

Summary of Interpretations by the State Commission Office for Public Sector Reform of Relevant Articles Regarding Animation, Online Games and Comprehensive Law Enforcement of Culture Market of the Three Regulations on the Main Functions, Internal Bodies and Staffing of the Ministry of Culture, the State Administration of Radio Film and Television and the General Administration of Press and Publication (promulgated on September 16, 2009)

In July 2008, the General Office of the State Council issued the *Regulations on the Main Functions, Internal Bodies and Staffing of the Ministry of Culture, Regulations on the Main Functions, Internal Bodies and Staffing of the State Administration of Radio Film and Television and Regulations on the Main Functions, Internal Bodies and Staffing of the General Administration of Press and Publication* (collectively the “**Regulations**”). According to Article 5 of the Regulations, the Ministry of Culture (“**MOC**”) is responsible for the industry planning, industrial base, project construction, exhibition and trading and market supervision of animation and online game; the State Administration of Radio Film and Television (“**SARFT**”) is responsible for the administration of cinematic animation and online audio-visual animation programs and the General Administration of Press and Publication (“**GAPP**”) is responsible for the animation administration in the publishing process and the pre-approval of online game publishing.

However, in practice, MOC, SARFT and GAPP (collectively the “**Three Departments**”) have different understanding towards the Regulations. In order to streamline their respective responsibilities, the State Commission Office for Public Sector Reform issued the *Circular on Printing and Issuing Interpretations by the State Commission Office for Public Sector Reform of Relevant Articles Regarding Animation, Online Game and Comprehensive Law Enforcement of Culture Market of the Three Regulations on the Main Functions, Internal Bodies and Staffing of the Ministry of Culture, the State Administration of Radio Film and Television and the General Administration of Press and Publication* (the “**Interpretations**”) on September 16, 2009. The Interpretations states that MOC is the governmental body directly responsible for the administration of and supervision over the animation and online games industry

Set forth below is a detailed analysis of different responsibilities of the Three Departments in animation and online game administration for your reference.

1. Animation administration

1.1 MOC is the department directly responsible for animation administration

Although the Regulations prescribe that the MOC is in charge of the animation-related industry planning, industrial base, project construction, exhibition and trading and market supervision, it does not expressly state the MOC is the department directly responsible for animation

administration. The Interpretations clearly state that MOC shall assume the responsibilities of animation administration, taking charge of the unified macro-management and daily management over animation including industry planning, industrial base, program construction, exhibition and trading and market supervision.

1.2 SARFT is responsible for the administration of cinematic animation and online audio-visual animation programs

The Regulations assign the responsibilities of animation administration (excluding cinematic animation or online audio-visual animation programs) which were vested in SARFT before to the MOC. Hence, the Interpretations clearly prescribe that SARFR shall be responsible for the administration of cinematic animation and online audio-visual animation programs, which, according to the Interpretations, include animation movies, TV plays and online animation movies and online audio-visual animation programs.

1.3 GAPP is responsible for animation publication administration

The Interpretations define publishing as approval of animation publications such as books, newspapers, magazines or audio-visual products, etc.

To sum up, although the Interpretations expressly provide that the MOC is the department directly responsible for animation administration, certain animation administration authority falls outside of MOC's responsibilities, considering that SARFT is still in charge of the administration of cinematic animation and online audio-visual animation programs and the GAPP remain in charge of animation publication administration.

2. Online game administration

2.1 MOC is the department directly responsible for online game administration

According to the Regulations, the MOC is responsible for online game-related industry plan, industrious base, project construction, exhibition and trading and market supervision, and the GAPP is responsible for the pre-approval of online game publications. In addition, the Regulations also assign the online game administrations (except for the pre-approval of online game publications) and the related industry plan, industrious base, project construction, exhibition and trading and market supervision which belong to GAPP before to the MOC. The Interpretations expressly provide that MOC is the department directly responsible for online game administration.

2.2 GAPP is responsible for the pre-approval of online game publications

According to the Regulations, the GAPP is responsible for the pre-approval of online game publication, but it has no right to directly investigate online games. Under the Regulations, the release of online games via internet is referred to as online game publications, and pre-approval means that the GAPP is authorized to examine and approve online game publications before these games are provided to users via internet as approved by the Ministry of Industry and Information. In addition, the Regulations prescribe that the MOC shall allow online games pre-approved by the GAPP to be put online and no further or repeated examination shall be conducted; once put online, these online games shall be subject to the sole administration of MOC, including online game publications that have been put online without obtaining the pre-approval of GAAP. MOC is the only department that is authorized to order its cultural market

enforcement team to investigate and suppress those online game publications that have been put online without obtaining the pre-approval of GAAP.

With regard to the definition of online game publications under the Interpretations, some people are of the view that publications mean newspapers, periodicals, books, audio-visual products and electronic publications, etc in accordance with Article 2 of Chapter 1 of *the Regulations on the Administration of Publication* issued by the State Council. In other words, publications must be a physical medium, for example, game discs. As such, game downloading services provided to end users do not constitute publications and shall not be subject to pre-approval of GAPP, and shall be under MOC's administration instead. We are not in a good position to judge whether the forgoing view is accurate or not.

Set forth above is a brief introduction to key aspects of the Interpretations for your reference. If you have any questions, please feel free to contact us. Thank you!

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