

What the Apple-OpenAI Deal Means for Four Tech Titans

Deal strengthens OpenAI's position, raises questions about startup's relationship with Microsoft—and is a setback for Google

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OpenAI's deal with Apple **AAPL -2.15%** ▼ is shaking up the competitive balance in the artificial intelligence race.

The new agreement, announced Monday, gives the startup an important role in Apple's push to bring AI to its vast population of users. At the same time, Apple rival Microsoft—OpenAI's **MSFT -0.14%** ▼ most important big tech partner—is also trying to make headway in consumer AI. The OpenAI-Apple collaboration deals a setback to Google, which has long paid Apple billions of dollars a year to be its default tool for internet searches.

The deal helps strengthen OpenAI's position at the forefront of the generative AI boom and marks a win for Chief Executive Sam Altman. Weeks before he attended Apple's announcement on Monday, Altman was at a Microsoft developer conference where “Microsoft Loves OpenAI” flashed on a screen with the word “love” represented by a blue heart.

Here is a look at what the news means for key players.

What it means for Apple

Using OpenAI gives Apple a chance to bring artificial intelligence to the masses. It may also help Apple sell more phones and restore the reputation of its voice assistant, Siri, as it develops its own AI models.

Apple shares surged 7% Tuesday to \$207.15. Its market value jumped by \$215 billion—its largest ever one-day gain—to a record closing high of \$3.176 trillion.

OpenAI's role with Apple is limited. It will handle some functions that Apple's own AI can't, such as answering more complex queries or composing messages, with permission from the user. The OpenAI deal rated only about two minutes in Apple's nearly two-hour presentation Monday at its annual developer conference.

Apple said it would integrate its new personalized AI system, dubbed Apple Intelligence, with other AI models, including products developed by Google. Apple is also in discussions with other AI providers, said people familiar with the matter.

Yet, being featured at the Apple event also gave OpenAI a chance to be touted by the world's most successful consumer technology company as the leader in generative AI—implicitly endorsing it over Google, which has paid Apple as much as \$20 billion a year to be its default search engine and is the biggest competitor to OpenAI and Microsoft.

“It’s patently absurd that Apple isn’t smart enough to make their own AI, yet is somehow capable of ensuring that OpenAI will protect your security & privacy!” Musk said on X. He threatened to bar Apple devices from his companies if OpenAI technology is integrated into Apple operating systems.

Apple said its user information won’t be shared with ChatGPT, which runs on OpenAI servers. OpenAI can’t fingerprint user requests or see all the queries they make.



Elon Musk threatened to bar Apple devices from his companies if OpenAI technology is integrated into Apple operating systems. PHOTO: SERGEI GAPON/AGENCE FRANCE-PRESSE/GETTY IMAGES

What it means for Microsoft

Microsoft has invested more than \$13 billion into OpenAI for what is essentially a 49% stake in the earnings of its for-profit arm. The resources allowed OpenAI to develop some of the world’s most powerful AI tools. OpenAI’s technology helped Microsoft leapfrog rivals in the AI race.

The terms of the partnership allow both parties to strike deals with other companies.

The Apple deal raises questions about the state of the OpenAI-Microsoft partnership, what kind of exclusive access Microsoft has to OpenAI’s technology, and how the new deal will shape Microsoft’s longstanding ambition to develop consumer AI products.

An OpenAI spokesman declined to describe the differences between the Apple and Microsoft deals. OpenAI and Apple spokespeople declined to comment on the details of their companies’ deal.

As its largest investor, Microsoft gets early access to OpenAI’s newest models and has some visibility into the inner workings of its code. Apple now gets some special access to OpenAI’s technology, a person familiar with the matter said.

The pairing of OpenAI and Microsoft helped both companies offset the power of Google, whose strength in search and AI threatened them both. Last year, Microsoft CEO Satya Nadella told a journalist that he hoped AI-powered Bing search would at last make Google “dance.”

"It has to be a sinking feeling after all that he's done for OpenAI," said Gene Munster, managing partner at Deepwater Asset Management.

Microsoft has been working with new AI partners. Last year, it struck deals with Meta and Mistral AI, both of which are building open-source AI systems. Earlier this year, Nadella hired Mustafa Suleyman, a former DeepMind executive who ran another AI startup, Inflection, to lead Microsoft's consumer AI efforts.

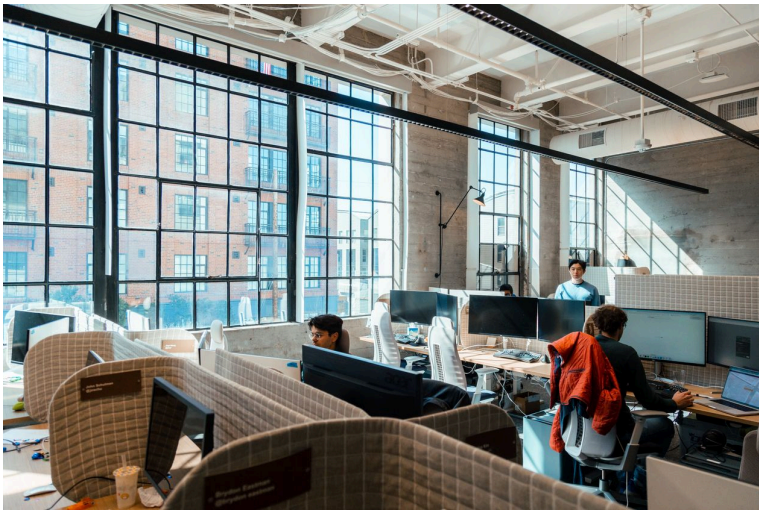
The potential surge of new usage of OpenAI's tech from the partnership with Apple could mean more revenue for Microsoft, which hosts the startup's software exclusively on its Azure cloud.

What it means for Google

The deal could benefit Microsoft by driving a wedge between Apple and Google, Microsoft's most direct rival in AI. Since 2003, Apple has made Google the default search engine in its Safari browser. Siri's ability to redirect users to ChatGPT for some queries puts Google's traffic at risk.

Soon after ChatGPT's launch in late 2022, Apple's Federighi and its senior vice president for AI, John Giannandrea, began exploring how to use ChatGPT inside Apple products.

Apple ramped up work on incorporating generative AI across its products starting in early 2023. Apple is also working on its own ChatGPT-like technology, said people familiar with the plans.



Employees at the OpenAI offices in San Francisco. PHOTO: CLARA MOKRI FOR THE WALL STREET JOURNAL

The version of ChatGPT available to all Apple users will default to the free version. However, Apple users can connect it to their premium ChatGPT subscription, which will send data to OpenAI.

Google, meanwhile, has been locked in a battle with OpenAI to develop and sell state-of-the-art AI systems. Google, in the past, has chafed at Apple's efforts to direct users away from its search engine.

"Google will definitely be watchful," said Annette Zimmermann, a vice president at Gartner who covers AI.

OpenAI's presence at a big Apple event is something of a homecoming for Altman, who has long admired the company and its founder, the late Steve Jobs. In 2008, a then-23-year-old Altman, wearing faded jeans and a hot-pink polo layered over a lime-green one, spoke at Apple's event to promote his location-tracking service, Loopt.

Apple's dominance in consumer technology dovetails with Altman's ambitions for OpenAI to develop products in the mold of ChatGPT that have broad appeal to regular people. Altman has also been working on an AI-powered personal device with the aid of former Apple designer Jony Ive.

This week, Altman was seated with current and former Apple officials along with two other OpenAI executives, Brad Lightcap and Greg Brockman. The trio was spotted chatting with Apple executives before the event.

Wall Street Journal owner News Corp has a content-licensing partnership with OpenAI.

—Tom Dotan contributed to this article.

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Corrections & Amplifications

Apple's market value jumped to a record closing high of \$3.176 trillion on Tuesday. An earlier version of this article incorrectly said \$3.176 billion. (Corrected on June 11)

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