Background:

As of this year Apple became the most valuable public trading company. And now its long disputes with app developers are coming into public view.

This summer Epic Games publicly rebelled against Apple’s app stores 30% fees and urged the people to join them.

It is not just Epic Games but also Spotify, Airbnb, Tinder, Facebook, and Netflix have all had dispute with Apple’s app store rules.

Lawmakers are scrutinizing Apple and other tech companies with regards to antitrust violations. These violations fall into two categories: agreements to restrain competition, and efforts to acquire a monopoly.

Within Apple’s developer terms they have discussed the right to change their tax cut by however much at any point.

To analyse the stakes, we must analyse how significant the app store is to Apple’s business. In recent years, Apple has shifted its focus from selling devices such as iPhones to selling more software and services. Analysts estimated Apple’s app store revenue for fiscal year 2020 ending on September 26th is $17.5 billion.

Some apps and services are particularly important for the app store ecosystem, like Fortnite. The game has more than 100 million registered users on apple devices. That has produced around $1.2 billion in global app store spending as of August 2020.

Apple’s 30% fee applies to paid apps, in-app purchases, and subscriptions.

In late September, Spotify, the owner of Tinder, and Epic Games teamed up to pressure other app store operators to change their rules. Apple and Google have defended their fees given their security, developer exposure, and privacy.

Battle of app store fees has also spilled over into accusations of Apple allegedly stifling competition. Spotify’s fight with Apple:

In 2019 Spotify accuses Apple of stifling competition in EU complaint. To curb Apple’s subscription tax Spotify only enables sign-up on their website. However, Apple’s terms prevent Spotify from directing users to its site.

Netflix followed in the same way. Tinder charges a higher price on the app vs its website.

When we see big companies make this move, we can imagine many other companies are considering doing the same. The only difference is Netflix and Spotify are in a much better position to market themselves in contrast to smaller companies.

As an app developer your business largely depends on just two companies: Apple and Google. Roughly 95% of mobile app spending in the US happens on the app store and Google Play.

In September 2020, Apple said it would exempt some apps from paying commissions on virtual events hosted during the pandemic. However, most app developers say they want to review their entire commission policy altogether.

UPDATE:

Apple reduces app store commission to 15% for small businesses earning up to $1 million per year

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**Initial agreement:**

* The developer agreement for both the iOS and Android app stores allow Apple and Google to take a 30% tax for all in-app purchases, paid apps, and subscription services. These in-app purchases are defined by apps which sell digital goods in contrast to digital marketplaces which vend physical goods/services (ie. Uber, Airbnb). This therefore encapsulates Epic’s very popular game Fortnite which uses an in-game currency called VBucks for buying character skins. This agreement includes a clause which prevents developers from including different payment methods to bypass the tax on these in-game purchases.
* Furthermore, within Apple’s developer agreement terms they have discussed the right to change their tax cut by however much at any point.

**Breach of agreement:**

* Epic introduced a new direct-payment system in its extremely popular game Fortnite. This direct-payment system offered a cheaper price for the same in-game goods thus directly infringing upon these developer agreements.

**What led Epic to this breach of agreement:**

* Given Epic Game’s rapid Lawsuit response to Apple taking Fortnite off the App Store it is evident their motive was to publicly rebel against Apple’s 30% app store tax and urged the people to join them.
* I believe Epic Games’ wants to change this industry standard and stand-up to these massive and extremely powerful companies. However, the main difference here being the publicity of such a dispute. As it is not just Epic Games but also Spotify, Airbnb, Tinder, Facebook, and Netflix have all had dispute with Apple’s app store rules in the past, however, these were far less public.
* Furthermore, in Epic’s lawsuit they explicitly stated they were not asking for special pardoning from Apple implying they are fighting for a change for all mobile app developers.

**Behaviour of parties after breach:**

* Apple and Google both responded by taking Fortnite off their respective app stores for breaking its rules.
* Epic responded with a civil lawsuit against Apple and Google accusing antitrust violations which implies monopolistic practices and anti-competitive actions in these markets, harming device makers, app developers, app distributors, payment processors, and consumers.
* Along with this lawsuit Epic parodied Apple’s 1984 advert which accused IBM as being a monopoly, this obviously inferring Apple as being hypocritical due to its monopolistic practices. This move by Epic was obviously made to put such a dispute into the public domain to make people aware of Apple’s practices, by doing so they are ultimately seeking help from the people to rebel against Apple. This makes sense given the magnitude of Apple in contrast to Epic Games.  
  Epic Games = $17.3 billion  
  Apple = $2 trillion
* Update: Apple terminated Epic Games’ developer account

**Best interests for each stakeholder/party**

* Epic Games (and other app developers)
  + Lower taxes on apps
  + Good platforms
    - Exposure
    - Security
  + Choices of various platforms to choose the one which caters best for their product
* Apple and Google
  + Money
  + Data
  + Stifling competition using their rights
    - Such as, Apple taxing software subscriptions and not allowing apps to redirect users to the website to curb this hefty tax.
* The consumers
  + Privacy
  + Security
  + Reliable products
  + Good value products

**Lawsuit counts for each party and how the professionals were driven to add these counts**

* Epic Games lawsuit against Apple
* Apple’s defense and counter lawsuit
  + Looked to ban Unreal Engine
* Epic Games lawsuit against Google

**How the outcomes of the lawsuit may affect each party/stakeholder**

* If Epic wins all counts
  + Apple and Google
    - Competitive app stores, and payment processors
    - Lower taxes on app purchases
    - Less user support due to their practices
    - Could event in an industry wide change of software tax cuts, which are universally set to be 30% across all different platforms.
  + App developers
    - More app stores and payment processors to choose from
    - Larger income due to lower tax cuts: this could enable better valued in-app purchases and enable these smaller companies to do more.

**Changes already happened after the initial lawsuit**

* Apple terminated Epic Games’ developer account disabling them from producing any software for all Apple operating systems (ie. iOS and mac OS).
* The judge prevented Apple from banning games using Epic’s Unreal Engine from its storefront. It is a very popular engine, and most games that use it have nothing to do with Epic, Apple, or the lawsuit.
* In September 2020, Apple said it would exempt some apps from paying commissions on virtual events hosted during the pandemic. However, most app developers say they want to review their entire commission policy altogether.
* Apple reduces app store commission to 15% for small businesses earning up to $1 million per year.

The main point at question here is whether Apple should have full rights over conduct of developers on its own operating system. With regards to conduct here I mainly refer to how developers can monetise and distribute their content.

As given Apple makes up 50% of the mobile market, they evidently have a massive amount of power in the mobile app development industry.

Unlike Google who allows competing app stores Apple does not provide such a luxury.

Apple seems to be the master of excluding competition in both hardware and software sales by only allowing mac OS and iOS to be used on Apple hardware.

What extent is conflict of interest legal.

As a mobile app developer your business largely depends on just two companies: Apple and Google. This is evident as roughly 95% of mobile app spending in the US happens on the App Store and Google Play.  
  
This remaining 5% is attributed to alternative Android app stores alone as Apple does not allow for any competing app stores on iOS. However, Epic has still scrutinized Google for making the process of downloading another store on Android to be lengthy and unnecessarily complicated.

Given the magnitude of power each of these companies have in the mobile app distribution market, mobile developers do not really have any other choice than to accept their respective developer agreements.