTRICTIONS

Previously foreign investments into industry sectors that are in the encouraged category but subject to foreign ownership or management control restrictions, shall be subject to MOFCOM approval.\textsuperscript{67} In keeping with this rule, the 2017 Catalogue includes those industries in the restricted category. Certain industry sectors could


\textsuperscript{62} Amendment, supra note 60, art.1.

\textsuperscript{63} Circular 10, supra note 61, art. 11.

\textsuperscript{64} Amendment, supra note 60.


\textsuperscript{66} Amendment, supra note 60, art.3.

\textsuperscript{67} Announcement No. 22, supra note 58, art. 1.
appear in both the encouraged and restricted categories. In practice it means foreign investments into these sectors are permitted subject to MOFCOM approval.

VII. Family Law Update in the General Provisions of Civil Law

The General Provisions of Civil Law, effective on October 1, 2017, set forth a new family law framework and marks the critical first step to modernize Chinese family law.

A. SUBJECT MATTER

The General Provisions expand the subject matter from “公民” (citizens) to “自然人” (natural persons), and therefore apply to any individual conducting civil activities in China, regardless of his or her citizenship. In contrast, the existing General Principles of Civil Law (“GPCL”) only applies to “公民” (Chinese citizens). As a result, family matters related to foreign nationals are governed by a different set of rules or no rules. With the expansion of subject matter of the civil law, a uniform set of rules will apply to both Chinese and foreign nationals in family law matters.

B. FETAL RIGHTS

For the first time, the General Provisions grant a fetus, if it survives birth, civil rights (民事权利) in succession and other interests. Recognition of fetal rights will likely generate new laws on the protection of fetal rights and related issues.

1. Limited Civil Conduct Capability of a Minor

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68. This section is authored by Rong Kohtz, principal attorney of Law Offices of Rong T. Kohtz in New York and Michigan.


72. General Provisions, supra note 69, art. 2, sec. 16.
The GPCL provides a minor -- ten and older -- limited legal capacity.\textsuperscript{73} Chinese courts must consider wishes of a minor in custody matters.\textsuperscript{74} The General Provisions lower the statutory age of a minor with limited legal capacity from ten to eight.\textsuperscript{75} Whether the revision would benefit young children is uncertain because of their particular vulnerability in family disputes and their susceptibility to parental influence.

2. Guardianship

Chinese population has aged significantly in recent years. Multi-generational families are being replaced by nuclear families. Employers no longer provide essential social services. In this context, the General Provisions have repealed the antiquated employer guardianship\textsuperscript{76} and provide a family-based guardianship system. The General Provisions reinforce the individual obligation to support, care and protect their aging parents.\textsuperscript{77} Filial obligation was not in the GPCL. The provision of filial obligation in the General Provision signifies China’s policy directive that caring for the elderly is no longer the State’s duty but a private, family affair.

Guardianship is assumed automatically, without any State intervention, by a family member according to a priority list inherited from the General Principles.\textsuperscript{78} Families are given greater autonomy to decide how to care for their elderly and children. Parents may appoint a guardian for a minor by will or agreement. Adults may appoint a guardian for themselves in case of incapacity.\textsuperscript{79} The GPCL require the consideration of the wishes of a ward\textsuperscript{80} but provide little protection of his/her interests.

C. \textsc{Virtual Assets}

The General Provisions recognize “virtual assets” as a new type of property\textsuperscript{81} separate from any other types of property identified in Family Law.\textsuperscript{82} Further clarification for defining and dividing marital virtual assets is expected.

\textsuperscript{73} GPCL, supra note 70, art. 2, sec 12.
\textsuperscript{74} Guanyu Renmin Fayuan Shenli Lihun Anjian Chuli Zinv Fuyang Wenti De Ruogan Juti Yijian (关于人民法院审理离婚案件处理子女抚养问题的若干具体意见) [Specific Opinions of the Supreme People’s Court on Adjudication of Child Custody Issues in Divorce Actions] (promulgated by the Supreme People’s Court, Nov. 03, 1993, effective Nov. 03, 1993) art. 5.
\textsuperscript{75} General Provisions, supra note 69, art. 2, sec. 19 and sec. 20.
\textsuperscript{76} Id., art. 2, sec. 17.
\textsuperscript{77} Id., art. 2, sec. 26 and sec. 28.
\textsuperscript{78} Id., art. 2, sec. 27 and sec. 28.
\textsuperscript{79} Id., art. 2, sec. 33.
\textsuperscript{80} Id., art. 2, sec. 30 and sec. 31.
\textsuperscript{81} Id., art. 5, sec. 111 and sec. 127.
D. Statute of Limitation

The General Provisions eliminate statute of limitation in cases involving child support, filial support and spousal support. Unpaid support is a major socio-economic problem worldwide with billions owed. This change would ease the support recipients’ burden in pursuing support claims.


83. General Provisions, supra note 69, art. 9, sec. 196 (3).