CHINA DISPUTE RESOLUTION

NEWS LETTER



June 2026

JT&N 金诚同达

FEATURES

1 Revised PRC Maritime Law and Accompanying Judicial Interpretation Take Effect

2 State Council Promulgates the Regulations on Countering Unjustified Foreign Extraterritorial Jurisdiction

3 State Council Issues Provisions on Outbound Investment

4 Supreme People's Court Releases Third Batch of Typical Cases of Foreign-Related Commercial and Maritime Mediation

5 Supreme People's Court Releases 2025 Intellectual Property Typical Cases

6 Supreme People's Court Releases Second Batch of Typical Cases on Judicial Safeguards for the Western Land-Sea Corridor

7 Supreme People's Court Releases First Batch of Typical Cases of Ascertainment and Application of Foreign Law

8 BAC Launches Sports and Entertainment Arbitration Center

9 Hong Kong High Court Announces Plan to Establish the Hong Kong International Commercial Court (HKICC)

NEWS ALERT

1. Revised PRC Maritime Law and Accompanying Judicial Interpretation Take Effect

On 1 May 2026, the comprehensively amended PRC Maritime Law and the Supreme People's Court's accompanying Judicial Interpretation on Temporal Validity entered into force, marking the Maritime Law's first major overhaul since 1992. The revised framework is deeply rooted in international harmonization. Key chapters—including Passenger Carriage, Ship Collisions, Marine Salvage, and Limitation of Liability for Maritime Claims—fully incorporate major international conventions (such as the 1974 Athens Convention, 1910 Collision Convention, 1989 Salvage Convention, and 1976 LLMC). Additionally, provisions governing ship mortgages, maritime liens, cargo carriage, general average, charter parties, towage, and marine insurance have been updated to reflect widely adopted standard form contracts and global best practices. Key highlights of this milestone revision include, but are not limited to: (1) Digitalization: recognizes the legal status of electronic transport records based on the principles of functional equivalence and non-discrimination. (2) Green Shipping: introduces a dedicated chapter on ship-sourced oil pollution liability, filling a critical gap in China's private maritime law. (3) Countermeasures: establishes provisions to safeguard China's shipping and shipbuilding sectors against unlawful containment or restrictive foreign measures. (4) Liability Caps: prudently increases limits of liability for maritime claims and passenger personal injury or death. (5) Statutory Timelines: expands the recognized grounds for interrupting statutory limitation periods. As one of the world's busiest maritime jurisdictions, China has distilled over thirty years of judicial and shipping experience into this legislative milestone. These institutional innovations will significantly bolster China's maritime rule of law and its foreign-related legal framework.

https://www.court.gov.cn/fabu/xiangqing/498581.html

2. State Council Promulgates the Regulations on Countering Unjustified Foreign Extraterritorial Jurisdiction

Under State Council Decree No. 835, China has enacted the Regulations on Countering Unjustified Extraterritorial Application of Foreign Legislation. The regulation was passed on 27 March 2026, and effective 13 April 2026. This landmark administrative decree marks a transition from ad-hoc policy responses to a formalized, national-level rule of law framework. Consisting of 20 concise provisions, the regulation establishes a complete institutional chain: (1) Identification & Blocking: establishes formal mechanisms to evaluate and officially ban offensive foreign measures. (2) Injunctions & Remedies: introduces "prohibition orders" against complying with foreign laws and grants Chinese companies a private right of action to sue for civil damages in domestic courts. (3) State Countermeasures: authorizes retaliation and listings under the Unreliable Entity List. (4) Exemptions & Penalties: allows compliance licensing pathways for exceptional cases while prescribing strict penalties for unauthorized adherence to blocked foreign regimes. The codification of statutory blocking injunctions, civil lawsuit risks, and strict penalties significantly alters the cross-border compliance landscape. Companies operating in or with China must urgently re-evaluate their compliance strategies to manage conflicting international legal

obligations.

https://www.gov.cn/gongbao/2026/issue_12706/202604/content_7067358.html

3. State Council Issues Provisions on Outbound Investment

On 17 April 2026, the State Council passed the Provisions on Outbound Investment, which will be officially implemented on 1 July 2026, unifying the fragmented Outbound Direct Investment (ODI) framework into a comprehensive administrative regulation. Key highlights include: (1) Full-Lifecycle Safeguards and Diversified Dispute Resolution: The Provisions build a "pre-, mid-, and post-investment" protective chain that integrates state risk monitoring and consular assistance with market-based self-rescue, explicitly encouraging investors to resolve conflicts through consultation, mediation, arbitration, and litigation. (2) Outbound Investment Barrier Investigations: The Provisions explicitly mandate that if Chinese investors encounter trade-related investment barriers or other operational obstacles in host countries, competent departments under the State Council have the authority to organize and conduct formal investigations. (3) Multi-dimensional Reciprocal Countermeasures: In response to countries, regions, or international organizations that adopt discriminatory prohibitions, restrictions, or similar measures, relevant departments may enforce corresponding reciprocal countermeasures based on the actual circumstances. Furthermore, for foreign organizations or individuals that endanger China's national sovereignty, security, and development interests, or enforce discriminatory measures against Chinese investors and outbound investments, the competent departments are legally empowered to take corresponding countermeasures. (4) Strict Market Order and Compliance Boundaries: The Provisions define clear legal liabilities and strict penalties for actions that disrupt market order or violate laws concerning technology exports, data security, and export controls, guiding expanding enterprises to cultivate robust compliance awareness.

http://politics.people.com.cn/n1/2026/0602/c461001-40731918.html

4. Supreme People's Court Releases Third Batch of Typical Cases of Foreign-Related Commercial and Maritime Mediation

On 16 April 2026, the Supreme People's Court released its Third Batch of Typical Cases of Foreign-Related Commercial and Maritime Mediation. The 6 cases cover key areas such as: (1) resolving a nearly decade-long RMB 310 million Sino-Korean investment dispute through circuit trials, achieving a "package" settlement; (2) leveraging bilingual "one-stop" mediation to secure immediate payment in a foreign maritime salvage case; and (3) completing online and offline vessel arrest, settlement, and release within 24 hours to resolve a RMB 40 million dispute. These cases demonstrate Chinese courts' active application of "Eastern mediation wisdom" and smart court technology for efficient dispute resolution.

https://news.cctv.com/2026/04/16/ARTIdIO5fEPRk62Pd8blVMNu260416.shtml

5. Supreme People's Court Releases 2025 Intellectual Property Typical Cases

On 20 April 2026, during the 2026 IP Publicity Week, the Supreme People's Court released the "2025 Typical Intellectual Property Cases of People's Courts". Key highlights include: (1) demonstrating judicial protection in foreign-related high-tech, multinational trademark branding, and anti-unfair competition, such as protecting the "Lord George's Tragedy" trademark and

combatting malicious poaching of high-tech talent; (2) stringent trade secret protection – in a trade secret theft case involving multiple defendants, the court reaffirmed the illegality of internal collusion for trade secret misappropriation; and (3) significantly enhancing the application of punitive damages in bad-faith infringements, such as applying a triple damages multiplier in a criminal-civil overlapping case involving refurbished enterprise network switches. The release showcases Chinese courts' commitment to cultivating an international legal environment, encouraging multinational corporations to proactively leverage Chinese judicial remedies for their core technologies.

https://www.court.gov.cn/zixun/xiangqing/497941.html

6. Supreme People's Court Releases Second Batch of Typical Cases on Judicial Safeguards for the Western Land-Sea Corridor

On 23 April 2026, the Supreme People's Court released its Second Batch of Typical Cases on Judicial Safeguards for the "Western Land-Sea Corridor" (a massive national logistics and trade infrastructure initiative connecting Western China to ASEAN markets) to unify judicial standards. Key highlights include: (1) Establishing the liability boundaries of multi-modal transport operators for cargo damage under maritime law. One ruling established that when an operator accepts a Lump-sum Price, they cannot demand extra fees for foreseeable operational risks and bear the comprehensive duty of care for cargo preservation throughout the entire transit corridor. (2) In handling cross-border financial disputes, courts have demonstrated efficient methods for handling complex legal conflicts and respecting party autonomy while facilitating the litigation process. For example, when a joint-and-several guarantee contract specifies a different jurisdiction than the principal contract, the guarantee court can independently assess the debt from evidence on record without a prior foreign judgment. These cases highlight the judicial achievements of the courts in resolving challenges in ascertaining foreign law and regulating cross-border trade, investment, and logistics.

https://www.court.gov.cn/zixun/xiangqing/498271.html

7. Supreme People's Court Releases First Batch of Typical Cases of Ascertainment and Application of Foreign Law

On 23 April 2026, the Supreme People's Court disclosed its first batch of 5 typical cases on the China International Commercial Court ("CICC") portal to guide the ascertainment and application of foreign law. Key established rules include: (1) affirming courts as the primary responsible subjects for foreign law ascertainment, prohibiting the simple default to Chinese law claiming foreign law is "unascertainable"; (2) supporting diversified ascertainment channels, such as professional institutions and legal-policy innovation centers co-established with academic institutions; and (3) permitting reasonable costs to be borne by the losing party. These cases provide procedural predictability and significantly address foreign entities' concerns regarding biased applications of local law.

https://cicc.court.gov.cn/html/1/218/62/163/425/12923.html

8. BAC Launches Sports and Entertainment Arbitration Center

On 1 June 2026, the Beijing Arbitration Commission (BAC/BIAC) officially unveiled its

powerhouse Sports and Entertainment Arbitration Center. The center was launching under the commission's ambitious "1+N Commercial Arbitration Layout". Key highlights include: (1) adjudicating high-stakes commercial disputes involving cross-border IP licensing, talent agency contracts, and sports broadcasting rights; (2) integrating specialized sports arbitration with traditional commercial frameworks; and (3) establishing an industry legal service alliance to provide end-to-end safeguards and dispute prevention for the creative sectors. With the cultural and entertainment sectors booming locally and globally, standard litigation no longer cuts it. The BAC's new center delivers the bespoke, sophisticated, and confidential arbitration that modern cultural industry demands.

https://mp.weixin.qq.com/s/72kIV1o0a6SnLHZHob4-ww

9. Hong Kong High Court Announces Plan to Establish the Hong Kong International Commercial Court (HKICC)

On 28 May 2026, the Hong Kong Judiciary announced plans to establish the Hong Kong International Commercial Court (HKICC) within the next year. Operating as a specialized division under the High Court, the HKICC will adjudicate complex, high-value international and cross-border commercial disputes under the "One Country, Two Systems" framework, complementing Hong Kong's existing arbitration and mediation services, and offering global businesses and investors a comprehensive suite of dispute resolution options. As reported, cases in HKICC will be heard by local judges with extensive commercial law experience, and prominent and experienced judges or legal practitioners from other common law jurisdictions may also be invited to adjudicate cases on an ad-hoc basis. Dedicated practice directions will be issued by the Hong Kong Judiciary in the future to specify the categories of cases falling within the court's jurisdiction and the detailed court procedures. We will closely monitor these developments and provide updates as they arise.

https://www.xinhuanet.com/legal/20260528/94ba3e4231024b6a95c965925937f765/c.html

The Setting Aside of an Arbitral Award Caused by AI "Hallucinations": A Case Analysis of the Quebec Superior Court's Decision in *ARIHQ c. Santé Québec*

Ping Zhao, Stella Lu, Ice Zhang, Tianning Jiang

Abstract

On April 22, 2026, the Quebec Superior Court of Canada set aside the arbitral award rendered by arbitrator Michel A. Jeanniot in *ARIHQ c. Santé Québec*. The Court found that the academic literature and case authorities relied upon in the core legal reasoning of the award either did not exist or were unrelated to the propositions for which they were cited. These authorities therefore constituted AI "hallucinated" references and, more importantly, were the only doctrinal and jurisprudential authorities used to support the arbitrator's legal conclusions. On that basis, the Court held that the arbitrator had improperly delegated part of his adjudicative authority and had abdicated his duty to independently review the outcome of the award, thereby giving rise to a ground for setting aside under Article 646 of the Quebec Code of Civil Procedure, namely that "the applicable arbitration procedure was not observed". Based on a review of the factual background of the case and the Court's reasoning, this article further considers recent developments in international arbitration practice and provides practical recommendations for parties to guard against AI "hallucinations" in arbitral proceedings.

Main Text

In recent years, generative artificial intelligence ("Generative AI") has entered the legal profession at an unprecedented pace. From legal research, contract review and case summarization to the drafting of pleadings, evidence analysis and even assistance in the drafting of awards, large language models ("LLMs") are becoming increasingly embedded in the daily work of lawyers, arbitrators and judges. At the same time, the problem of AI "hallucinations" has quickly come to light: such models may generate cases, statutory provisions and academic literature that appear highly realistic in format, wording and even citation structure, but in fact do not exist.[1] In existing cases, the issue of AI "hallucinations" has mostly remained at the level of lawyers submitting erroneous materials.[2] However, where AI-generated false legal authorities are used to support the legal reasoning of an arbitral award, the consequences are no longer limited to professional risk. They may further implicate deeper issues such as the integrity of the arbitral process, adjudicative independence and public confidence in the administration of justice.

On April 22, 2026, in *Association des ressources intermédiaires d'hébergement du Québec (ARIHQ) c. Santé Québec – Centre intégré universitaire de santé et de services sociaux du Centre-Sud-de-l'Île-de-Montréal*[3] *("ARIHQ c. Santé Québec")*, the Quebec Superior Court of Canada set aside, for the first time, an arbitral award rendered by sole arbitrator Michel A. Jeanniot on August 8, 2025, which was found to involve AI "hallucinated" citations.[4] The Court held that the academic literature and case authorities relied upon by the arbitrator in the core legal reasoning of the award either did

not exist at all or bore no connection to the propositions for which they were cited. Those citations were precisely the only doctrinal and jurisprudential authorities used to support the arbitrator's legal conclusions. On that basis, the Court found that the arbitrator had improperly delegated part of his adjudicative authority and had abdicated his duty of independent verification. Since the false citations caused substantial harm to the integrity of the arbitral process and were capable of reasonably affecting the outcome of the award, the Court ultimately set aside the arbitral award.[5]

This case is not only regarded as the first case worldwide in which an arbitral award was set aside due to AI "hallucinated" citations, but also marks the point at which the boundaries of AI use in arbitral proceedings have moved beyond issues of compliance and ethics and formally entered the realm of procedural law and setting-aside review.

I. Case Overview

This case arose from an arbitral dispute concerning remuneration for residential care services. Under the dispute resolution clause agreed by the parties, the dispute was to be resolved through a non-institutional arbitration procedure and was to be heard by a sole arbitrator jointly selected by the parties from the list annexed to the agreement.[6] In August 2025, arbitrator Michel A. Jeanniot dismissed all arbitral claims on the ground that the applicants had submitted the notice of disagreement out of time. ARIHQ and Osman[7] subsequently applied to the Quebec Superior Court to set aside the award, arguing that the award contained numerous fictitious cases, erroneous citations and non-existent legal literature generated by AI. On April 22, 2026, the Quebec Superior Court held that the false citations constituted the core legal basis relied upon in the arbitral award, and found on that basis that the arbitrator had failed to discharge his duty of independent adjudication. This amounted to a ground for setting aside under Article 646 of the Quebec Code of Civil Procedure, namely that "the applicable arbitration procedure was not observed". The Court ultimately set aside the arbitral award.

II. Key Issues

Whether the arbitrator's improper use of Generative AI in the course of rendering the award constituted a significant violation of the arbitral procedure sufficient to justify setting aside the award.

III. The Court's Analysis

The Court ultimately characterized the case as falling within the ground for setting aside under Article 646(3) of the Quebec Code of Civil Procedure, namely that "the applicable arbitration procedure was not observed",[8] and set aside the award on that basis. Justice Martin F. Sheehan stated that, "even if the legislature did not specify each of the procedural violations capable of justifying the setting aside of an arbitral award, it must be understood that any 'significant violation of the procedure agreed upon by the parties' which calls into question 'the integrity of the arbitral process' may lead to such setting aside".[9] Accordingly, the key issue in this case was not whether AI had been used, but whether such use had resulted in the arbitrator improperly delegating his adjudicative authority, thereby amounting to a significant violation of the arbitral procedure.

1. The Arbitral Procedure Requires the Award to Be Rendered by the Arbitrator Chosen by the Parties

The Court analyzed the issue by reference to the parties' choice of the arbitrator, the importance of drafting reasons, the confidentiality of deliberations, and the principle prohibiting further delegation. It emphasized that "decisions should be drafted by the arbitrator chosen by the parties, without delegation to third parties".[10]

First, the Court noted that the parties' agreement to submit their dispute to a particular arbitrator is, in essence, based on their trust in that arbitrator's personal expertise, experience and independent judgment. As Justice Martin F. Sheehan observed, "allowing the parties to choose their decision-maker is, moreover, a 'considerable advantage over the ordinary courts'".[11] Accordingly, the parties are entitled to expect that the chosen arbitrator himself will independently assess the facts, evidence and legal issues in the case, rather than having any third party, including Generative AI, substantially substitute for him in forming the reasoning and conclusions of the award.

Second, the Court emphasized that an arbitrator is under a duty to give reasons, and that this duty is not merely formal in nature, but directly bears on the validity of the award, procedural fairness and the parties' confidence in the process. Justice Martin F. Sheehan recalled that the Quebec Court of Appeal had already confirmed the nullity of an unreasoned arbitral award.[12] He further referred to the Supreme Court of Canada's reasoning in Baker,[13] observing that written reasons assist decision-makers in clearly defining the issues and articulating their reasoning, thereby promoting more rigorous and careful legal analysis and assuring the parties that their submissions have been properly considered.[14] In other words, the very process of drafting reasons is itself a process through which the arbitrator tests and refines his own judgment. For that reason, the arbitrator's adjudicative authority should not, in principle, be delegated to another person.

Finally, the Court emphasized the principles of confidentiality of deliberations and the prohibition against further delegation. Article 644 of the Quebec Code of Civil Procedure expressly requires arbitrators to maintain the confidentiality of the deliberative process.[15] Referring to the Quebec Court of Appeal's reasoning, Justice Martin F. Sheehan noted that this obligation "requires them to abstain from communicating with third parties about the matter to be decided once it has been taken under advisement. The ultimate purpose is to ensure that the arbitral award reflects the opinion of the arbitrators alone, and not those of anyone else".[16] In addition, the Court further referred to the principle of *delegatus non potest delegare* under Canadian law, namely that a person or body vested with adjudicative authority must, in principle, exercise that authority personally and may not further delegate it.[17] The Court did not deny the possible use of technological assistance, but made clear that "the participation of third parties in the drafting process must not undermine the integrity of the process, and responsibility for the drafting must remain with the decision-maker".[18] Otherwise, such conduct may amount to an improper further delegation of arbitral decision-making authority.

2. The False Citations in This Case Formed the Core Basis of the Award's Reasoning and Constituted a Failure to Observe the Arbitral Procedure

In this case, Justice Martin F. Sheehan identified, one by one, the false citations in the arbitral award that had been verified by the Court, and confirmed that the cited materials either did not exist at all or that the corresponding reference numbers in fact led to entirely unrelated cases. For example, the academic article cited in footnote 4, namely Frédéric Bachand, "Prescription et déchéance: frontières mouvantes et enjeux pratiques", Développements récents en droit des contrats, Barreau du Québec,

2016, could not be found. The cases cited in footnotes 5 to 7 — Ville de Montréal c. Syndicat des cols bleus regroupés de Montréal, 2005 QCCA 591; Groleau et Groupe Pages Jaunes Cie, 2011 QCCS 5386; and Tremblay c. Commission scolaire de la Jonquière, 2002 CanLII 24357 (QCCA) — were found by the Court not to exist, and the numerical references instead led to other unrelated decisions. As for the arbitral precedent cited in footnote 8, Arbitrage CHU Ste-Justine (D.T.E. 2018-30), SOQUIJ, Quebec's legal information database, confirmed that no such arbitral award existed. The Court further noted that the decision 2018EXPT-30 — Sonin c. Université Concordia, rendered by the Administrative Labour Tribunal — concerned a complaint dismissed because it had been filed outside the 30-day statutory time limit provided under the Labour Code. It therefore did not concern a contractual limitation or forfeiture period, and could not support the arbitrator's proposition that "an arbitral tribunal recognized a 30-day contractual time limit".[19]

The Court expressly noted that these citations were not peripheral oversights in the award. Rather, "the references mentioned above are at the heart of the arbitrator's reasoning. They constitute the only doctrinal or case-law references used as legal support for the Award."[20]

Precisely because these false citations lay at the heart of the award's reasoning, the Court found that the evidence was sufficient to conclude that the arbitrator had improperly delegated his decision-making authority and had abdicated his duty to independently review the outcome of the award. This was likely to have had a significant impact on the result of the award and therefore constituted a serious procedural violation requiring the award to be set aside.

However, Justice Martin F. Sheehan also made clear that the case does not mean that any use of AI to assist in the drafting of an award, or any erroneous citation in an award, will automatically result in setting aside. Whether setting aside is justified must still be assessed on a case-by-case basis, taking into account "the nature of the breach in light of the arbitral procedure engaged, the determination of the impairment to the integrity of the procedure, and the assessment of the impact of the breach on the award".[21] The reason why the threshold for setting aside was met in this case was that the false citations were not isolated or peripheral errors, but lay at the core of the arbitrator's legal reasoning.

IV. Practical Recommendations

1. Verification of and Responses to Awards Containing AI "Hallucinated" Citations

The Court also noted in its decision that AI technology should not, in itself, be categorically excluded. However, its involvement in arbitral and judicial proceedings nevertheless gives rise to challenges and risks that cannot be ignored.

On that basis, the Court identified five risks associated with the use of AI in legal decision-making contexts. The first is the risk of "hallucinations", namely that AI may generate legal citations that appear realistic in form but are false in substance, and that such citations may be difficult for both parties and decision-makers to identify in a timely manner. The second is the limitation of AI in exercising discretion and judgment: judicial or arbitral decision-making often requires consideration of community values and the circumstances of the particular case, whereas AI operates according to predetermined logic and is generally unable to properly address value judgments that vary depending on the persons and circumstances involved. The third is the risk of algorithmic bias, as AI may

produce systemic bias due to defects in training data or program design, while its operation may be difficult to supervise effectively because of its opacity. The fourth is the risk to confidentiality: case information entered into an AI platform may be incorporated into the platform's database and later disclosed to other users, which may in turn violate the duty to maintain the confidentiality of deliberations. The fifth is the risk to public confidence: if the public comes to believe that decisions are made by opaque machines rather than by human decision-makers, the public confidence on which the judicial and arbitral systems depend may be fundamentally undermined.[22]

Therefore, upon receiving an arbitral award, parties should carefully review the reasons for the award, with particular attention to the statutory provisions, cases and academic literature relied upon by the tribunal to support its core legal conclusions. For key citations, parties should not assess their authenticity merely on the basis of the case name, citation number or summary set out in the award. Instead, they should cross-check them against the original judgments, official databases and authoritative legal databases to verify whether the cited materials actually exist, whether the citation numbers correspond to the correct cases, and whether the content cited in the award is consistent with the original sources.

Once a party discovers fictitious cases, erroneous citations or non-existent academic literature generated by AI "hallucinations" in an award, it should immediately preserve the relevant evidence, including the original award, database search results, search paths, webpage screenshots and materials showing that the relevant citations could not be located, and should promptly pursue appropriate procedural remedies.

Where such false citations lie at the core of the award's legal reasoning and may have affected the outcome of the award, they may serve as important evidence in an application to set aside the award, on the basis that there was a significant defect in the arbitral procedure that impaired the integrity of the process. In jurisdictions that have adopted the UNCITRAL Model Law on International Commercial Arbitration, a party may rely on Article 34(2)(a)(iv) to apply for the setting aside of an award on the ground that "the arbitral procedure was not in accordance with the agreement of the parties".[23] Under Chinese law, a party may apply to set aside an award pursuant to Article 71(3) of the Arbitration Law of the People's Republic of China, which provides that an award may be set aside where "the arbitration procedure violates statutory procedures".[24]

Where the opposing party further seeks recognition and enforcement of an arbitral award containing false citations, the affected party may also raise objections under the applicable law. In cases where the New York Convention applies, a party may rely on Article V1(d) and request the court to refuse recognition and enforcement of the award on the ground that "the composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties, or, failing such agreement, was not in accordance with the law of the country where the arbitration took place".[25]

2. Clarifying Rules on the Use of Artificial Intelligence in Arbitral Proceedings

In 2025, the Chartered Institute of Arbitrators ("CIArb") issued its Guideline on the Use of AI in Arbitration, together with a template agreement and a template procedural order on the use of AI in arbitration,[26] providing relatively detailed practical guidance for prior agreement, procedural management and risk control regarding the use of AI in arbitral proceedings. The China International

Economic and Trade Arbitration Commission ("CIETAC") has also recommended, in its Guidelines on the Use of Artificial Intelligence Technology in Arbitration, that parties may agree on the use of AI in their arbitration agreement, and that the arbitral tribunal may seek the parties' views on the use of AI in a procedural order or at a pre-hearing conference.[27]

From a practical perspective, parties may consider agreeing in advance on rules governing the use of AI in the arbitration agreement, or having such rules further confirmed or refined by the arbitral tribunal in a procedural order or at a pre-hearing conference. Such rules may include, without limitation: prohibiting the arbitral tribunal from delegating substantive legal analysis or adjudicative authority to AI; prohibiting parties or their counsel from submitting AI-generated cases, citations or factual content without verification; prohibiting the uploading of confidential materials, trade secrets or non-public evidence to AI platforms; and establishing a disclosure mechanism for the use of AI, where necessary, requiring disclosure of the name of the AI tool, the purpose of its use and the scope of its use.

---

1 Matthew Dahl, Varun Magesh, Mirac Suzgun, Daniel E Ho, Large Legal Fictions: Profiling Legal Hallucinations in Large Language Models, Journal of Legal Analysis, Volume 16, Issue 1, 2024.

2 See Mata v. Avianca, Inc., No. 22-cv-1461 (PKC) (S.D.N.Y. 2023); Ren v. Cao and Beijing International Travel Agency Co., Ltd., a dispute related to a company, Beijing Tongzhou District People's Court, (2024) Jing 0112 Min Chu No. 19067, People's Court Case Database Entry No. 2025-18-2-494-001.

3 Association des ressources intermédiaires d'hébergement du Québec (ARIHQ) c. Santé Québec - Centre intégré universitaire de santé et de services sociaux du Centre-Sud-de-l'Île-de-Montréal, 2026 QCCS 1360 (Can. Que. Sup. Ct. Apr. 22, 2026). <https://endroit.ca/wp-content/uploads/2026/06/Jugement-2026-Qccs-1360-Pdf.pdf>

4 *Supra* note 3, para. 122.

5 *Supra* note 3, para. 120-121.

6 *Supra* note 3, para. 16、26.

7 ARIHQ, short for Association des ressources intermédiaires d'hébergement du Québec, is a recognized representative organization for intermediate residential resources in Quebec. Osman is one of its member institutions and primarily provides residential care services for adults. Under the National Agreement applicable to residential care services, ARIHQ is entitled to represent its member institutions in dispute resolution proceedings. Accordingly, ARIHQ and Osman jointly acted as applicants in the arbitration and in the subsequent setting-aside proceedings.

8 Code of Civil Procedure

646. The court cannot refuse to homologate an arbitration award or a provisional or safeguard measure unless it is proved that

3° the procedure for the appointment of an arbitrator or the applicable arbitration procedure was not observed.

9 *Supra* note 3, para. 71.

10 *Supra* note 3, para. 86.

11 *Supra* note 3, para. 73.

12 *Supra* note 3, para. 77.

13 Baker c. Canada (Ministre de la Citoyenneté et de l'Immigration), [1999] 2 RCS 817.

14 *Supra* note 3, para. 79.

15 Code of Civil Procedure

644. The arbitrator is required to preserve the confidentiality of the arbitration process and protect deliberative secrecy but violates neither by stating conclusions and reasons in the award.

16 *Supra* note 3, para. 83.

17 *Supra* note 3, para. 85.

18 *Supra* note 3, para. 87.

19 *Supra* note 3, para. 103-112.

20 *Supra* note 3, para. 113.

21 *Supra* note 3, para. 117-118.

22 *Supra* note 3, para. 90.

23 UNCITRAL Model Law on International Commercial Arbitration 1985 (With amendments as adopted in 2006)

Article 34. Application for setting aside as exclusive recourse against arbitral award

(2) An arbitral award may be set aside by the court specified in article 6 only if:

(a) the party making the application furnishes proof that:

(iv) the composition of the arbitral tribunal or the arbitral procedure was not in accordance with the agreement of the parties, unless such agreement was in conflict with a provision of this Law from which the parties cannot derogate, or, failing such agreement, was not in accordance with this Law.

24 Arbitration Law of the People's Republic of China (2025)

Article 71 Where a party submits evidence to prove that the award has any of the following circumstances, it may apply to the intermediate people's court at the place where the arbitration institution is located to set aside the award:

(3) The composition of the arbitral tribunal or the arbitration procedure violates statutory procedures.

25 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention", 1958)

Article V

1. Recognition and enforcement of the award may be refused, at the request of the party against whom it is invoked, only if that party furnishes to the competent authority where the recognition and enforcement is sought, proof that:

(d) The composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties, or, failing such agreement, was not in accordance with the law of the country where the arbitration took place.

26 CIARB Guideline on the Use of AI in Arbitration (2025).

27 CIETAC Guidelines on the Use of Artificial Intelligence Technology in Arbitration (Trial)

V. Recommended Checklist for Reducing Risks in the Use of Artificial Intelligence Technology

The following measures may reduce the risks associated with the use of artificial intelligence technology:

5.1 Unless otherwise provided by law, parties may incorporate provisions concerning the use of artificial intelligence into their arbitration clauses.

5.2 Where necessary, the arbitral tribunal may invite the parties, in a procedural order or at a pre-hearing conference, to express their views on the use of artificial intelligence, including but not limited to which artificial intelligence tools may be used, restricted or prohibited, and the reasonable disclosure of circumstances involving the use of artificial intelligence.

The Manus Case and the New Outbound Investment Rules

—Transforming Unilateral Compliance Pressure into Balanced Bilateral Compliance

Peng Jun, Shen Ziying, Sun Rui

On April 27, 2026, the proposed acquisition of Chinese AI company Manus by Meta was blocked by the Foreign Investment Security Review Working Mechanism Office (the National Development and Reform Commission). On June 1, the State Council promulgated the *Provisions of the State Council on Outbound Investment* (State Council Order No. 837, effective July 1, hereinafter the "New Outbound Investment Rules"), formally codifying "overseas investment security review" in administrative law.

Multinational corporate counsel and investors have been asking us: What signal do these moves send? Is China's attitude toward foreign investment changing? As a law firm with a long-standing focus on cross-border investment and compliance, we offer the following analysis of the policy logic behind the Manus case and the New Outbound Investment Rules, in the hope of providing clarity during this period of policy evolution.

I. The Specificity of the Manus Case: Why Was This Transaction Blocked?

To understand the case, one must first revisit the publicly available timeline:

- **March 2025:** Manus gained rapid traction with its general-purpose AI Agent capabilities, raising USD 75 million led by Silicon Valley firm Benchmark at a USD 500 million valuation.
- **May 2025:** The U.S. Department of the Treasury launched an investigation under the Outbound Investment Security Program (OISP) into Benchmark's investment in Manus.
- **June—July 2025:** Manus's parent, Butterfly Effect, relocated its headquarters to Singapore, downsized its team from 120 to roughly 40, suspended domestic services, and blocked Chinese IP addresses.
- **December 2025:** Meta announced a USD 2 billion acquisition of Manus.

Based on publicly available information, the regulator's concern lay not in the foreign acquisition of equity in a Chinese enterprise per se, but rather in the manipulative structure of the transaction: an enterprise whose core technology, R&D team, and user base were all rooted in China, yet which—under unilateral U.S. compliance pressure—stripped away its Chinese identity through "redomiciliation, layoffs, and severance of domestic operations," ultimately to be sold to an American tech giant as a "non-Chinese entity." This industry pattern has been termed "whitewashing" offshore restructuring—using a change of registration jurisdiction to wash away Chinese attributes in order to satisfy external compliance demands.

The decision to block the transaction was not aimed at Meta's identity as a foreign buyer, but at this

one-sided, decoupling-driven exit strategy. Were such maneuvers to become a template, it could spawn further cases of "hollowing-out" asset transfers in sectors where the United States has already imposed investment restrictions on China. The key to understanding the Manus case, therefore, lies in recognizing that the Chinese regulator was not erecting new barriers, but rather converting unilateral compliance pressure imposed by the United States into a predictable, bilateral equilibrium.

II. The Three-Layer Logic Behind China's Regulatory Policy

To understand why this particular transaction crossed the red line, one must place it within the broader framework of U.S.-China technological and institutional rivalry. Drawing on public statements by the Ministry of Commerce, official announcements of the security review decision, and the text of the New Outbound Investment Rules, we observe that the regulator's policy logic operates on at least three levels:

(1) Technology sovereignty and industrial-chain integrity. Artificial intelligence, semiconductors, and quantum information have become focal points of great-power competition. Through OISP and the COINS Act, the United States has expressly restricted the flow of American capital and specialized expertise into these sectors in China. If China left its regulatory flank unguarded, it would create an objective asymmetry—a one-way drain where the U.S. restricts outbound capital while China permits the unrestricted offshore transfer of its core assets. Regulatory intervention is, in significant measure, a response to this asymmetry.

(2) Data and information security. The companies in question have accumulated substantial domestic user data and industry-sensitive information. When such firms attempt to sever their legal nexus to China through rapid redomiciliation, questions of data ownership and security protection naturally fall within the regulator's purview.

(3) From unilateral passive decoupling to balanced bilateral compliance. It is worth noting that the starting point of this case was unilateral U.S. restriction on investment in China. China's response does not appear to be an active expansion of regulatory scope, but rather a signal that enterprises cannot resort to "de-Sinicization" as their default compliant path when navigating unilateral external constraints. In other words, the policy intent appears to be the conversion of unilateral compliance pressure into a framework within which enterprises are encouraged to seek balance under bilateral rules, rather than simply to close the door.

Core Regulatory Red Line: The regulatory barrier is erected against the passive transfer of industrial core assets under unilateral pressure, not against the normal influx of foreign capital into the Chinese market.

III. The Significance of the New Rules and Practical Implications for Enterprises

The New Outbound Investment Rules will enter into force on July 1. From a legislative perspective, the draft was already approved at the State Council's Executive Meeting on April 17—before the Manus decision—so it was not a hasty reaction. Nonetheless, the market perceives its enactment as an institutionalization of the substance-over-form review logic exemplified by the Manus case, translating it into a stable, long-term framework. For enterprises, the core significance lies in two aspects:

First, security review is moving from ad hoc cases to an institutionalized process. The Rules explicitly provide for a sound overseas investment security review system, under which overseas investments and asset transfers affecting national security will be subject to review. This means that future transactions similar to the Manus case will face more predictable statutory procedures rather than sporadic, case-by-case handling. For foreign investors, this substantially mitigates policy uncertainty, providing much-needed clarity on the scope of transactions subject to review.

Second, the boundaries of technology export are now clearer. The Rules emphasize that technology, data, and related services subject to export restrictions may not be transferred abroad without permission. This provides a clear compliance coordinate for enterprises dealing with core technology, enabling them to determine at an early stage whether filing procedures are required.

Based on the above, the following directions merit attention from multinational enterprises:

(1) Routine M&A and financial investment channels remain open. The Ministry of Commerce has consistently emphasized that China "supports enterprises in conducting cross-border operations in accordance with law." So long as a transaction does not involve shell-like transfers of core control rights or "de-Sinicization" asset reshuffling in sensitive sectors, the channel for foreign investment into China remains unobstructed.

(2) Red-chip structures do not equal decoupling. What the regulator targets is the use of offshore structures to deliberately peel away core assets and evade Chinese legal obligations. If an enterprise's technology source, core data, and principal R&D activities maintain substantive ties with China, and necessary filing procedures are fulfilled, an overseas listing per se is unlikely to automatically trigger a national security review, provided that substantive regulatory compliance is maintained.

(3) Substance-over-form review requires early substantive assessment. Both the Foreign Investment Security Review Measures and the New Outbound Investment Rules repeatedly stress "substance over form." Merely changing registration to Singapore or the Cayman Islands does not guarantee insulation from Chinese law. When designing transaction structures, enterprises should assess the actual situs of technology and data at an earlier stage.

(4) Ex-ante security review for sensitive-sector transactions. If a transaction involves artificial intelligence, semiconductors, quantum information, or other sensitive sectors, and is coupled with "decoupling-style" arrangements such as headquarters relocation, core-team layoffs, or cessation of domestic operations, early engagement with the competent authorities may prove far more efficient than ex post remediation.

IV. Conclusion

The Manus decision and the New Outbound Investment Rules mark China's entry into a new stage of more refined and systematic regulation of cross-border investment. A dispassionate reading of the publicly available information suggests that the thrust of these changes is not to "reject foreign investment," but to safeguard industrial-security bottom lines against a backdrop of intensifying unilateralism.

From an enterprise perspective, the codification of rules is welcome news. Once review criteria are enshrined in administrative regulations, firms can conduct compliance assessments at the

transaction-design stage, rather than relying solely on subjective guesswork about policy winds. Future cross-border investment will demand equilibrium within a more complex geopolitical environment. Understanding that the regulator's primary concern is not "who is buying," but rather "how core assets might be hollowed out under external unilateral sanctions," can help the market build more robust expectations for investing in China.

We look forward to continuing this discussion in the context of specific transactions. If you are evaluating a cross-border transaction involving Chinese core assets, we stand ready to assist you in navigating this evolving regulatory landscape.

Overview of Key Amendments to the "New" Chinese Maritime Code

— Insights into the New Maritime Law: Part One

YI Yang, SHI Qiang

Abstract:

The Maritime Code of the People's Republic of China ("CMC") completed its first systematic and comprehensive revision on 28 October 2025, and the revision came into effect on 1 May 2026. JT&N intends to publish a series of dedicated analysis on key amendments to the chapters and articles in the Cross-Border Dispute Resolution Newsletter. This article, which is the first one of the series, provides an overview of the main contents of the amendments from two perspectives: a high-level summary and highlights of key changes in each chapter.

On 28 October 2025, the 18th Session of the Standing Committee of the 14th National People's Congress voted to adopt the amended Maritime Code of the People's Republic of China (the "New CMC"), marking the first systematic and comprehensive revision of this legislation that has been in effect since 1993, which came into force on 1 May 2026[1]. This revision actively responds to the needs of the times, including digitalization of shipping, marine environmental protection, and high-standard opening up.[2]

I. KEY CHANGES FROM A HIGH-LEVEL OVERVIEW

The amendments cover all previous fifteen chapters of CMC (the CMC before the amendments is referred to as the "Original CMC" in this article). The New CMC has been increased to sixteen chapters comprising three hundred and ten articles. From a high-level perspective, the New CMC presents the following three aspects of changes on the whole.

1. Strengthening the Protection of the Marine Ecological Environment

Article 1 of Chapter I "General Provisions" in the New CMC incorporates "*protection of the marine ecological environment*" into the legislative purposes, and a new chapter on "*Liability for Vessel Oil Pollution Damage*" is added, reflecting the emphasis placed on the construction of ecological civilization in this law amendment. The newly added Chapter XII "*Liability for Vessel Oil Pollution Damage*" comprises 15 articles divided into three sections. The addition of this chapter filled the gaps in the original legal system, and provided a unified legal basis for courts to adjudicate vessel oil pollution cases.[3]

2. Inclusion of Domestic Carriage of Goods by Sea

Prior to this amendment, China's legislation on the carriage of goods by sea adopted a "*dual-track system*": international maritime cargo transportation was subject to the provisions of Chapter IV of the Maritime Code, while domestic carriage of goods by sea did not fall within the scope of application of this Chapter and was subject to the relevant provisions of the Civil Code. Upon this

amendment, Chapter IV "*Contract of Carriage of Goods by Sea*" of the New CMC adopts a legislative model called the "minimum dual-track system", maximising the inclusion of both international and domestic contracts of carriage of goods by sea within the scope of the New CMC as well as within the amended Chapter IV[4]. However, this amendment does not bring inland waterway cargo transportation between inland river ports of China within the scope to which the New CMC applies.

3. Three Types of charterparties into a unified chapter

The original Section 7 of Chapter IV, "*Special Provisions on Voyage Charters*", is relocated into Section 2 of Chapter VI "Charterparties". This expands Chapter VI from the time charterparties and bareboat charterparties to a comprehensive charterparty regulatory system also covering the voyage charterparties.[5]

II. KEY REVISIONS BY CHAPTER

1. Chapter I: General Provisions

Article 2 of Chapter I deleted the second paragraph in Original CMC that excludes the application of Chapter IV to carriage of goods by sea between domestic ports. Chapter I also stipulates penalties for vessels "*illegally flying the flags of other countries, regions, or organizations*" and extends the regulatory authority for maritime transport to the corresponding local competent authorities (Article 6).

2. Chapter II: Vessels

The amendments to Chapter II "Ships" focus on four aspects: structural optimization, coordination with the Civil Code, alignment with relevant international conventions, and response to practical needs.[6]

Firstly, an independent Section 4 "*Possessory Lien on Ships*" (Articles 30-32) is added to Chapter II, completing the ship property rights system.

Secondly, several amendments are made to maintain consistency with the Civil Code, including explicitly setting forth the registration confrontation doctrine in the ship ownership rules, modifying the definition of mortgage on ships, permitting the transfer of mortgaged ships without "*consent of the mortgagee*" as a prerequisite (Article 17), and determining the priority of satisfaction based on the chronological order of mortgage registration.

Thirdly, the provisions on "maritime lien" are aligned with the relevant provisions of the International Convention on Maritime Liens and Mortgages, 1993, including narrowing the scope of property compensation claims arising from tort secured by maritime lien under the original law (Article 22), expanding the exclusions from maritime lien (Article 22), adding "ship manager" to the list of debtor subjects for maritime claims secured by maritime lien (Article 21), providing that subrogation of maritime claims will also result in the transfer of maritime lien (Article 26), and clarifying the commencement point of the one-year exclusion period for crew wages (Article 28).

In addition, to satisfy practical needs, the revision adds ownership rules under ship financial lease contracts (Article 8) and new rules on ownership of ships under construction (Article 10).

3. Chapter III: Seafarers

Chapter III "Seafarers" significantly strengthens the protection of seafarers' labor rights and interests, expressly stipulating that seafarers' employers shall conclude labor contracts with seafarers in accordance with the law or international treaties to which China is a party or which China has concluded (such as the Maritime Labour Convention)[7]. This Chapter also optimises administrative regulations for Chinese and foreign seafarers (Article 34) and clarifies the master's independent decision-making authority on ship abandonment while emphasising obligations for pollution prevention and mitigation (Article 40).

4. Chapter IV: Contract for the Carriage of Goods by Sea

Chapter IV "Contract of the Carriage of Goods by Sea" is one of the important components of CMC, and the main revisions can be summarised as follows:

Firstly, the scope of application of this chapter has been expanded in both directions. On one hand, domestic carriage of goods by sea has been incorporated into Chapter IV, unifying the basic systems for carriers under international and domestic maritime transport, including the period of responsibility, obligation to taking care for cargo, and package limitation of liabilities, while retaining certain different provisions for carriers under domestic carriage than the international carriers, including the period of application of the seaworthiness obligation (Article 48), and the non-applicability of the negligence in navigation or management exemption and fire exemptions to domestic carriage (Article 52). On the other hand, mandatory application rules for Chapter IV to international carriage have been added: international contracts for carriage of goods by sea where the port of loading or port of discharge is within the territory of China shall be mandatorily subject to Chapter IV.

Secondly, multiple adjustments have been made to the rights and obligations of the parties. The carrier's obligations in respect of cargo management have been expanded to nine items (with "receipt" and "delivery" newly added), and the definition of "actual carrier" has been adjusted to cover performing parties who, upon entrustment or sub-entrustment by the carrier, perform the aforementioned carrier's obligations in respect of cargo management (such as port operators meeting the prescribed conditions). The calculation standard for compensation for cargo damage satisfies the need to compensate for loss of expected profit (Article 56, Paragraph 2). The carrier's method of calculating compensation for cargo damage has also been amended to cover profit at the place of receipt. The New CMC adds the shipper's obligation to deliver agreed cargo suitable for carriage (Article 67), and improves the notification obligation in respect of "emergency response measures" for dangerous goods (Article 70). The party bearing the risk of costs for unclaimed cargo at the port of destination has been changed from the consignee to the shipper, with further provisions on the conditions under which the consignee shall bear such risk of costs (Article 93); with reference to Article 829 of the Civil Code and "right of control" under the Rotterdam Rules, the New CMC adds the shipper's right to vary the contract of carriage and the conditions under which the carrier may refuse such variation.

Thirdly, the newly added Section 5 "Electronic Transport Records" (Articles 82-86) extensively draws upon relevant international conventions and extraterritorial legislation, addressing the core concerns of shipping digitalization, and covers three major aspects: the definition of electronic

transport records, the functional equivalence principle and non-discrimination principle and the issuance and conversion rules of electronic transport records.[8]

Last but not the least, the New CMC also adds "transport document" as the superordinate definition of "bills of lading", which also clarifies that the rights and obligations of the carrier and the consignee shall be governed by Chapter IV when no bill of lading has been issued (Article 79), and systematically stipulates the delivery rules under five categories of transport documents under CMC (Article 87).

5. Chapter V: Contract of Carriage of Passengers by Sea

Chapter V "Maritime Passenger Transportation Contract" is mainly amended in three aspects: firstly, unifying the unit liability limitation of carriers under international and domestic maritime passenger transportation contracts, and substantially increasing the unit liability limitation with reference to the 1990 Protocol to the 1974 Athens Convention, raising the limitation for compensation for personal injury or death of passengers from 46,666 Special Drawing Rights to 175,000 Special Drawing Rights per person, with corresponding increases to the liability limitation for compensation for loss of or damage to other property of passengers (Article 115); secondly, amending the definition of maritime passenger transportation to adapt to the needs of modern cruise tourism (Article 105); and thirdly, adding provisions on compulsory liability insurance for carriers (Article 125) with introducing a direct action mechanism (Article 126).

6. Chapter VI: Charterparties

This Chapter mainly incorporates the section on "Voyage Charters" which was originally stipulated in Chapter IV "Contract of the Carriage of Goods by Sea" into this Chapter, consolidating three different types of charterparties into a dedicated chapter, while still retaining the application of certain rules in Chapter IV to voyage charters. Such adjustment renders the provisions on charterparties more systematic and concentrated, facilitating the application and understanding of the law, and balancing the parties' contractual autonomy and the mandatory rules of the New CMC on maritime carriage.[9]

7. Chapter VII: Towage Contract at Sea

This Chapter mainly adds in Article 168, i.e. the provision that "*the towing fee shall be determined according to the actual completed part of the towing*" when the contract cannot continue to be performed due to force majeure or other reasons not attributable to either party.

8. Chapter VIII-X: Ship Collision, Salvage and General Average

The amendments to these three chapters are relatively minor. Among the other things, the revisions to Chapter VIII "Collision of Ships" consist solely of wording optimisation and terminology unification, without altering the original statutory rights and obligations structure; Chapter IX "Salvage at Sea" supplements the rule that the provisions of this chapter shall yield to the agreement of the salvage contract (except for the relevant provisions of Article 185) (paragraph 3 of Article 180); Chapter X "General Average" primarily clarifies that losses caused by or expenses paid for discharged pollutants shall not be included in the general average.

9. Chapter XI: Limitation of Liability for Maritime Claims

This Chapter has made comprehensive increases to the maritime liability limitation for compensation. On the one hand, Chapter XI, with reference to the 1996 Protocol to the Convention on Limitation of Liability for Maritime Claims, has substantially raised the limits of maritime liability for compensation. Meanwhile, it has achieved the "integration" of the limits of liability for compensation between domestic and international carriers of passengers by sea. On the other hand, with respect to the carriage of passengers by sea, the upper limit of maritime liability for compensation for the carriage of passengers by sea as provided in the Original CMC has been removed, and it is expressly provided that the limit of liability for compensation shall be calculated by multiplying 175,000 Special Drawing Rights by the passenger capacity specified in the ship's certificate.

10. Chapter XII: Liability for Oil Pollution Damage from Ships

Chapter XII "Liability for Oil Pollution Damage from Ships" is the only newly added chapter in the New CMC, comprising 15 articles and divided into three sections: "General Provisions", "Liability for Oil Pollution Damage from Ships Carrying Oil in Bulk as Cargo" and "Liability for Bunker Oil Pollution Damage from Ships", which systematically establishes the legal framework for compensation for oil pollution damage from ships in China by drawing upon the International Convention on Civil Liability for Oil Pollution Damage 1969 and the International Convention on Civil Liability for Bunker Oil Pollution Damage,2001, to both of which China is a party.[10]

11. Chapter XIII: Marine Insurance Contract

Numerous amendments are made to Chapter XIII "Marine Insurance Contract". The key points are as follows: firstly, with respect to the insured's duty of disclosure, the voluntary disclosure model for the insured is retained (Article 247), while "causation defence" of the insured and other restrictions on the insurer's refusal to pay and right to rescind are introduced for non-intentional failure to disclose (Article 248); secondly, the insurer's duty to give prompt and explanation is introduced, but the "active duty to explain" under the Insurance Law is modified to a "passive duty to explain" (Article 249). thirdly, the legal consequences of breaching warranty are added (Article 261); fourthly, the open policy is for the first time explicitly defined and required to be in written form by legislation (Article 257), with distinguishing legal consequences of intentional and non-intentional misrepresentation (Article 259) and improving the exercise period of the right to rescind and the premium refund rules (Article 248); fifthly, the amendment also clarifies that the provisions of this Chapter shall apply to insurance contracts for ships under construction (Article 245).

12. Chapter XIV: Limitation Period

Chapter XIV ultimately adopts the model of "short limitation period + liberal interruption system + prohibition of extension by agreement" among multiple amendment approaches. While substantially retaining the basic limitation rules of the Original CMC (for example, the limitation period for claims regarding carriage of goods by sea remains one year as a short limitation period), the New CMC adds "making a demand for performance" to the three categories of interruption causes stipulated in the Original CMC, namely "filing a lawsuit", "submitting to arbitration" and "the obligor's agreement to perform the obligation", so as to achieve consistency with the Civil Code (Article 294).

13. Chapter XV: Application of Law in Foreign-related Relations

Chapter XV “Application of Law in Foreign-related Relations” of the New CMC has been substantially amended by adding a mandatory application rule of Chapter IV, which explicitly stipulates that international contracts of carriage of goods by sea with loading ports or discharging ports located within the territory of China shall mandatorily apply the provisions of Chapter IV. In addition, this Chapter newly adds rules on the application of law for legal relations concerning ship’s lien, liability for oil pollution damage from ships, and general average contribution, thereby perfecting the conflict of laws system for foreign-related maritime legal relations.

14. Chapter XVI: Supplementary Provisions

In the revision of Chapter XVI “Supplementary Provisions” , There are two newly added clauses that may warrant particular attention: firstly, a new paragraph was added to Article 308, drawing on relevant formulations from legislation such as the Anti-Foreign Sanctions Law and the Foreign Trade Law, stipulating that, where other countries or regions adopt discriminatory measures against China in the fields of maritime transport and shipbuilding, China may take corresponding countermeasures, thereby enriching the legal toolkit[11]; secondly, a definition was provided for shipowners’ mutual insurance organizations, though no provision was made regarding the applicable law when such organizations assume liability for compensation.

III. CONCLUSION

The New CMC represents a significant milestone in the development of Chinese maritime rule of law. The amendments fill long-standing legislative gaps in multiple areas, including the difference in respect of law applications in international and domestic carriage of goods by sea, the oil pollution damage from ships, the limits of liability for passenger carriage and maritime claims, and the codification of electronic transport records, while achieving conditional alignment and localised adaptation with international maritime conventions on several key institutional fronts. For practitioners, the implementation of the New CMC signifies a series of profound changes in the legal rules governing international and domestic maritime carriage. Nevertheless, the practical consequences of certain newly introduced mechanism remain to be tested through judicial practice and supplemented by supporting judicial interpretations, requiring further clarification through subsequent regulations.

---

1 Order of the President of the People's Republic of China (No. 58) 中华人民共和国主席令（第五十八号） [EB/OL]. The Central People's Government of the People's Republic of China, October 28, 2025. https://www.gov.cn/yaowen/liebiao/202510/content_7046101.htm.

2 “Wei Hangyun Maoyi Gaozhiliang Fazhan Ligui Huhang” 为航运贸易高质量发展立规护航 [Establishing Rules to Safeguard High-Quality Development of Shipping and Trade] [EB/OL]. National People's Congress, October 29, 2025. http://www.npc.gov.cn/npc/c2/c30834/202510/t20251029_449085.html.

3 Wu Xu 吴煦, Li Zhiwen 李志文, Jiang Yuechuan 蒋跃川, et al., “Hai Shang Fa Xiu Ding Zhong Dian Zhang Jie Zhi Yao Dian Jie Du” 海商法修订重点章节之要点解读 [Interpretation of Key Points in the Revised Chapters of the Maritime Law], World Shipping 世界海运, vol. 49, no. 1 (2026): 1-10.

4 Hu Zhengliang 胡正良, “Hai Shang Fa ‘Hai Shang Huowu Yunshu Hetong’ Zhang zhi Xiuding: Jicheng yu Chuangxin” 海商法“海上货物运输合同”章之修订：继承与创新 [Revision of the Chapter on “Contract of

Carriage of Goods by Sea" in the Maritime Law: Inheritance and Innovation], Chinese Journal of Maritime Law 中国海商法研究, vol. 37, no. 1 (2026): 17-29.

5 "Guanyu 'Zhonghua Renmin Gongheguo Haishang Fa (Xiuding Cao'an)' de Shuoming" 关于《中华人民共和国海商法（修订草案）》的说明 [Explanation on the Maritime Law of the People's Republic of China (Revision Draft)] [EB/OL]. National People's Congress, October 31, 2025. http://www.npc.gov.cn/c2/c30834/202510/t20251031_449196.html.

6 See note 3, *supra*.

7 "Hai Shang Fa Wancheng Sanshinian Shouci Quan Fugaide Shengji" 海商法完成三十年首次全覆盖升级 [Maritime Law Completes Its First Comprehensive Upgrade in 30 Years] [EB/OL]. People's Daily Online, October 29, 2025. http://society.people.com.cn/n1/2025/1029/c1008-40591930.html.

8 Cao Xingguo 曹兴国, "Xin Xiuding de Haishang Fa Dui Hangyun Shuzihua Fazhan de Guize Huiying" 新修订的海商法对航运数字化发展的规则回应 [Response of the Newly Revised Maritime Law to the Rules of Shipping Digitalization Development], Democracy and Law Times 民主与法制时报, January 8, 2026, sec. 006.

9 Chu Beiping 初北平, "Xin 'Haishang Fa' zhong Haishang Huowu Yunshu Zhidu de Zhongda Bianhua Jiexi" 新《海商法》中海上货物运输制度的重大变化解析 [Analysis of Major Changes in the Carriage of Goods by Sea System under the New Maritime Law], China Ship Survey 中国船检, no. 11 (2025): 56-60.

10 See note 3, *supra*.

11 Chu Beiping 初北平, et al., eds., Zhonghua Renmin Gongheguo Haishang Fa Xinjiu Duizhao yu Shiyong Zhiyin 中华人民共和国海商法新旧对照与适用指引 [A Comparative Guide to the Old and New Maritime Law of the People's Republic of China] (Beijing: Law Press, 2026), 367.

AUTHORS



Ping Zhao (Shanghai)
+86 21 3886 2218
zhaoping@jtn.com



Peng Jun (Beijing)
+86 10 5706 8030
pengjun@jtn.com



Shen Ziying (Beijing)
+86 10 5706 8152
shenziying@jtn.com



Yi Yang (Dalian)
+86 411 8442 6666-8005
yiyang@jtn.com



Shi Qiang (Dalian)
+86 411 8442 6666-8057
shiqiang@jtn.com



Vera Zuo (Beijing)
+86 10 5706 8458
zuotianyu@jtn.com



Stella Lu (Shanghai)
+86 21 3886 2246
lvsiqiong@jtn.com



Sun Rui (Beijing)
+86 10 5706 8408
sunrui@jtn.com



Ice Zhang (Shanghai)
+86 21 3886 2288
jiaminzhang@jtn.com



Emily Yang (Beijing)
+86 10 5706 8265
yangmaoyi@jtn.com


JT&N 金诚同达