

# China Law Update

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## [Ground Breaking Rules Governing Online Games](#)

Statistics from China Internet Network Information Center shows that in 2009, China's online game market reached 25.8 billion Yuan, a 39.5% increase from the previous year. Online game subscribers reached 265 million, representing a 41.5% growth. While the online game market continues to develop rapidly, a plethora of legal issues remain unsolved. In an attempt to bring clarity to this gray sector, the Ministry of Culture (the "MOC") issued the "Interim Measures For The Administration Of Online Games" (hereinafter referred to as the "Measures"), which for the first time systematically and clearly defines the content of online games, market players, business activities, operations, and legal responsibility.

The Measures was implemented on August 1st, 2010. It is the first Ministry-level issued rules that specifically address the administration and standardization of online games. The Measures establishes the basic principles of engaging in online game business. It defines key terms including "online games", "network operation of online games," and "virtual currency of online games", and specifies rules for key topics such as "administration of online game content", "protection of minors", "conduct of operation", and "virtual currency."

### **Online Game Business Operations**

Online game business operations include the network operation of online games, distribution of virtual currency of online games and virtual currency trading services of online games. Any entity that engages in online game business operations should obtain a "Internet Culture Business Permit" ("Permit"). To obtain the Permit, the entity should have a registered capital no less than 10 million Yuan. The Permit lasts for a term of three years. Foreign companies are still not allowed to invest in online game business in China.

### **Administration of Content**

The Measures sets several restrictions on the content of online games and explicitly gave the responsibility and power of examining the content of online games to MOC. Imported online games should be submitted to MOC for content examination. Such imported games can only be put into network operation after receiving content approval from MOC. The domestic online game operating enterprise with exclusive domestic rights to the imported online game shall apply for the content examination.

## **Real Name Registration**

Real name registration has been a hot issue for many years and the Measures finally clarifies the rules. Any entity providing virtual currency trading services of online games shall guarantee that its users register with a valid ID certificate and provides accurate and true link to a bank account consistent with the registration information. Other entities engaging in online game business operation shall also implement a real name registration process that requires valid ID certification. All online game business operators must keep records of its users.

## **Virtual Currency**

Virtual currency is a virtual exchange tool existing outside the game program, stored in the server in the form of electromagnetic record and represented in specific digital units, which is distributed by an online game business entity and directly or indirectly purchased by the online game users with legal tenders according to a certain proportion.

The Measures reinforces the rules in the “Notice On Strengthening The Administration Of Online Game Virtual Currency” that jointly issued by the MOC and the Ministry of Commerce. The virtual currency of online games shall be only used for the exchange for online game products and services provided by the online game entity, and shall not be used for the payment for or purchase of real objects or exchange for products and services provided by any other entity. The purchase record of an online game user shall be kept for at least 180 days from the date of last service received by the user.

Online game business operators shall not use lucky draw or other similar ways to induce online game users to input real money or virtual currency for exchange of online game products and service.

## **Protection of Minors**

Since minors are weak in self-control and can easily become addicted to online games, the Measures clearly requires online game business entities to adopt a series of minor restriction measures, including the formulation of clear user guidelines and warning information about the online game’s contents, functions, and user scope; and taking technical measures to prohibit minors from accessing improper games and restrict the playtime of minors.

There are also specific restrictions on the content orientated to minors. Prohibited content includes anything that may induces minors to mimic violation of social ethics or laws; anything that may induce minors to commit criminal acts; and anything that may be characterized as horrible, cruel or something that may harm the mental and physical health of minors. Also, any enterprise providing virtual currency trading services of online games shall not provide trading services to minors.

The Measures displays the increasing attention of China’s government to the online game market and its commitment to regulate the market. We will watch to see how these rules are actually implemented.

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