

China strengthens digital market regulation with revised Anti-Unfair Competition Law

On 15 October 2025, China's **revised** Anti-Unfair Competition Law (AUCL) came into force. This marks the third major amendment to the AUCL since its enactment in 1993, with previous revisions in 2017 and 2019. Notably, while a consultation draft of the revised law was published at the end of 2022 (see a summary in our [newsletter](#)), the final revised law was only passed by the National People's Congress Standing Committee (NPCSC) in June this year.

In this article, we provide an overview of the key changes in the revamped AUCL regime, particularly the provisions which enhance regulation of the growing digital economy, and what it means for businesses operating in China.

Key changes under the revised AUCL

The revised AUCL represents China's latest endeavour to strengthen the regulation of digital platforms, and offers an important tool for the Chinese government to address emerging challenges in the ever-expanding digital economy beyond the remit of traditional competition law. Unlike the prohibition against abuse of market dominance under the Anti-Monopoly Law (AML), the AUCL applies to all businesses regardless of whether they have a dominant position - although, as discussed below, certain provisions are intended to protect small and medium-sized enterprises (SMEs) specifically.

The key changes are:

1. **Increased penalties and enforcement.** The revised AUCL increases penalties for a range of violations. As in the case of the previous AUCL, the level of penalty depends on the type and severity of the offence in question. A summary of the potential fines under the revised AUCL is set out in the [Annex](#).
2. **Enhanced regulation of the digital economy.** The revised AUCL introduces substantial new provisions aimed at digital platforms and unfair online competition. The most noteworthy provisions include:
 - (a) **Prohibiting "involution-style" competition:** As noted by the National People's Congress in its [press conference](#) on 23 June 2025, a main focus of the AUCL revisions is to tackle "involution-style" competition, a term denoting excessive, self-defeating discounting practices in exchange for enhanced visibility and increased market share. For example, the revised AUCL bans platform operators from forcing merchants to sell below cost, thus curbing destructive price wars driven by relentless discounting.
 - (b) **Restricting use of data, algorithms, etc. for unfair competition:** The revised AUCL prohibits business operators from "online unfair competition" by way of data, algorithms, technology and platform rules. In addition, it introduces new safeguards to restrict businesses from "*improperly obtaining or using data legally held by other operators through fraud, coercion, circumvention or destruction of technical management measures*", or from abusing platform rules to conduct fake business transactions or leave fake reviews that harm the interests of other business operators.
 - (c) **Strengthened platform obligations.** The revised AUCL introduces new obligations for platform operators, requiring the inclusion of "fair competition rules" in service agreements and transaction policies, the establishment of mechanisms for reporting and resolving unfair competition disputes, and the guidance of merchants towards fair competition in accordance with the law. Platforms must also "*promptly take necessary measures when discovering unfair competition practices by merchants on their platform, maintain relevant records, and report to supervisory authorities at or above the county level where the platform operator is located*".

3. **Enhanced brand protection and trademark enforcement.** The revised AUCL expands protection against the use of misleading or confusing marketing tactics (and any assistance provided to others for this purpose), explicitly banning the unauthorised use of another party's social media account names, application names, or icons, provided they carry certain influence. It also sets out the prohibition against unauthorised usage of another party's registered trademark, unregistered well-known trademark, product name, or enterprise name (including abbreviations or distinctive elements) as part of a business name or search keywords, where such use may cause others to mistakenly assume a connection.
4. **Additional protection for small and medium-sized enterprises (SMEs).** The revised AUCL sets out a new prohibition based on "the abuse of advantageous position", which bans large enterprises and other business operators from using their advantageous position in terms of capital, technology, transaction channels, industry influence, etc. to require SMEs to accept obviously unreasonable payment periods, methods and conditions, as well as liability for breach of contract, or to delay payment for goods, projects, or services provided by SMEs. Notably, this provision appears to be a "softened" version of the controversial provision in the 2022 consultation draft, which would have prohibited companies with a "relatively advantageous position" from unreasonably restricting its trading counterparty's business (with a non-exhaustive list of specifically prohibited conduct).
5. **Extraterritorial application.** The revised law introduces extraterritorial jurisdiction for the enforcement of the AUCL, which is consistent with the approach adopted for the AML. In particular, the revised AUCL provides that unfair competition practices carried out outside China which disrupt the domestic market, or harm the legitimate interests of local operators or consumers, will be subject to the AUCL and all other applicable legal provisions.

Implications for businesses

The revised AUCL marks a significant development in SAMR's enforcement landscape, reflecting its focus on fostering a fair and orderly market environment amid rapid digital transformation. The impact of the revised law will be felt most significantly by companies active in the digital economy, particularly online marketplaces and food delivery and logistics companies, which are already in the spotlight for "involution-style" practices.

It also reflects a trend we are seeing across Asia (including Japan and Korea), as competition agencies seek to rely on similar legislation, outside of the traditional competition laws, to curb "unfair trade practices". The prohibition of abuse of a superior bargaining position (or, as in the revised AUCL, advantageous position) provides an easier option for agencies to protect SMEs without the need to establish dominance, thus allowing for faster outcomes. Companies with some degree of market power (even falling short of dominance) should therefore familiarise themselves with such laws (including the revised AUCL) and update their compliance materials accordingly.

Annex

<i>Anti-competitive conduct / offence</i>	<i>Article number in the revised AUCL</i>	<i>Previous fines (under the 2019 AUCL)</i>	<i>Revised fines</i>
The use of misleading or confusing marketing tactics	Article 7	- When the turnover generated by the illegal business activity is RMB 50,000 or more: a fine of up to 5 times of such turnover - When the illegal business activity generates no or less than RMB 50,000 of turnover: a fine of up to RMB 250,000	No change in the level of fines
False advertising	Article 9	- Standard cases: a fine between RMB 200,000 and RMB 1 million - Where the circumstances are serious: a fine between RMB 1 million and RMB 2 million	- Standard cases: a fine of up to RMB 1 million - Where the circumstances are serious: a fine between RMB 1 million and RMB 2 million (i.e. no change)
Unfair competition acts by way of data, algorithms, technology and platform rules	Article 13	- Standard cases: a fine between RMB 100,000 and RMB 500,000 - Where the circumstances are serious: a fine between RMB 500,000 and RMB 3 million	- Standard cases: a fine between RMB 100,000 and RMB 1 million - Where the circumstances are serious: a fine between RMB 1 million and RMB 5 million
Forcing business operators to sell products below cost (<i>new offence</i>)	Article 14	N/A	- Standard cases: a fine between RMB 50,000 and RMB 500,000 - Where the circumstances are serious: a fine between RMB 500,000 and RMB 2 million
Abusing relative superior positions to impose obviously unreasonable payment terms on SMEs (<i>new offence</i>)	Article 15	N/A	- If not rectified upon SAMR's order: a fine up to RMB 1 million - Where the circumstances are serious: a fine between RMB 1 million and RMB 5 million
Obstruction of investigation	Article 35	- Personal liability: up to RMB 5,000 - Corporate liability: up to RMB 50,000	- Personal liability: up to RMB 10,000 - Corporate liability: up to RMB 100,000

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