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## Chinese antitrust.

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### QUOTES

Hallucinations are an inherent systemic risk of large language models. Developers and users must be fully aware of this and be able to take preventive measures. The objective uncontrollability of the technology cannot be used as an excuse to evade responsibility: technological innovation must not come at the expense of, or infringe upon, the lawful rights and interests of citizens— это неотъемлемый системный риск больших языковых моделей. Разработчики и пользователи должны хорошо осознавать это и иметь возможность принимать превентивные меры. Объективная неконтролируемость технологии не может использоваться как предлог для уклонения от ответственности: технологические инновации не могут происходить за счет или ущемлять законные права и интересы граждан.

Xu Minchuan, Associate Professor  
at the Law School of Southeast University and Vice President  
of the Jiangsu Provincial Association for Digital Law Studies, commenting on China's first AI  
defamation lawsuit<sup>1</sup>

### EVENTS

- **“Declared a Criminal Due to an AI Error” — China’s First AI Defamation Lawsuit**
- **Tencent Music Terminates All Exclusive Agreements**
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<sup>1</sup> Source: WeChat

## “Declared a Criminal Due to an AI Error” – China’s First AI Defamation Lawsuit

For several months, Nanjing-based lawyer Li Xiaoliang discovered that search results generated by Baidu consistently associated his name with defamatory terms such as “sentenced,” “imprisoned,” and “expelled from the Party.” Faced with these algorithmically generated false accusations, Li filed a lawsuit against the operator of the search engine.

Following proceedings in both the first and second instances, the court issued a final ruling holding Baidu AI liable for defamation. As China’s first AI large-model defamation case, the lawsuit highlights the need to strike a balance between fostering AI innovation and protecting the lawful rights and interests of citizens.

In its defense, Baidu argued that AI hallucinations are inherently unpredictable and represent an incidental phenomenon at the early stages of technological development. The company maintained that, as a provider of technological services, it should be protected by the principle of “technological neutrality” and that imposing civil liability for the consequences of technological limitations would place an excessive burden on the development of emerging technologies.

The court found that comparable AI platforms did not exhibit the same problem, indicating that the error was not an unavoidable consequence of the technology’s design. Accordingly, the court held Baidu liable. However, taking into account the early stage of AI development and Baidu’s subsequent corrective actions, the court rejected Li Xiaoliang’s claim for monetary damages and ordered Baidu AI only to publish a written apology.

Source: Xinhua

## Tencent Music Terminates All Exclusive Agreements

Tencent Music Entertainment Group (TME) announced the termination of all existing exclusive licensing agreements with copyright holders.

The move was made to comply with remedies imposed by the State Administration for Market Regulation (SAMR). Earlier, SAMR approved Tencent’s acquisition of a stake in the audio platform Himalaya, subject to five behavioral commitments:

- 1) Not to increase service prices, reduce service quality, or impose unreasonable transaction conditions on counterparties;
- 2) Not to reduce the proportion of free content available to users;
- 3) **To terminate existing exclusive cooperation agreements with rights holders and refrain from entering into new exclusive arrangements;**
- 4) Not to require automobile manufacturers to use Tencent’s audio platforms or prevent them from cooperating with competing platforms;
- 5) Not to restrict broadcasters from distributing audio content through other platforms.

TME stated that it would actively seek to maintain cooperation with partners through non-exclusive agreements. According to company representatives, TME intends to work with content producers to uphold fair market competition and promote the healthy and innovative development of the industry.

Source: WeChat

## Fighting “Involutionary” Competition Through the Corporate Credit Rating System

SAMR has launched a campaign to combat so-called “involutionary competition” (neijuan) through the corporate credit rating system.

The initiative includes four key measures:

1) Targeted inspections of enterprises operating in sectors particularly susceptible to involutionary competition, including livestream e-commerce, food delivery, and industrial manufacturing. Inspection results will be published through the National Enterprise Credit Information Publicity System.

2) Administrative penalties for entities whose credit ratings have been downgraded due to anti-competitive conduct.

3) Identification and publication of representative cases of involutionary competition. By publicizing typical cases, regulators aim to educate market participants and deter similar conduct across entire industries.

4) Institutional development, including offender registries and long-term compliance mechanisms designed to prevent the recurrence of unlawful practices.

Source: WeChat

## **SAMR – OECD Joint Seminar**

SAMR and the Organisation for Economic Co-operation and Development (OECD) jointly hosted a seminar entitled “Market Assessment Tools: Studies and Surveys.” Representatives from competition authorities across more than ten countries and regions participated.

A SAMR representative presented China’s experience and practices in market research and assessment. The event facilitated the exchange of antitrust enforcement experience and strengthened international cooperation among competition authorities, with the goal of creating fairer, more transparent, and more predictable competitive conditions.

Source: WeChat

## **232 Private-Sector M&A Filings Reviewed in One Year**

The efficiency of merger review procedures continues to improve, reflecting regulators’ efforts to support investment in the private sector.

Between May 2025 and April 2026, SAMR reviewed 232 merger and acquisition notifications involving private enterprises, with a combined transaction value of approximately USD 50 billion.

The average time required to initiate case review was 17.13 days, while the average time to reach a decision was 26.72 days.

For transactions filed under the simplified procedure, the averages were only 15.64 days and 18.9 days, respectively—significantly shorter than the agency’s internal “dual twenty-day” benchmark.

Source: WeChat

## **Overseas Antitrust Regulation Series, Episode 6: Canada**

SAMR has launched an infographic series introducing antitrust laws and competition enforcement systems in major jurisdictions around the world.

The sixth installment focuses on Canada, outlining key competition laws, merger

notification thresholds, and potential anti-competitive violations.

Previous installments covered the United States, the European Union, the United Kingdom, South Korea, and Japan.

Source: China Anti-monopoly