

Maritime and Commercial Law Newsletter

Contents

News

- WJNCO Listed in the 2023 ALB Circum-Bohai Sea Area Firms and Partner Mr. Guo Xinwei Listed in the Top 15 Raising Lawyers1
- WJNCO Ranked Band 1 both in Eastern and Southern China Shipping Law Firm Rankings by Chambers & Partners.....2
- WJNCO's Lawyer Ranked Again in China Business Law Journal's A-List for Elite Lawyers4
- WJNCO Awarded Maritime Law Firm of the Year in ALB China Regional Law Awards 2022: South China & Central China..... 5

Cases and Insights

- Zhao Wenge, Zheng Junfeng: Determination of Causes of Contamination Damage to Liquid Bulk Cargoes.....6
- Guo Xinwei, Zhao Wenge: Evaluation on the Effectiveness of Contracts Signed by Persons Without the Right of Disposal – An Infringement of the Right to Use Sea Areas9

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| NEWS

WJNCO Listed in the 2023 ALB Circum-Bohai Sea Area Firms and Partner Mr. Guo Xinwei Listed in the Top 15 Rising Lawyers

On 18 January 2023, Asian Legal Business (ALB) released the “2023 ALB China Regional Ranking: Circum-Bohai Sea Area Firms”. With its prominent strength and high-quality legal service in the Area, WJNCO was listed in the ranking. In addition, ALB set up a new award to honour “Rising Lawyers in the Circum-Bohai Sea Area” in the 2023 ranking. Mr. Guo Xinwei, Partner of WJNCO’s Tianjin Office, was named to the first “Top 15 Rising Lawyers in Circum-Bohai Sea Area”.

**2023 ALB China Regional Ranking:
Circum-Bohai Sea Area Firms & Rising Lawyers**
**2023 ALB 区域市场排名:
环渤海地区律所和律师新星**

LIST OF WINNERS 榜单公布

★ 环渤海地区律所 ★

Wang Jing & Co. Law Firm
广东敬海律师事务所

★ 环渤海地区律师新星 ★

Guo Xinwei 郭新伟
Wang Jing & Co. Law Firm
广东敬海律师事务所



Asian Legal Business, the high-end legal magazine owned by Thomson Reuters, is one of the most influential legal media in the world. The “2023 Regional Ranking: Circum-Bohai Sea Area” pays tribute to top law firms in the Circum-Bohai sea area based on the firms’ regional layout, founding time, staff size, revenue performance, client relationship, business quality and the firms’ market strategy and future strategic plans while the “15 Rising Lawyers” aims to pay tribute to young lawyer elites who are

below their 40s or have practiced for less than 15 years.

WJNCO takes the Circum-Bohai market seriously and set up its Tianjin Office and Qingdao Office in 2004 and 2005 respectively. WJNCO’s Tianjin Office, while preserving its traditional shipping & maritime business, keeps forging ahead and has achieved remarkable achievements in corporate & commercial law area, listed in the rankings of Chambers, China Business Law Journal, The Legal 500, etc and obtaining recognition from the industry on the Office’s comprehensive strength in corporation & commerce business as well as shipping & maritime affairs. WJNCO’s Qingdao Office, ever since its establishment, has been faithfully cultivating deep in the shipping & maritime area, aiming to provide comprehensive legal service to owners, P&I clubs, hull insurers, large enterprise groups, traders, and international logistics companies, etc and is one of the clients’ first-choice law firms within the jurisdiction of Qingdao Maritime Court. Numerous cases handled by the Qingdao Office were selected in Model Cases of the Supreme People’s Court, and Model Cases of the Provincial Supreme People’s Court, among which one case was included in the 2020 Work Report of the Supreme People’s Court.

Mr. Guo Xinwei, who was listed in the ranking, represents WJNCO’s 80s-born partners. His practice spans litigation and non-litigation matters involving Maritime & Admiralty, Insurance, International Trade, Financing & Mortgage, Dispute Solution, Investment, Domestic and International Arbitration, as well as recognition and enforcement of foreign arbitration awards. In the 15 years since he joined WJNCO, Mr. Guo has accumulated rich experience in litigation, attending court hearings before different courts including High People’s Courts and Supreme People’s Courts and participating in British arbitration cases as the expert witness in Chinese law to give testimony. One Brazilian case concerning delivery of goods without production of B/L handled by Mr. Guo was indexed by the famous publisher Informa Uk Plc. in the Chinese Maritime and Commercial Law Reports (CMCLR) in its operating and maintaining digital database informa i-Law.

Mr. Guo was admitted as an arbitrator of Tianjin Arbitration Commission in 2019, and he is also member of China Law Society, member of Tianjin International Legal Service Team, member of Special Committee for International Trade & Investment and Special Committee for Maritime Affairs of Tianjin Lawyers Association, and deputy director of Special Committee for Maritime Affairs of Lawyers Commission of Tianjin Binhai New Area. He was also recognized as one of the “Next Generation Partners” by The Legal 500, the international authoritative legal ranking agency in 2021 and 2022.

WJNCO and its partner making the list represent the firm’s strong strength and prominent performance in the legal service market of Circum-Bohai sea area, and the firm’s commitment to the values of inheritance and sharing. Passing the torch down generations, WJNCO encourages young partners and core lawyers and expects them to stand out and promote the firm’s brand, values, and professional spirit. As the young partners and core lawyers are striding towards the centre of stage, WJNCO is vibrant and will keep on pursuing excellence with vigorous fortitude and determined endeavour among thousands of vying ships in the market.

ALB Official WeChat link:
<https://mp.weixin.qq.com/s/WqFyV5N8BS5UMwKNfGaWpA>

**WJNCO Ranked Band 1 both in Eastern and Southern China
Shipping Law Firm Rankings by Chambers & Partners**

On 13 January 2023, Chambers & Partners, the authoritative legal ranking agency, published the Chambers Greater China Region 2023 Guide. Chamber & Partners is committed to tracking the latest legal service market trend and providing the most rigorous research and analysis of relevant legal service market to deliver the most detailed rankings and insight into the market.



In the 2023 Guide, WJNCO, with its consistent excellent performance and outstanding reputation among clients, was ranked band 1 both in the Eastern China Shipping and Southern China Shipping section while continues to be ranked the band 2 in the Insurance section. We are pleased to note that after winning the first “Maritime Law Firm of the Year: East China” in ALB China Regional Law Awards 2022: East China, WJNCO was awarded band 1 in the Eastern China Shipping section by Chambers & Partners for the first time, meaning that after years of hard work and cultivation, WJNCO, based in Guangdong, has been widely recognized by our clients and the industry in Eastern China, which, has not been easy. In terms of lawyers, Mr. Chen Xiangyong has been ranked band 1 in the shipping section for many years and was listed in the insurance section for the first time. Mr. John Wang, executive managing partner of WJNCO and Mr. Yuan Hui, director of WJNCO’s Qingdao office have also been listed for many years. In the upcoming

year, we are expecting some of WJNCO's young talents earn their places in the rankings.

Ranked Section: Shipping

China

Shipping: Eastern China (PRC Firms)
1 Department
1 Ranked Lawyer

Department

Shipping: Eastern China (PRC Firms)
Band 1
[View Profile >](#)

Lawyers

Xiangyong Chen
Band 1
[View Profile >](#)

Shipping: Northern China (PRC Firms)
1 Ranked Lawyer

Lawyers

Hui Yuan
Band 2
[View Profile >](#)

Shipping: Southern China (PRC Firms)
1 Department
1 Ranked Lawyer

Department

Shipping: Southern China (PRC Firms)
Band 1
[View Profile >](#)

Lawyers

John Wang
Band 3
[View Profile >](#)

Ranked Section: Insurance

China

Insurance (PRC Firms)
1 Department
1 Ranked Lawyer

Department

Insurance (PRC Firms)
Band 2
[View Profile >](#)

Lawyers

Xiangyong Chen
Band 2
[View Profile >](#)

Ranked Lawyers:



Mr. Chen Xiangyong

Comments by Clients:

"He is obviously excellent and a very well-known expert in shipping. If I have difficult matters, I will go to him as his ability is so strong."

"His comprehensive abilities are very strong."

"Chen Xiangyong is one of the most experienced lawyers."



Mr. John Wang

Comments by Clients:

"John is attentive, experienced, and understands clients' needs very well. I find it very easy to work with him."



Mr. Yuan Hui

Based in Qingdao, his shipping practice is extensive, covering litigation, ship finance and maritime investigation. He also provides legal advice on issues concerning international trade. His clients include shipping companies and insurance companies.

WJNCO's Lawyer Ranked Again in China Business Law Journal's A-List for Elite Lawyers

On 5 January 2023, China Business Law Journal, the famous legal media, published "The A-List 2022", a list of elite lawyers of the year, which was made upon extensive research by the Journal, inviting thousands of corporate counsels and executives in China and around the world, partners at Chinese and international law firms, as well as legal experts in various industries to air their voices on their selection of elite lawyers in Chinese legal service market for 2022 among thousands of nominees. As reported by the Journal, the number of fellow legal professionals voting for the lists this year exceeds any previous record and the competition was rather fierce.

After being named to the A-List in 2020 and 2021, Mr. Chen Xiangyong, managing partner of WJNCO, was named for the third executive year to the "A-List" of elite lawyers.



陈向勇
Chen Xiangyong
敬海律師事務所
主任、管理合伙人、上海/广州
Director, Managing Director
Wang Jing & Co
Shanghai/Guangzhou

主要执业领域：航运；国际贸易；环境与离岸项目；金融与保险
Key practice areas: Shipping; International trade; Environment & off-shore projects; Finance & insurance

Mr. Chen Xiangyong's practice area spans dispute resolution and non-litigation practice in fields of shipping, finance and insurance, environment and offshore projects, and etc. Since his practice, he has handled numerous complex and remarkable maritime cases, a handful of which had been written into "Selected Cases of Maritime Trail in China" edited by the PRC Supreme Court to mark the most highlighted maritime cases in the past 30 years; he

also participated in the revision and validation of many laws, regulations and policies of the PRC Supreme Court; he was also invited as expert witness to give testimony for litigation or arbitration cases before courts or arbitration tribunals in UK, Australia, and Hong Kong.

In the meantime, Mr. Chen sits Vice-Chair of Maritime Law Committee of Inter-Pacific Bar Association (IPBA), Standing Director of China Maritime Law Association, Arbitrator of China Maritime Arbitration Commission, Arbitrator of China International Economic and Trade Arbitration Commission, Arbitrator of Shenzhen Court of International Arbitration, and Arbitrator of China Guangzhou Arbitration Commission. In addition, he was listed in the "Top Ten Foreign-related Lawyers" by Guangzhou Lawyers Association and the "1,000 Elite Lawyers on Foreign-related Matters" by National Ministry of Justice.

WJNCO's third entry in the A-List represents recognition from clients and the industry for WJNCO's excellent legal service and prominent capability. WJNCO's lawyers will continue striving to improve our legal services and committing to provide personalized and creative legal service solutions to domestic and foreign clients.

**WJNCO Awarded Maritime Law Firm of the Year
in ALB China Regional Law Awards 2022: South
China & Central China**

On the evening of 23 December 2022, the gala ceremony of “ALB China Regional Law Awards 2022: South China & Central China” was held in Guangzhou. The ceremony features outstanding law firms, in-house legal teams and individuals with strong market strength, prominent accomplishments, and impressive performance in the legal service market of South China & Central China. Ms. Zhang Jing, partner of WJNCO, was invited to the ceremony and accepted the awards on behalf of WJNCO.

It is worth mentioning that among the fierce competition for the awards, with its strong strength and outstanding achievements, WJNCO was not only awarded “Maritime Law Firm of the Year: South China & Central China” but also honoured to be awarded “Law Firm of the Year: South China & Central China”; in addition, Ms. Zhang Jing was shortlisted for “Woman Lawyer of the Year: South China & Central China. These honours confirm and recognize WJNCO’s top professional competencies in the shipping section and comprehensive strength in other practices.

Maritime Law Firm of the Year: South China & Central China
年度华南华中地区海事海商律师事务所大奖

Wang Jing & Co. Law Firm
敬海律师事务所



As one of the most influential legal medias in the world, Asian Legal Business, owned by Thomson Reuters, is recognized by the global legal service community for its objectivity and authority in the listings.

| CASES AND INSIGHTS

Determination of Causes of Contamination Damage to Liquid Bulk Cargoes

— Take a dispute arising from a contract of carriage of goods by sea involving the Tanker “N” as an example

Liquid bulk cargo is in a fluid or semi-fluid state. In this article, the liquid bulk cargo mainly refers to goods transported, loaded, discharged and stored in liquid form, including goods in a liquid state at normal temperature and pressure (such as petroleum and petroleum products, etc.), goods in a liquid state after cooling, pressurization, or other treatments (such as natural gas, LPG, etc.), and the liquid chemical cargo involved in the captioned case that needs to be carried by a special chemical tanker. Considering the striking differences between liquid chemical goods and the common containerized goods in state and nature, damage to them manifests in fairly different ways.

This article takes a case handled by WJNCO concerning the Tanker “N” as an example to discuss factors the courts will consider in determining causes of contamination damage to liquid bulk cargoes.

Case Summary

The cargo involved in the captioned case is 1,3-butadiene (the “Cargo”), a colorless gas with a slight aromatic odor. During sea transport, tankers will cool and pressurize their tanks to keep 1,3-butadiene in a liquid state. The Cargo was loaded onboard the Tanker “N” at Al Jubail, Saudi Arabia in accordance with loading requirements. During the loading operation, the Cargo was tested, and the test results showed that the purity of the Cargo was at or above 99.62%. After the Tanker arrived at Tianjin port, China, the Cargo was sampled and tested. The test results indicated that the purity of the Cargo dropped to about 99.2%, and impurities such as propene were found, which did not meet the contract requirements that the purity of the Cargo shall not be lower than 99.5%. Therefore, the consignee brought an action against the carrier, i.e., the Owner of the Tanker “N”, and we participated in the proceedings as the agent ad litem for the carrier.

In response to a dispute over damage to liquid bulk cargo, the carrier shall bear the burden of proving that it has exercised due diligence to make the tanker seaworthy and properly care for the cargo during sea transport, as

Author:



Zhao Wenge joined Wang Jing & Co. Tianjin Office in 2019. She mainly handles maritime & admiralty, international commercial arbitration and international trade matters.



Zheng Junfeng joined Wang Jing & Co. Tianjin Office in 2019. He mainly handles maritime and admiralty, international arbitration and international trade matters.

required in a common dispute over cargo damage, and shall also analyze the causes of the cargo damage and produce supporting evidence in the following aspects:

(1) The Cargo damage was unrelated to the previous cargoes carried by the Tanker

In shipping practice, normally the shipowner would provide a list of the last three cargoes to demonstrate the cargoes carried on the previous voyages and to consider whether any residues of the previous cargoes might contaminate the Cargo on the current voyage.

(2) The Owner had cleaned the tanks before loading and the tanks met the loading requirements

In the captioned case, the tanks of the Tanker "N" were purged with nitrogen and gassed up before the loading operation at the loading port. The purpose of filling the entire tanks with gas was to eliminate any possible residues from the previous cargoes which may affect the Cargo to be loaded on the current voyage. Meanwhile, the tanks were purged with low-temperature gas to ensure that the tank temperature met the loading requirements. According to a purging report issued after the purging operation, the hydrocarbon content (HC%) of the gas at the gas outlets of the tanks was 0 upon completion of the purging operation. This proves that the tanks were free from any residual cargoes from the previous voyages at the end of purging, and the possibility of any residues from the previous cargo contaminating and damaging the Cargo on the current voyage can be excluded.

(3) Given the nature of the Cargo, the impurity could not have been produced by the Cargo through chemical reactions

While the impurity of propene and the Cargo of 1,3-butadiene are both alkene organic compounds, the possibility is slim that 1,3-butadiene can produce propene through a chemical reaction, and even if it were possible, there are strict restrictions on such reactions. To prove to the court that the impurity of propene could not have been generated by the Cargo of 1,3-butadiene during transport, the Owner submitted authorities and expert evidence showing that propene and 1,3-butadiene are two distinctive substances and propene cannot be generated by 1,3-butadiene unless at high temperature and pressure and with a catalyst, none of which was feasible or available onboard the Tanker during transit.

(4) Inhibitor was added to the Cargo

To reduce production of impurities by chemical products through reactions during transport, shippers add different kinds of inhibitors to the products according to their nature to inhibit such reactions. In the captioned case, inspections revealed that the inhibitor content in the Cargo at the destination port was significantly lower than that at the loading port. In this regard, the consignee alleged that the Owner failed to fulfill its obligation to properly care for the Cargo during sea transport, leading to the chemical reaction of the Cargo which consumed a large amount of the inhibitor and further generated plenty of impurities. To rebut the allegation, we argued that, on the one hand, the inhibitor was added by the shipper and its quality was not the Owner's responsibility. On the other hand, the reduced content of the inhibitor is the very evidence that the inhibitor played a role in protecting the Cargo and lowering the degree of reaction during sea transport.

In light of the hearings, the court places great emphasis on where the impurities came from in ascertaining facts in the dispute over damage to liquid bulk cargo. The court typically takes the following factors into account:

- (1) Residues from previous cargoes
- (2) Residues from tank cleaning water
- (3) Inhibitors
- (4) Marine bunkers and the possibility of bunker leakage resulting in pollution
- (5) Materials of tank bulkheads and the possibility of cargo impurities coming from the chemical reactions or shedding of bulkheads
- (6) Composition of refrigerants used in the cooling system because the cargo requires refrigeration throughout sea carriage and there is a possibility of cargo impurities coming from the leakage of refrigerants, etc.

In summary, courts pay close attention to the source of impurities in disputes over contamination damage to a liquid bulk cargo, especially when it comes to liquid chemical cargo. Carriers shall fully prove to the court that impurities did not originate from the tanker with evidence on the residues from the previous cargoes carried by the tanker, the tank cleaning conditions before loading, the chemical nature of the cargo on the current voyage, the possibility of impurities coming from chemical reactions of the cargo, inhibitors added to the cargo, the cooling and bunker system of the tanker, and the materials of the tanker's bulkheads.

In the captioned case, our elaborate argumentation and conclusive evidence helped absolve the carrier from all liability for damages. Subsequently, the shipper, who was listed as the third party in the proceedings, amicably settled the dispute with the consignee and assumed all liability for damages.

| CASES AND INSIGHTS

Evaluation on the Effectiveness of Contracts Signed by Persons Without the Right of Disposal – An Infringement of the Right to Use Sea Areas

I. Case Introduction

Company C holds the right to use a sea area for sea-filling construction. Company B, a subsidiary of Company C without the right of disposal, signed a lease contract for the aforementioned sea area with Company A, who subsequently used the area as a cargo storage yard and subleased it. Informed of the situation, Company C recovered the area. Company A then filed a tort litigation against Company C for tort liability for loss of rent.

II. Case Reflection

In this case, the court eventually dismissed Company A's claim on the ground that company A did not provide evidence to prove that Company C had approved or ratified the lease contract, and therefore, the contract was not binding on Company C. There was no legal basis in Company A filling, constructing, and occupying the sea area. Therefore, it is untenable that Company C shall bear the tort liability. Since the case was a dispute over tort liability, the court did not determine the effectiveness of the lease contract between Company B and Company A. However, the lease contract between Company B and Company A is a debt contract signed between a person without the right of disposal and a third party, and its effectiveness has been constantly controversial in practice and theory. With reference to the court's decision, the court found that the contract was not binding on Company C because Company C did not "approve or ratify" the lease contract. Therefore, the court seemingly held that "the effectiveness of the contract is pending". Drawing on relevant cases concerning the right to use sea areas, this article will provide an analysis and summary of the effectiveness of contracts signed with persons without the right of disposal from a practical perspective.

III. Practical Perspective

The effectiveness of debt contracts signed with persons without the right of disposal concerning the right to use sea areas has been controversial in theory. According to judicial precedents, the three common types of opinion are "the contract is void due to violation of mandatory provision", "the effectiveness of contracts signed with persons without the right of disposal is pending", and "the contract signed with the person without the right of disposal is effective".

The opinions will be elaborated on respectively, with reference to the following cases:

Author:



Guo Xinwei joined Wang Jing & Co., Tianjin office in 2008. He mainly provides legal services involving foreign interests and represents worldwide clients in Chinese court proceedings and his practice areas cover Maritime & Admiralty, Insurance, International Trade, Financing & Mortgage, Dispute Solution, Investment, Domestic and International Arbitration. Promoted as partner of Tianjin Office in 2017, Xinwei has more than 10 years of experience in litigation, attending hearings before local and high courts nationwide and the Supreme People's Court. He also represented clients in domestic and international arbitration proceedings before LMAA, HKIAC and ICC. Being an arbitrator at Tianjin Arbitration Commission broadens his minds in developing flexible dispute solution plans in the best interests of clients.



Zhao Wenge joined Wang Jing & Co. Tianjin Office in 2019. She mainly handles maritime & admiralty, international commercial arbitration and international trade matters.

(1) “The contract is void”

This opinion holds that the right to use sea areas is a usufructuary and absolute right under special laws. *The Sea Areas Administration Law of the People’s Republic of China* (hereinafter referred to as “*Sea Areas Administration Law*”), a special law, provides detailed specifications on this issue. Article 3 of *Sea Areas Administration Law* states that “The sea areas shall belong to the state, and the State Council shall exercise ownership over the sea areas on behalf of the state. No entity or individual may usurp on, buy, or sell or by any other means transfer sea areas. The right to use sea areas shall be lawfully obtained for the use of sea areas by any entity or individual.” Based on this specification, the lease contract involved violates Article 52 of *the Contract Law of the People’s Republic of China* (hereinafter referred to as “*Contract Law*”) i.e., “violating the mandatory provisions of laws and administrative regulations”, and should therefore be deemed void. This is a relatively common opinion in trial practices. By searching “Article 3 of Sea Areas Administration Law” and “void contract”, it can be found in most judicial precedents that where an organization or an individual does not acquire the right to use sea areas, i.e. in violation of Article 3 of *Sea Areas Administration Law*, the contract signed for using or disposing of relevant sea areas is deemed void from the beginning due to violation of Article 52 of *Contract Law*. Although there is still room for discussion regarding whether Article 3 of *Sea Areas Administration Law*, as a mandatory provision, applies to the determination of the effectiveness of contracts, most judicial practices hold that the contract is void.

[Case 1] The Appellate Case on Dispute over Effectiveness of the Contract between Xu Changmin and the Villagers’ Committee of Shixuli Village of Liujiagou Town of Penglai City - (2014) Yan Min Si Zhong Zi No. 1915

[Judge’s decision] The Defendant did not have the right to use relevant sea area because it did not have the certificate of rights to use the sea area involved. The contract signed by the Plaintiff and the Defendant on 1 September 2007 to extend contractual period for contracting the sea area shall be deemed as void due to violation of the mandatory provisions of laws and administrative regulations.

(2) “The effectiveness of contract is pending”

According to Article 51 of *Contract Law*, “where a person who does not have the right of disposal but disposes of another’s property, upon ratification by the obligee or the person without the right of disposal, obtains the right of disposal after concluding a contract, the contract shall be effective.” In this case, Company B subleased the sea area involved without the right to use sea areas, which constitutes unauthorized disposal of the sea area involved. Therefore, there are a few precedents in practice holding that the effectiveness of the debt contract is pending and subject to ratification by the obligee. Interpretation of this clause is rather controversial in theory, and this kind of opinion is relatively rare in practice. *The Civil Code of People’s Republic of China* (hereinafter referred to as “*Civil Code*”) also deleted this clause and did not make respective supplementation to the section “Effect of a Civil Juristic Act” in “General Principles”. Thus, this clause may not be persuasive enough in future applications.

(3) “The contract is effective”

The effectiveness of debt contracts signed by persons without the right of disposal has always been controversial in theory. As mentioned above, some opinions hold that the effectiveness of such contracts is pending according to Article 51 of *Contract Law* (*Civil Code* has deleted the corresponding clause). Other opinions hold that, according to the contracts related to transferred property, and in accordance with the demonstrative principle of real right and Article 3 of *the Interpretation of the Supreme People’s Court on Issues Concerning the Application of Law for the Trial of Cases of Disputes over Sales Contracts* (hereinafter referred to as “*Interpretation*”), “where one party claims that the contract is void because the seller did not have ownership or right of disposal over the subject matter at the time of contract formation, the people’s court shall not support such claims; where the ownership of the subject matter cannot be transferred because the seller failed to acquire ownership or right of disposal, and if the buyer demands that the seller assume liability for breach of contract or demands rescission of the contract and compensation for damages, the people’s court shall support such claims”. As per such principle, the act of liability (debt contract) of the person without the right of disposal is effective, while the effectiveness

of the act of deposit is pending. However, as the theory of juristic act of real right has not yet been totally recognized in China, in practice, the contract entered into by a person without the right of disposal would normally be deemed as void and the cases of valid contract are quite rare. Therefore, debt contracts entered into by a person without the right of disposal shall still be deemed as invalid in practice.

[Case 2] Civil Judgement for Second Instance of Dispute over Fishery Contract between Wang Deqing and Zhu Guangyuan - (2020) Liao Min Zhong No.144

[Judge's decision] In this case, the right holders of contracted management of the prawn ponds involved was Sun Yanhui, a person not involved in the case, as ascertained by Judgement No.81, and the contractual management right enjoyed by Sun Yanhui was a usufructuary right, a right of disposal. The litigation was raised based on the creditor-debtor relationship between Zhu Guangyuan and Sun Yanhui, after Zhu Guangyuan returned the prawn ponds to Sun Yanhui. Although Wang Deqing did not have the right to dispose of the prawn ponds, according to Article 174 of *Contract Law* and Article 3 of *Interpretation*, it was correct for the court of first instance to ascertain that the prawn ponds contract was effective.

IV. Analysis and summary

It can be concluded from the above cases that currently, no consensus has been made in practice regarding the effectiveness of contracts signed by persons without the right of disposal. Most judicial precedents hold that the contracts for an unauthorized disposal of the right to use sea areas, the usufructuary right, are void as they violate the mandatory provision of Article 3 of *Sea Areas Administration Law*. Therefore, from a practical perspective, this clause is a mandatory provision in determining the effectiveness of the contract. According to Article 30 of *the Minutes of the National Courts' Civil and Commercial Trial Work Conference*, the people's courts shall consider the nature of the "mandatory provision" with prudence, especially on the legal interests protected by such mandatory provisions, the legal consequences of illegal activities, and the protection for trade security, etc. With the development of science and technology and humans' increasing domination over the ocean, the sea is increasingly important for humans' survival and development. Chinese sea areas are important resources of the country with huge economic effects. The legislation of *Sea Areas Administration Law*, which specified relevant administrative rules for using sea areas, aims to improve the management of using sea areas, safeguard legitimate ownership of the nation to the sea areas and the rights and interests of the owner of the right to the use of sea areas, and contribute to the reasonable development and sustainable utilization of sea areas. The legal interest protected by it is the reasonable development and utilization of natural resources. Therefore, the rule that one must acquire the right to use sea areas before using it is mandatory and the debt contract signed in violation of this clause by the party without the right of disposal of the sea area shall be deemed void.