



Faculty of Technology
University of Sri Jayewardenepura

ITC 4182
Professional Practices in ICT
Assignment 3

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Index Number: ICT/20/818

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1. Introduction

In August 2020, a public and highly consequential legal dispute erupted between two major players in the technology and gaming industries: Apple and Epic Games. Apple, well-known for its tightly controlled iOS platform and the App Store, has long enforced strict policies regarding app distribution and in-app purchases. On the other hand, Epic Games is recognized for its blockbuster title Fortnite, and its widely used Unreal Engine, both of which have established Epic as a leading developer and technology provider.

The controversy began when Epic introduced a direct-payment option in the Fortnite iOS application, effectively circumventing Apple's in-app purchase system and its standard 30% commission fee. Apple responded by removing Fortnite from the App Store, prompting Epic to file a lawsuit accusing Apple of anti-competitive practices and monopolistic control of the iOS ecosystem. While the headlines mostly emphasized antitrust and monopoly issues, intellectual property (IP) rights also played a pivotal role in this dispute shaping the contractual dynamics, distribution rules, and revenue models that define the modern software industry.

This report provides a detailed analysis of the legal and strategic dimensions of the Apple vs. Epic Games case, focusing on the IP aspects involved. It examines the implications of the dispute for software developers and the broader innovation landscape and concludes with personal reflections on how developers can protect their work both legally and ethically.

2. Case Description

2.1 Case Background

The legal confrontation between Apple and Epic Games took center stage in August 2020. Epic Games, the creator of Fortnite, decided to challenge Apple's long-standing App Store policies, namely, the requirement that app developers use Apple's in-app purchase system and pay a 30% commission fee. To sidestep this commission, Epic introduced its own in-app payment mechanism within the iOS version of Fortnite.

As soon as Epic's alternative payment system went live, Apple removed Fortnite from the App Store, citing a breach of the developer agreement. Epic responded by filing a lawsuit against Apple, alleging monopolistic behavior that suppressed innovation and developer freedom. Apple maintained that Epic violated clearly stated contractual terms and threatened the security and integrity of its iOS ecosystem.

Case: EPIC GAMES, INC. V. APPLE, INC., No. 21-16506 (9th Cir. 2023)

<https://law.justia.com/cases/federal/appellate-courts/ca9/21-16506/21-16506-2023-04-24.html>

Key events in the case

- August 2020: Epic violated App Store policies and Apple removed Fortnite from the App Store
- September 2021: A federal judge ruled in favor of Apple on most counts, but ordered Apple to allow developers to link out to other payment options
- January 2024: The Supreme Court declined to hear additional appeals, and Apple updated its policies
- February 2024: Apple reinstated Fortnite on the App Store

2.2 Parties Involved

Epic Games: A major video game developer and publisher, best known for Fortnite and the Unreal Engine. Led by CEO Tim Sweeney, Epic's business model spans gaming, engine licensing, and an independent games storefront.

Apple Inc.: The tech giant behind the iPhone, iPad, and the App Store distribution model. Apple's iOS ecosystem is renowned for strict guidelines and curation, which Apple justifies through arguments of quality control, user privacy, and security.

2.3 Primary Legal Issue

Although the case was widely covered as an antitrust lawsuit, it also touched upon contractual rights, IP ownership, and control over app distribution channels. Epic argued that Apple's policies amounted to a monopolistic lock-in, forcing developers to abide by Apple's payment system. Apple, in turn, argued that its strict controls are essential to protect user data, maintain quality standards, and safeguard its own intellectual property (including iOS and the App Store platform).

3. Type of IP Rights Involved

While antitrust concerns often take center stage, both Apple and Epic rely on critical IP protections to shape the boundaries and enforceability of their respective platforms and products. The ownership of software code, branding, and licensing terms underpins their legal arguments and has a direct bearing on the broader debate surrounding platform control and developer rights. In this case, several IP rights were involved.

Copyright

Apple holds copyright protection for iOS, granting it exclusive rights to reproduce, distribute, and modify the software. The developer terms derive authority from this ownership. Similarly, Fortnite is protected under copyright law. Its codebase, artwork, and story elements cannot be reproduced or distributed without Epic's consent.

- **Bypassing Apple's Payment System:** Epic embedded new code to bypass Apple's in-app purchase framework without Apple's permission. While Epic argued it merely added features to Fortnite, Apple saw it as a violation of the App Store's license terms, which are themselves backed by Apple's copyrights in iOS.

Trademark

- **Apple's App Store:** Apple's App Store brand is strongly protected by trademark law. Its logos, distinctive branding, and associated design elements are all registered trademarks.
- **Epic's Trademarks:** The Fortnite name, logos, and other brand components also enjoy trademark protection. Though the trademark was not the crux of the lawsuit, both companies benefit from robust trademark portfolios.

Licensing and contractual IP rights

- Apple's developer agreement is central to the case. This contract grants developers a license to distribute apps through the App Store under specific conditions. By allegedly sidestepping Apple's payment system, Epic Games breached these terms that hinge on Apple's iOS software platform and associated IP ownership.
- This breach raises questions about contract enforcement and whether Apple's licensing conditions constitute an unfair or illegal restraint on competition.

4. Implications of the Case on Software Development and Innovation

1. Platform control and gatekeeping

- Apple's ability to control which apps can be sold or updated on iOS is a prime example of platform gatekeeping. Through the App Store's guidelines, Apple effectively shapes what developers can and cannot do impacting everything from content policies to payment methods.
- For independent developers, this power structure creates both benefits (strong security and user trust) and potential drawbacks (limited freedom, mandatory revenue splits).

2. Antitrust and regulatory scrutiny

- Regulators worldwide began scrutinizing Apple's practices more closely after this case gained traction. Authorities are examining whether platform operators like Apple and Google wield excessive control, possibly stifling competition.

3. Revenue sharing models

- Epic's willingness to defy Apple underscores the mounting dissatisfaction among many developers with the 30% commission fee.
- Although Apple has reduced the fee to 15% for certain small developers, questions about whether Apple's or Google's fees are fair remain ongoing. Future changes (voluntary or legally mandated) could significantly shift developers' monetization strategies.

4. Cross-platform development risks

- The dispute initially threatened Epic's Unreal Engine, which developers use to build games for multiple platforms, including iOS. Apple moved to suspend Epic's developer accounts, raising fears that the Unreal Engine might lose iOS compatibility.
- This incident highlights how a clash with a platform owner can disrupt an entire ecosystem, affecting countless third-party developers who depend on specific engines or frameworks.

5. Personal Reflection on Protecting Software Work Legally and Ethically

1. Understand platform agreements and IP frameworks

- The Apple vs. Epic Games showdown highlights the importance of carefully reviewing and abiding by platform licensing agreements. While developers may be tempted to push the boundaries, breaching these contracts can lead to swift penalties such as app removals or lawsuits.
- It is crucial to appreciate that these agreements are underpinned by the platform owner's IP rights. Even if you disagree with the policies, legal options often involve negotiation, collective advocacy, or legislative avenues rather than outright defiance.

2. Maintaining proper IP protection

- Copyright, trademarks, and patents are fundamental to safeguarding a developer's code and brand. In a complex legal dispute, developers who hold thorough documentation of ownership and registered IP stand a better chance of defending or enforcing their rights.

3. Strategize monetization and compliance

- Epic's direct payment mechanism aimed to reduce costs for gamers and break free of Apple's 30% commission, but it did so by risking its entire iOS presence. For smaller developers, losing access to a major platform might be catastrophic.
- Weigh potential commercial gains against legal and platform-compliance risks. In some cases, forming alliances or influencing policy discussions might be more effective than unilateral action.

4. Seek legal counsel

- Even developers can benefit from basic legal advice, especially when planning a release strategy that might conflict with platform rules or when adopting open-source software with specific licensing terms.
- Awareness of local and international regulations can help developers make informed choices.

5. Ethical considerations

- Upholding data privacy, security, and transparency should be paramount. Even if platform policies seem cumbersome, many of them address user protection.
- Conversely, platform owners must ensure their rules are not overly restrictive, or they risk stifling legitimate innovation and user benefits.

5.1 Practical Steps for Developers

1. Register IP early: Protect your creative assets by securing copyrights and trademarks as soon as feasible.
2. Use licenses correctly: Select open-source or commercial licenses that clarify usage rights and obligations for any shared code or frameworks.
3. Keep documentation: Maintain thorough records of your development process, contractual agreements, and communications.
4. Monitor policy changes: Stay updated on App Store guidelines and any ongoing legal or regulatory actions that might influence your strategy.
5. Collaborate for change: If you disagree with certain policies, consider banding together with other developers or engaging in public discourse, helping shape industry practices and regulations.

6. Conclusion

While Apple vs. Epic Games is frequently described as an antitrust standoff, it is deeply intertwined with intellectual property consideration spotlighting how copyrights, trademarks, and licensing agreements impact everything from app store policies to developer revenue. The case illustrates the tension between a platform owner's right to protect its ecosystem and a developer's desire for autonomy, competition, and innovation.

For developers, the legal dispute underscores the necessity of understanding and respecting platform agreements, securing appropriate IP protections, and carefully balancing commercial ambitions against compliance risks. It also reminds us that innovation does not occur in a vacuum; it is shaped, constrained, or enabled by existing legal frameworks and market power structures.

As the outcome of Apple vs. Epic Games continues to influence industry discussions, developers should remain vigilant in tracking policy shifts and actively participate in shaping a more equitable and innovative tech landscape. Adhering to legal and ethical principles ultimately fosters a healthier environment for both developers and consumers, ensuring that software creation and distribution thrive in a way that benefits all stakeholders.

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