

# China Legal Briefing\*305

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## I. Opinion on Strictly Regulating the Filing and Mediation of Civil Cases

On December 27, 2024, pursuant to the Civil Procedure Law of the People's Republic of China, the Supreme People's Court issued the Opinion on Strictly Regulating the Filing and Mediation of Civil Cases (hereinafter referred to as the "Opinion"), with a focus on standardizing mediation practices. The Opinion has come into effect since January 1, 2025.

This article summarizes the key highlights of the Opinion as follows:

- **Adherence to the case-filing registration rule to address difficulties in case filing**

The Opinion requires that where a civil complaint satisfies the statutory requirements—such as clearly identified defendant(s), specific claims, and the case falling within the jurisdiction of the people's court—the court must adhere strictly to the case-filing registration rule. In other words, courts shall no longer reject parties on unreasonable grounds once legal requirements are met.

- **Clarified time limits for mediation**

The Opinion provides that for civil complaints satisfying legal requirements, the people's court must register and accept the case in accordance with the law. If mediation is deemed appropriate and both parties consent, the case may be referred to a mediator or mediation organization before entering the litigation stage.

For cases where mediation takes place after filing, the mediation period shall commence on the date when the mediator or mediation organization signs for and receives the materials transferred by the court. The mediation period shall be **15 days** for cases applying ordinary procedures, and **7 days** for those applying summary procedures. However, where both parties agree, the mediation period may be extended by up to **30 days**, which shall not be counted in the statutory time limit for trial proceedings.

This clarification enables parties to better manage litigation timelines and plan their procedural strategies accordingly.

- **Obligation of courts to issue judicial documents during the mediation stage**

Where parties reach a mediation agreement, withdraw the complaint, or fulfill obligations immediately, the court shall record the case as concluded by “other means.” If the parties expressly request issuance of relevant judicial documents, the court shall handle such requests in accordance with the law.

- **Procedures for cases where mediation fails**

Where mediation fails after case-filing registration, or where one-party objects to continued mediation upon expiry of the mediation period, the case shall proceed to trial according to the law. Prior to transition to trial, the court shall notify the parties to pay the case acceptance fee. Failure to pay within the prescribed time shall result in the case being treated as withdrawn by default.

- **Conclusion**

This Opinion by the Supreme People’s Court plans to address persistent issues in judicial practice such as difficulties in filing cases and the inefficiency of mediation procedures. By refining the case-filing registration rule and streamlining mediation, it aims to introduce a more professional and disciplined approach among judicial practitioners in handling civil matters. The effectiveness and guiding value of this opinion has yet to be verified in long-term judicial practice.

## **II. The Provisions of the State Council on the Handling of Foreign-Related Intellectual Property Disputes**

The Provisions of the State Council on the Handling of Foreign-Related Intellectual Property Disputes (“**the Provisions**”) was released on March 13, 2025 and has come into force since May 1, 2025. The Provisions consists of 18 articles, and we will briefly introduce the main content in this publication.

- **Advisory Recommendations**

The Provisions sets forth a number of advisory recommendations, including clarifying that the State Council needs to enhance overseas intellectual property (“IP”) information inquiry services and early warning mechanisms, as well as to improve the working procedures for foreign-related IP disputes. Meanwhile, the Provisions supports the participation of commercial mediation organizations and arbitration institutions in resolving foreign-related IP disputes, and encourage law firms and intellectual property service agencies to improve their capabilities for such disputes.

- **Enterprises**

The Provisions requires enterprises to enhance their awareness of the rule of law and establish internal rules and regulations. At the same time, the Provisions mandates that relevant departments under the State Council should carry out promotions and trainings for enterprises, focusing on critical aspects of foreign-related IP disputes. These initiatives should incorporate case studies to share experiences and practices. Additionally, the Provisions supports enterprises in setting up mutual assistance funds for foreign-related IP protection and encourages insurance institutions to develop relevant products.

- **Evidence Collection**

The Provisions stipulates that the service of legal documents and evidence collection within the territory of China shall be conducted in accordance with Chinese laws and the international treaties in which China has participated. When providing evidence or materials to overseas entities, parties must comply with laws and administrative regulations in China concerning state secrets and data security. If prior

approval from competent authorities is required, the relevant legal procedures must be followed.

- **Unfair Treatment**

The Provisions stipulates that if a foreign country fails to grant national treatment to Chinese citizens or organizations, or does not provide adequate and effective IP protection, the competent commerce department under the State Council could conduct investigations and take necessary measures. In cases where a foreign country uses IP disputes as a pretext to suppress or contain China, or imposes discriminatory restrictions on Chinese citizens or organizations, the relevant departments under the State Council could take corresponding countermeasures and restrictions.

- **Conclusion**

Amid the resurgence of trade wars and an ever-changing international environment, the Provisions aim to regulate foreign-related IP matters and actively resolve disputes. However, as the Provisions do not specify concrete punitive mechanisms or countermeasures, close attention should be paid to their practical implementation in the near future.

What remains to be seen—and what we remain eager for—are real, tangible changes that can fulfil the goals and assurances set forth by the Provisions. In the meantime, for foreign investors operating in China, active and high-level caution remains essential, particularly when it comes to using and licensing intellectual property rights.

### **III. CSRC Clarifies Information Disclosure Requirements for Bankruptcy and Reorganization of Listed Companies**

On March 14, 2025, the China Securities Regulatory Commission (“CSRC”) released Guidelines No. 11 for the Regulation of Listed Companies—

Matters Relating to the Bankruptcy Reorganization of Listed Companies (the “**Guidelines**”). This publication highlights the main regulatory provisions and policy directions set forth in the Guidelines.

- **Regulatory Collaboration and Disclosure Requirements**

The Guidelines first emphasizes the cooperation among the CSRC, people’s courts, and stock exchanges. The CSRC supervises matters related to the securities markets, whereas the people’s courts collaborate with the CSRC to ensure consistent application of laws in bankruptcy proceedings, and stock exchanges oversee detailed rules and self-regulation of information disclosure during reorganizations.

Under Article 4 of the Guidelines, listed companies entering bankruptcy reorganization must conduct internal examinations and publicly disclose any significant risks that could lead to compulsory delisting, including serious legal breaches, fraudulent activities, or misuse of company funds. Additionally, all relevant parties, such as controlling shareholders, actual controllers, directors, creditors, and professional advisers must handle sensitive information confidentially and strictly comply with insider trading regulations. The Guidelines also mandates comprehensive reporting and insider registration measures to ensure timely and accurate disclosures.

- **Reorganization Plan Structure and Share Management**

The Guidelines provides detailed rules regarding share conversions and new equity issuances under reorganization plans. Article 7 specifies that conversion of paid-in surplus reserve into stock capital must be justified clearly and reasonably, limiting the maximum conversion ratio to no more than 15 shares for every 10 existing shares.

Article 8 states that shares issued to reorganization investors must be priced at no less than 50% of the defined market reference price, calculated based on average trading prices before the reorganization agreement date. Additionally, contractual funds, trust plans, and asset management plans are prohibited from becoming controlling shareholders or actual controllers, to promote transparency in corporate ownership.

To maintain corporate stability after reorganization, Article 9 introduces mandatory lock-up periods. Reorganization investors gaining corporate control must hold their shares for at least 36 months, whereas other investors face a lock-up period of 12 months. Existing controlling shareholders retaining control are similarly restricted by a 36-month lock-up period.

- **Accounting Treatment and Performance Undertakings**

Article 10 of the Guidelines emphasizes prudent accounting practices in recognizing debt-restructuring gains. Companies may recognize these gains only after resolving significant uncertainties, including confirmed creditor repayments, verified new investments, and completed share registrations. Auditors must carefully verify these conditions to ensure accurate financial reporting.

Furthermore, Article 11 prohibits listed companies from modifying performance compensation undertakings from prior asset restructurings during reorganizations. Companies or their bankruptcy administrators are required to actively enforce these obligations, including legal action if necessary. Under Article 12, profit forecasts in reorganization plans must be objective, prudent, independently verified, and solely based on ongoing business operations.

- **Drafting Explanation**

In the drafting explanation provided by the CSRC, the Guidelines is a direct response to regulatory practice and policy goals from the State Council and practical experiences gathered from prior bankruptcy reorganizations. Following joint reviews with the Supreme People's Court, the CSRC developed the Guidelines to clarify regulatory responsibilities, strengthen disclosure requirements, prevent insider trading, and ensure disciplined share conversion and pricing practices. During the public comment phase, the CSRC received 54 opinions, mostly supporting the Guidelines' direction. The CSRC is committed to further clarify policies for effective implementation.

- **Implementation and Transitional Period**

The Guidelines took effect immediately upon issuance. However, reorganizations accepted by courts before March 14, 2025, are exempt from applying new provisions regarding surplus reserve conversions and minimum share pricing requirements.

- **Conclusion**

The Guidelines represents a significant step toward standardizing bankruptcy reorganizations for listed companies. The ultimate effectiveness, however, will depend on how regulators and courts apply key provisions concerning lock-up periods and pricing restrictions. We remain interested in observing how authorities will implement these provisions to attract vital investment and facilitate successful corporate recoveries.

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