
Legal Updates & News

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China Court Hears Antitrust Suit Against Sony

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As the international business community awaits finalization and enactment of China's antimonopoly law, a Chinese court is already hearing antitrust charges against a Sony Corp. joint venture. On January 17, 2007, The Shanghai No 1 Intermediate People's Court heard charges by Tsum (Sichuan) Technology Company Ltd. that Sony and Shanghai Suoguang Electronics Co. Ltd. had engaged in unfair competition by designing their popular digital cameras to shut down when competing batteries are installed. Sony argued that its InfoLITHIUM technology communicates between the battery and its camera, and asserts that it has the right under Chinese law to use its own batteries in its camera products. Sony also defended on the ground that Tsum is not a proper complainant based on limitations in its business license. Tsum claims that the technology unfairly discriminates against competing battery manufacturers and excludes them from competition. Tsum is seeking damages and a judicial order preventing the Sony joint venture from using the InfoLITHIUM technology. The court did not rule at the close of the hearing, but took the matter under consideration.

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The antitrust litigation over Sony's lithium batteries is likely to heighten concerns about China's antimonopoly law. A succession of draft statutes met significant international opposition from businesses, bar associations and enforcement officials. One concern has been that the antimonopoly law could be enforced to protect Chinese businesses from more efficient competitors from abroad, rather than protecting competition itself. The very nature of the lithium battery litigation is likely to further fuel such concerns.

China began drafting a comprehensive antimonopoly law twenty years ago, and these efforts were stepped up upon China's accession to the World trade organization in 2002. In June 2006, an antimonopoly bill was submitted to the National People's Congress. However, the NPC in a surprise move returned the statute for further drafting revisions citing a variety of concerns. It is nevertheless anticipated that an antimonopoly law will be enacted this year.