

**PLAINTIFF**  
U.S. District Court - NDCAL  
**4:20-cv-05640-YGR-TSH**  
Epic Games, Inc. v. Apple Inc.  
**Ex. No. PX-0888**

Date Entered \_\_\_\_\_  
By \_\_\_\_\_

**Subject:** App Commerce preso  
**From:** "Ron Okamoto" <[REDACTED]>  
**Received(Date):** Thu, 11 Dec 2008 21:08:40 +0000  
**To:** "Scott Forstall" <[REDACTED]> Phil Schiller" <[REDACTED]>  
"Greg Joswiak" <[REDACTED]>  
**Attachment:** App Commerce Models 6.key.zip  
**Date:** Thu, 11 Dec 2008 21:08:40 +0000

---

All,

Attached is a keynote preso outlining the various app commerce models used by MS Xbox, Nintendo, Sony Playstation, etc. We've included summaries for other models and developer so we can see the current scope of what's offered.

Let me know if you have any questions.

Thanks.

Ron

---

**Exhibit**  
**PX 888**

PX-0888.1  
APL-APPSTORE\_10080247



# In-App Commerce

December 10, 2008

PX-0888.2

APL-APPSTORE\_10080248

# Current App Commerce Models

## Subscription

- Periodic fee for pre-negotiated content and/or service
- Developers frequently have their own billing service

## Download & Install

- Content purchased, delivered, and installed out of the game context
- Content ranges from additional object to full expansion packs
- Most common

## In-App

- Content purchased, delivered, and installed within the game context
- Commerce solutions are custom built
- Requires the game be architected to accommodate

## Hybrid

- Combines retail distribution, subscription, and in-app commerce

# Current Game Commerce Models

## Subscription

- Periodic fee paid for pre-negotiated content and/or service
- Developers frequently have their own subscription billing service they'd like to use with Apps
- Many developers would be happy to use iTunes for billing

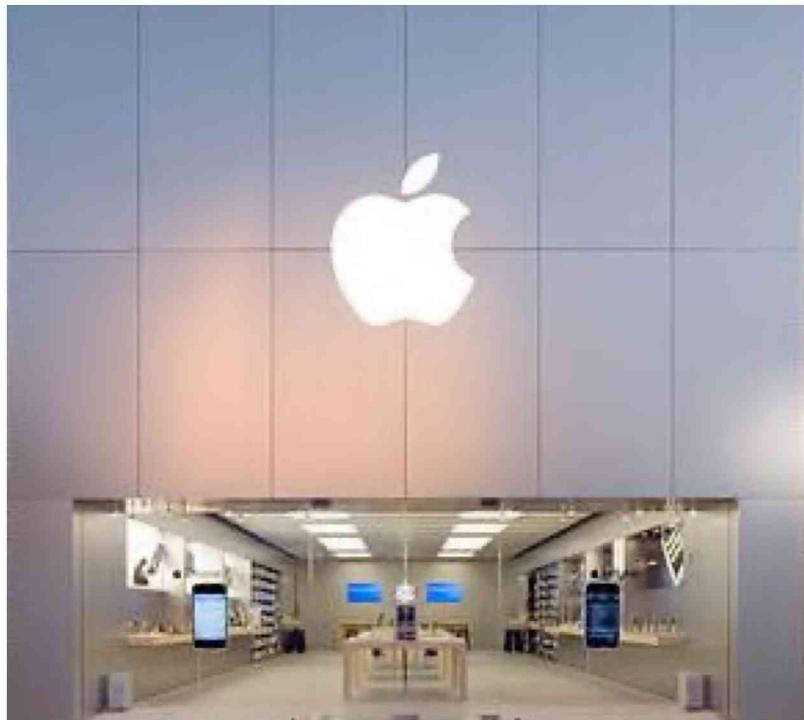
## Download and Install

- Game content purchased, delivered, and installed out of the game context
- All types of content ranging from additional object to full expansion packs
- Easy to leverage existing e-commerce infrastructure
- Minimally invasive to the design of the game architecture
- Most common model for games
- Least optimal user experience

## In-game Commerce

- Game content purchased, delivered, and installed in the game context
- Commerce solutions are custom-built
- Requires the game be architected to accommodate
- Not very common yet
- Provides superior user experience

# Game Commerce Models



# Subscription

# Subscription Regularly Updated

- **Business Model**

- New content added every day, month, season, etc
- Users need/want the updated content
- Don't want to pay for old content if they are subscribing "mid-year"

- **Medical Products**

- Epocrates – \$125 – 150/year
- Skyscape – \$15 – 200/year
- Lexi-Comp – \$75 – 300/year

- **Magazines**

- ESPN The Magazine – \$26 for 26 issues annually
- Whitepages people search app – \$25/year
- Wine Enthusiast Wine Guide – weekly content updates – \$40–60/year
- Bite Size Candy iMag – \$10/year

- **Real Estate**

- MLS Listings for realtors – \$500/year

- **Radio/Creative**



# Subscription Per Usage

- **Business Model**

- New content added every day, month, season, etc
- Users need/want the updated content
- Don't want to pay for old content if they are subscribing "mid-year"



- **Services**

- AT&T Phone Attendant – Hosted PBX Service – \$15–30/month
- Jott – every message needs to be transcribed – \$20/month
- Shazam – \$4 – 11/month
- ForeFlight – Pilot flight planning – \$90/year

- **Weather Alerts**

- The Weather Channel – \$6.99/month
- WeatherBug – \$2.99/month
- ForeFlight – Pilot Weather Data – \$20/month

- **Educational Learning Tools – Curriculum**

- Houghton Mifflin Harcourt – \$12 – 25 per student/year

# Subscription Software as a Service



- **Business Model**

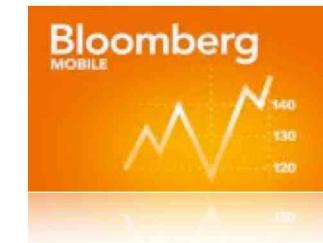
- Mobile version is just another client
- Updates included in monthly fee
- All users are using the same version of the application

- **SalesForce.com**

- Customer Relationship Management – \$30 – 150 per user/month

- **Bloomberg Anywhere**

- Complete Financial analysis and management – \$12,000 – 15,000 per user/year



- **Pearson**

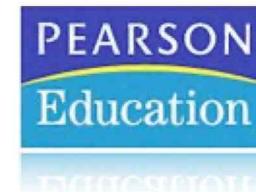
- Student Information System – \$100,000 – \$1 million/year depending on district size

- **NetSuite**

- Customer Relationship Management, eCommerce, and ERP – \$20 – 200 per user/month



- **Existing Deployments**



# Download & Install

# Xbox Live

## Download & Install

### (Console & Web)

## Business Model

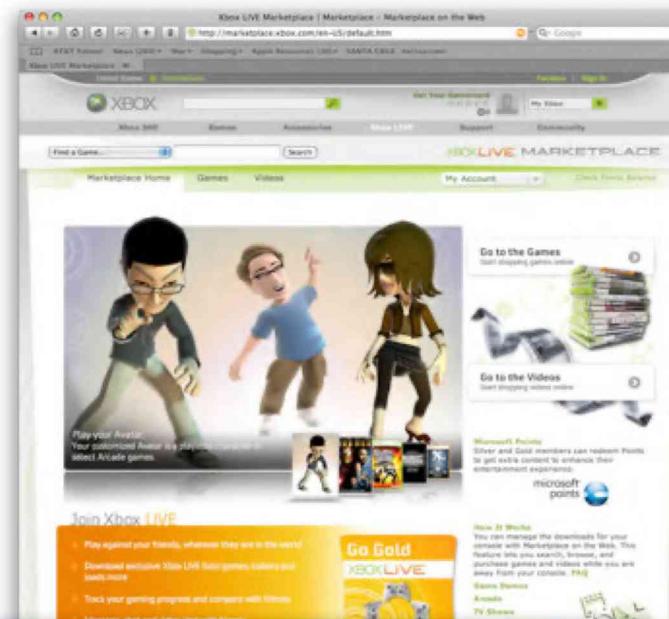
- Microsoft Points
- Works for Xbox Live and Zune
- Can buy on-line w/ a credit card, or at retail with cash
- 88 points for \$1 (Amazon)

## Available Content

- Premium games from \$13 to \$20
- Installable game content from \$1 to 18
- Movies from \$3.60 (SD) to \$5.50 (HD)
- TV Shows from \$1.80

## Examples of download and install game content

- Beautiful Katamari accessory sets from \$1.30
- Mass Effect, full expansion pack for \$3.50
- Forza 2, track packs for \$2.70, car packs from \$2.70
- Guitar Hero Tracks from \$1 to \$2



# PlayStation Store

## Download & Install



### Business Model

- Can buy on-line w/a credit card, or at retail with cash
- Point system in Asia markets use "Network Cards" (similar to iTunes gift cards)

### Available Content

- Downloadable games
- Add-on Content
- Themes
- Music
- Movies

### Examples of download and install content

- Wipeout HD \$14.99
- EA – Burnout \$29.99 (Full Game)
- Movies: \$9.99–14.99 purchase,  
- \$2.99–5.99 rent
- Guitar Hero Tracks from \$1.99 to  
\$2.99

### In-game Commerce

The screenshot shows the PlayStation Store interface. At the top, there's a navigation bar with 'My account' and '15.01 \$'. Below it, a banner for 'PLAYSTATION Network' with a \$20 value is displayed. The main area features a 'Featured Items' section with a large thumbnail for 'Little Big Planet' and other game icons for 'Call of Duty', 'Grand Theft Auto IV', 'Rock Band', etc. A detailed description of 'Echochrome' is shown on the right, mentioning its unique puzzle mechanics. The bottom of the screen includes standard navigation buttons like 'Enter', 'Home', 'Add To Basket', 'View Basket', and 'Next'.

This screenshot shows another view of the PlayStation Store. It features a 'Now Releases' sidebar with links to 'Downloadable Games', 'View All By Title', 'Add-Ons', 'Demos', 'Videos', 'Wallpapers / Themes', and 'Featured Items'. The main content area highlights 'PixelJunk Monsters' and 'GT Turismo 5 Prologue'. The bottom of the screen includes 'Exit', 'About Us', 'Privacy Policy', and 'Terms of Service' links, along with a 'Loot Ninja' logo.

# Nintendo Wii & DSi

## Download & Install

### Business Model

- Nintendo Points for Wii or DSi
- Can buy online with your PC/Mac/Wii or Points cards at retail
- Convert points to Wii or DSi -- locks them to that platform
- US\$1 = 100 Wii Points

### Available Content

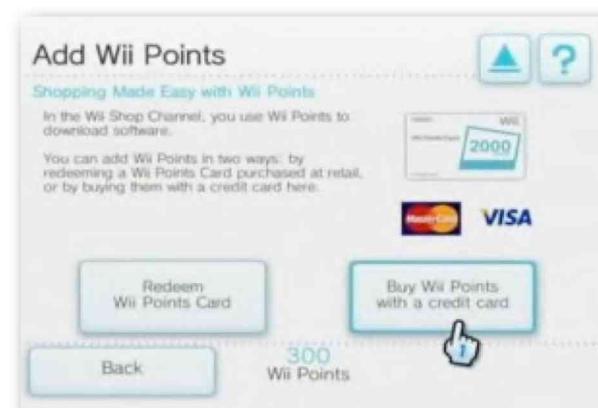
- Games
- Applications (ie. Opera Browser, Virtual Console Simulator)
- Downloadable game content

### Examples of download and install game content

- Wii Ware games: 500–1500 Wii Points
- Virtual Console games: 500–1000 Wii Points
- Wii Channels: 1–500 Wii Points

### In-game Commerce

- Some services for billing are provided to developers
- Refer to In-Game commerce section



# Microsoft Software Store

## Download & Install

### Business Model

- Credit Card only (no Microsoft points)

### Available Content

- Browser based implementation.
- Digital download – Microsoft products only.
- CD/DVD versions of software.
- Categories
  - Windows, Office, Entertainment
  - Hardware, Home+Reference,
  - Design+Developer, Business
- Only 1 3rd party software product:
  - EPIC, Gears of War (DVD only)

Microsoft Store



Windows Vista  
Business with...  
Full  
[Download](#)  
 \$299.95



Windows Vista  
Ultimate with...  
Full  
[Download](#)  
 \$319.95

### Examples of download and install content

- All versions of Vista (Full & Upgrade)
- All versions of Office (Full & Upgrade)
- Microsoft Flight Simulator
- All other game titles DVD only

### In-App Commerce

- Not supported by platform
- Left to developer to implement on their own



# Valve – Steam Download & Install

## Business Model

- PayPal
- Credit Card
- Click and Buy (EU equivalent of PayPal)



## Available Content

- Sometimes referred to as “iTunes of Games”
- 1000+ game titles (EA, Activision, id, Rockstar, EPIC, PopCap, 2K, Atari,
- 13 million registered users worldwide.
- Integrated chat between users.
- Automatic game updates & server stored game settings



## Examples of download and install game content

- Grand Theft Auto
- Fallout 3
- Call of Duty
- Left 4 Dead
- Bejeweled Twist
- FarCry 2



## In-game Commerce

- Not supported by platform
- Left to developer to implement on their own

# In-App Commerce

# In-Game Commerce

## Nintendo Wii

### MegaMan 9

- Developer implemented in-game store for special game functionality

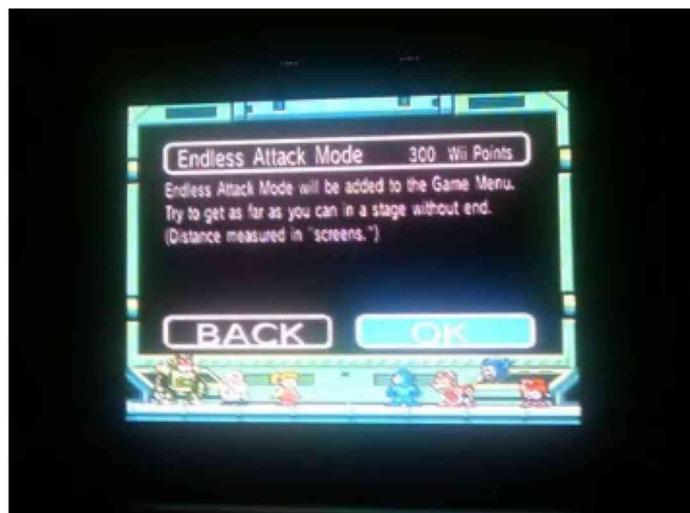
### What You Can Buy

- Proto Man Mode: 200 Wii Points
- Endless Attack: 300 Wii Points
- Hero Mode: 200 Wii Points
- Superhero Mode: 100 Wii Points
- Special Stage: 100 Wii Points



### In-game Commerce

- Leverages billing provided by Nintendo



# In-Game Commerce

## Xbox 360 & PS3

### Rock Band 2

- Developer implemented in-game music store to buy, download & install music tracks
- Many singles have already gone “gold”
- Over 6 million songs have already been purchased



### What You Can Buy

- Price is ~ \$2 for a song
- Song Packs from \$5

### In-game Commerce

- Leverages billing infrastructure of Xbox Live & Sony PS3



# In-Game Commerce

## Nokia N-Gage

### Credit Card or Operator Billing

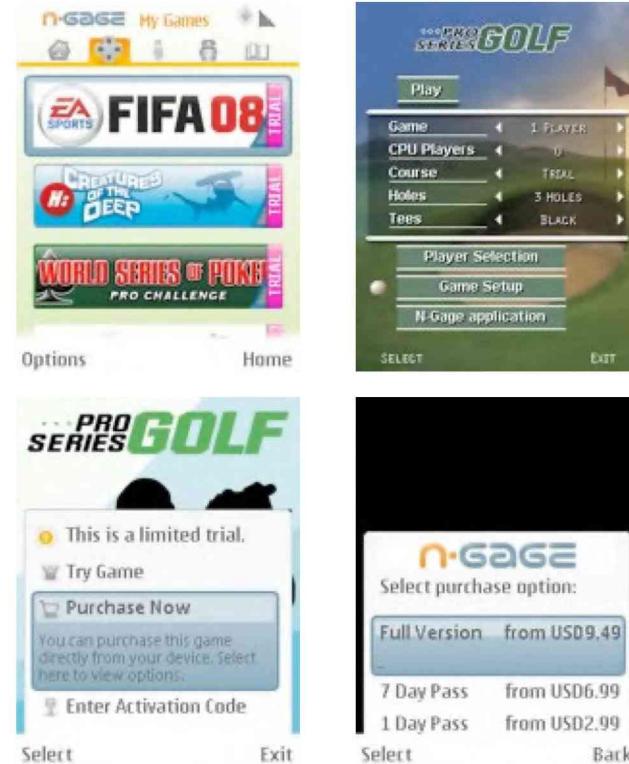
- Purchase online directly from N-Gage with your CC
- If your operator billing has been integrated, one-click billing directly to your operator bill

### What You Can Buy

- Full games (lifetime): US\$9.49–13.49
- 7 Day Pass: US\$6.99
- 1 Day Pass: US\$2.99
- Game Extras in the future (none available at this time)

### In-game Commerce

- Supported within the N-Gage platform
- In-game purchase and unlock full versions of games or daily/wkly passes



# In-Game Commerce

## Second Life

### Mobile, Mac, PC

#### Linden Dollars

- Currency of Second Life virtual world
- Exchanged between users for good and services or for real-world currency
- Linden Labs offer a brokerage service, LindeX, for these transactions
- Approx. US\$1 = L\$270

#### What You Can Buy

- Physical goods and virtual goods from branded shops (ie. American Apparel, Reebok, 1800Flowers)
- Other goods (ie. apparel, avatar hair, vehicles, homes) & services (ie. build homes, clothes)



#### Second Life Sanctioned Ecosystem

- LindeX to buy/sell L\$
- Enterprises, Education, Government, Non-profits
- Second Life Grid

#### Second Life Grey Market

\*Second Life has 16.1M resident total to-date with a total supply of L\$5.3B. As of April 2007, economic average averaged over US \$1.5M per day with LindeX trading activity averaging US\$250 a day. Premium subscription fee is US\$6 per month.

**eBay: Residents auctioning L\$ and letting the bidders dictate exchange rate**



# In-Game Commerce

## Zynga/Facebook

### Chips

- Purchase online directly from Texas Hold'Em game page on Facebook
- Players receive 1K chips a day for free
- US\$20 = 100K chips

### What You Can Buy

- VIP Table Access: 1M Chips
- Min Buyin to Private Tables: 20–2M Chips (set by user)
- Tournament Entrance: Starting is 1K Chips
- Drinks: 18–270 chips
- Game Extras in the future (none available at this time)

### In-game Commerce

- Chips used to buy play time, entrances to tables and tournaments and “drinks”
- No opportunity to “cash out”



# Hybrid

# Hybrid Model

## Retail, Subscription & Other

### World of Warcraft (PC)

#### Retail

- \$50 (Original Game)
- \$50 (Burning Crusade Expansion Pack)
- \$50 (Wrath of the Litch King Expansion Pack)



#### Subscription

- \$15 Monthly in North America and Europe
- Billed hourly in China (approx. \$0.10/hour)
- 1.5 Billion / Year Revenue

Search	Qty	Name	Buyout	Price	Pct.
Buyouts	2	Elemental Fire	2	20	0
	45	Dark Iron Scraps	7	50	0
	7	Small Lustrous Pearl	1	12	0
	20	Dense Grinding Stone	13	0	0
	1	Elixir of the Mongoose	2	25	0
	9	Small Glimmering Shard	1	44	0
	2	Iridescent Pearl	2	0	0
	3	Blue Sapphire	7	0	0
	11	Liferoot	99	99	0
	3	Soul Dust	75	0	0
	20	Soul Dust	5	0	0
	1	Twilight Cultist Cowl	60	0	0
	1	Twilight Cultist Cowl	57	0	0
	17	Dark Iron Residue	85	0	0
	40	Dark Iron Residue	2	0	0
	81	Dark Iron Residue	4	0	0
	100	Dark Iron Residue	5	0	0
	1	Recipe: Gift of Arthas	65	0	0
	1	Recipe: Gift of Arthas	60	0	0

#### Sanctioned Ecosystem

- eBay-like auction house in game for game items
- Items are bought and sold for gold
- Blizzard also allows characters to be moved between servers for a fee

WowGold1000.com

Cheap wow gold  
5 Mins Delivery Never Out Of Stock

Welcome to our World of Warcraft Gold Store.  
We are specialized, professional and reliable website for WOW GOLD selling.  
By the same token, we furnish the cheap wow gold for our long-term and loyal customers.

HOME    WOW GOLD    POWER LEVELING    WARCRAFT GOLD    BUY WOW GOLD    CHEAP WOW GOLD    ABOUT US    FAQS    CONTACT US    SITEMAP

#### "Grey Market" Ecosystem

- Gold has "gray market" \$ value (\$5/100G)
- Has spawned a cottage industry in China where players can actually make more

# Developer Feedback

# What Developers are Asking

## • Subscription

- **The Weather Channel, WeatherBug, Accuweather:** Users can subscribe to severe weather notification service.
- **Kodansha, Shogakukan, IDW Publishing (comic book publishing):** Users can subscribe to new issues of comic books for a limited number of issues, time or lifetime.
- **Hearts Publications, Bauer Media Co.:** Users can subscribe to new issues of wkly, monthly, bi-monthly magazines for a limited number of issues, time or a lifetime.

- **MobiPocket, Stanza:** Users can subscribe to frequently changed updates to reference materials on a periodic basis (ie. medical texts, equipment service manuals).
- **Hands-On Mobile:** Users can subscribe to frequently updated Billboard Top Charts or astrology updates.

## • In-App Commerce

- **EA:** Players can purchase additional trivia packs for Trivial Pursuit.
- **ngmoco:** Players can purchase additional pets, "dog-sitting," accessories for Touch Pets or new cars, car parts, special paint jobs, etc. for Cart Finger.
- **Zynga:** Players can buy more chips to replenish their pot for longer gameplay (rather than install new apps to replenish) for Live Poker.

# What Developers are Asking For

- **EA:** Purchase additional trivia packs for Trivial Pursuit.
- **ngmoco:** Touch Pets (additional pets, “dog-sitting,” accessories), Cart Finger (new cars, car parts, special paint jobs, etc.).
- **Zynga:** Players can buy more chips to replenish their pot for longer gameplay (rather than install new apps to replenish).
- **Digital Chocolate:** Players can buy more AvaChips to purchase virtual goods (ie. apparel, entrances to events & clubs, flirts).
- **The Weather Channel:** Users can buy severe weather alerts.
- **TomTom, Garmin:** Users can buy traffic data, premium POI data, map updates.
- **eReader.com:** Users can download one free eReader app, buy many books as they wish from their catalog.
- **Marvel:** Users can download new editions of comic books.

# Summary

1. Download and install is the widely supported model by major consoles.
2. In-game commerce is just coming to fruition without a clear leader to benchmark against.
3. Developers believe Apple could vault into a leadership position, and turn iPhone/iPod touch.

# Interested Developers

## Gaming

EA  
Sega  
NAMCO  
Konami  
Harmonics  
Gameloft  
THQ  
RealNetworks  
Zynga  
Digital Chocolate  
Glu Mobile  
Hands-On Mobile  
i-Play  
Tapulous

## Navigation

Garmin  
TeleNav  
TomTom  
Dash  
Xroad  
Way Finder  
Ulocate  
Churchill Navigation

## eReaders

eReader  
MobiPocket  
Fictionwise

## Books/Lifestyle

Kodansha (Voyager)  
Shogakukan (Celsys)  
Shueisha (Sharp)  
Marvel  
Aarden Entertainment  
Antarctic Press  
Ape Entertainment  
BlueWater Productions  
Moonstone Books  
IDW Publishing  
Image Comics Creators  
Jim Valentino  
Mark Andrew Smith  
Alex Gracian  
Kid Kong Comics  
Frazetta Comics  
Steve Rude Comics  
Great Big Comics  
Red 5 Comics  
Hearts Publications  
Time Inc.  
Sanoma Magazine B.V.  
Axel Springer AG  
Bauer Media Co.

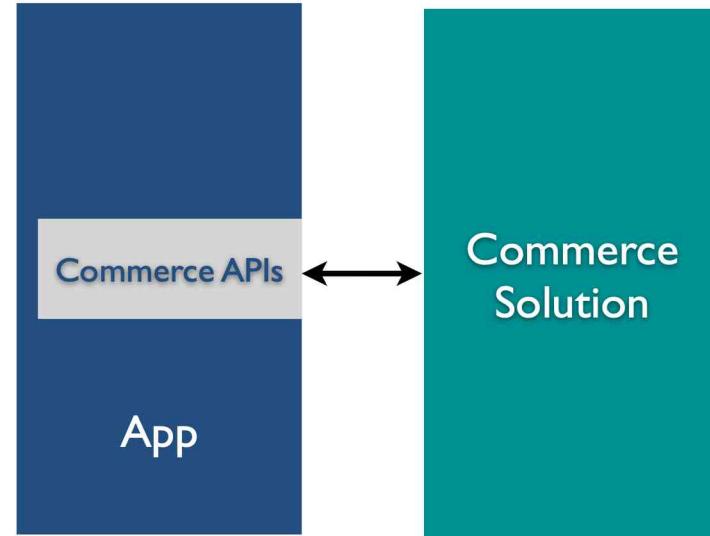
## Weather

The Weather Channel  
WeatherBug  
My Weather  
Accuweather

# What Developers Want

## APIs

- Scalable
- Micro (cents) to Macro (dollars) price-points
- Billing
- Subscription services
- DRM for items and privileges
- Secure
- Cash out?
- Enable fine grain control of quantity and frequency of transactions
- Sufficiently abstract to enable various UI:
  - HUD Text
  - Widget-based GUI's
  - Character dialogue based sales
  - etc.



# Developers' Requests for Commerce

## Subscription

- Periodic fee paid for content and/or service
- Mainly driven by content licensing with 3rd party on a per user, per month basis
- Content such as severe weather notification, magazines, comic books, Billboard top charts, safety camera locations, traffic info, etc.

## Micro-transactions

- Small one-time fee to enhance already installed application
- Content such as additional game levels, expansion packs, virtual goods, maps, POIs
- Delivery mechanism:
  - Download and install
  - In-app delivery

## Bundling

- Tie two or more SKUs either within App Store or SKUs across iTunes stores for a lower bundled price
- SKUs can be two games titles or a game and a movie

## Gifting

- Gift code for a specific SKU within App Store
- Ability to use codes for promotions and for reviewers

# Comics, Magazines, Periodicals and Reference Subscription

## Comic Books

- Dozens of Comic Book publishers have reached out to Apple
- Each comic book has dozens/hundreds of issues
- Publishers would like to provide free or paid with subscriptions
  - A limited number of new issues (e.g. next 12 issues)
  - At limited period of time (e.g. next 12 months)
  - A lifetime (every new issue ever produced)
- Comics for sale with all produced issues

## Magazines

- 100's of magazines publishers worldwide have content for iPhone and iPod touch
- Would like to support monthly, bi-monthly, and weekly basis
- Would like to support limits on subscription service (1 year, 6 months, etc)

## Periodicals and Reference Materials

- Dozens of devs, pubs, and institutions create single apps with 100's of referenced resources
- Users choose, pay for, and unlock the content they want (micro-transaction)

# AvaPeeps: Flirt Nation

## In-game Commerce

### Mac & PC

- “AvaChips” are used to ask for dates
- Players get a set amount daily for free
- To play more in a given day you need to buy more chips

### Uses of AvaChips

- Ask for dates (chat)
- Buy flirts
- Virtual goods (clothes, bling)
- Entrance to virtual events

