

An Article: Antitrust Scenario of Apple Inc.

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Introduction

A number of Apple's commercial practises are alleged to have been anti-competitive, leading to criticism and legal action.

The App Store, the sole place to get software for iPhones and iPads, is one of the most obvious causes for worry. Apple compels developers to use its in-app payment system, which entails a cost, and levies a commission of up to 30% on all sales made through the App Store. Developers have taken issue with this, claiming that Apple is abusing its dominating position to demand extortionate fees and suppress competition.

Numerous lawsuits have been brought against Apple in response to these worries. 2019 saw the Supreme Court grant permission for an iPhone user complaint that claimed Apple's App Store fees were an abuse of its monopolistic power. In July 2020, the US House Judiciary Committee heard testimony from the CEOs of Apple, Google, Amazon, and Facebook regarding antitrust issues in the technology sector.

Apple's dominance over device maintenance and repair is a further cause for concern. Apple has come under fire for making it difficult for customers to get their devices fixed by independent contractors and for its policy of nullifying warranties for repairs made by unlicensed professionals. This has given rise to claims that Apple is exploiting its control over repairs to increase the amount of money it charges customers and keep independent repair facilities from undercutting its own repair offerings.

Furthermore, claims have been made that Apple stifled competition by using its control over the iOS operating system. For instance, Apple has been charged with preventing apps from the App Store that compete with its own services, like music streaming. Additionally, Apple has been charged with intentionally slowing down older iPhone models with software updates to entice users to upgrade to newer devices.

So far allegations of anti-competitive behaviour have been made against Apple on several occasions, most notably in connection with the App Store, device repairs, and its control over the iOS operating system. It is unclear how Apple will respond to these issues moving forward, despite the fact that some of these complaints have given rise to legal action.

Apple's App Store and its ecosystem

All iOS devices, including iPhones, iPads, and iPods, come pre-installed with Apple's App Store, a digital store. From games and entertainment to productivity and utility functions, it provides a wide range of mobile applications. Since its 2008 debut, the App Store has grown to be a crucial component of the Apple ecosystem.

Every programme that is submitted to the programme Store is reviewed by Apple's App Review team, which makes sure it complies with the company's standards for quality, security, and content. By doing this, the App Store's integrity is preserved and users are shielded from hazardous or malicious apps.

The App Store offers a number of features to improve the user experience in addition to giving developers a platform to distribute their apps, including personalised recommendations, app ratings and reviews, and in-app purchases. As a recurring revenue source, developers can use the App Store to sell subscriptions for their apps.

The iOS operating system, the hardware required to operate it, and a number of other services, like iCloud, Apple Music, and Apple Pay, are all part of Apple's ecosystem, which also includes the App Store. With features like Handoff and Continuity, users may smoothly transition between their devices thanks to the ecosystem's architecture, which aims to give consumers a seamless and integrated experience.

Apple's Market Power

As of September 2022, Apple had a market valuation of more than \$2 trillion, making it one of the most valuable firms in the entire world. Its dominance in a number of industries, such as software, computers, and mobile devices, contributes to its market power.

Since its introduction in 2007, Apple's iPhone has dominated the market for mobile devices. With a market share of roughly 16% as of 2021, Apple is currently the second-largest smartphone manufacturer in the world. While Apple may not have the same market share as certain rivals, like Samsung, it has a strong brand and devoted following that allows it to charge premium prices and keep high profit margins.

Apple's Mac computers are less popular than Windows-based PCs in the computer market, but they are nonetheless very profitable and have a devoted following among designers, performers, and other users who like their design, performance, and ecosystem integration.

Apple's software and services also demonstrate its dominance in the market. A vast ecosystem of services and applications that are tightly connected with Apple's hardware has been developed thanks to the iOS operating system and the App Store. Due to the difficulty of replicating the same amount of functionality and integration, this has helped Apple gain a competitive edge.

Regulators and legislators have expressed concern about Apple's dominance in some areas and its control over its ecosystem as a result of the company's market clout. Concerns have been raised in particular over Apple's commission rates on the App Store, its control over the distribution and price of apps, as well as the company's policies regarding repairs and recycling. Some claim that Apple's dominant position in the market provides it an unfair edge over rivals and that this could eventually hurt both innovation and competition.

Evidences about the company doing anti-competitive practices

Indirect Evidences

There are a number of circumstantial indications that Apple might be engaging in anti-competitive behaviour, particularly in light of its dominance over the App Store and its ecosystem. A few of these are:

High Commission Rates: The commission rates for Apple's App Store, which can range from 15% to 30% of the revenue generated by apps, are one of the main causes for worry. Because developers must pay the rates or risk being banned from the App Store, some claim that these fees are unnecessarily expensive and offer Apple an unfair edge over rivals.

Restrictive criteria: In order to have their programmes published on Apple's App Store, developers must abide by a number of severe criteria. These regulations can be challenging for developers to understand and span everything from app functionality to pricing and advertising. These regulations, according to critics, inhibit competition and give Apple an excessive amount of control over the app industry.

Pre-installed Apps: It has also been asserted that Apple's practise of pre-installing its own apps on its products is anti-competitive. For instance, Apple's Safari browser has an edge over rival browsers that users must download from the App Store because it comes pre-installed on all iOS devices. Critics claim that this reduces competition in the browser market and provides Apple an unfair edge.

Apple's app approval procedure has also come under fire for being unduly stringent and cryptic. Long approval wait times have been observed by developers, and some have even charged that Apple arbitrarily rejects apps. Critics claim that this inhibits competition and gives Apple excessive control over which programmes can be downloaded from the App Store.

Exclusion of Competitors: There have also been charges that Apple has done so, either through its policies or its review procedure, by excluding competitors from the App Store. For instance, some claim that Apple censors apps that compete with its own services, such streaming music or movie services.

Direct Evidence

There are a number of direct and concrete pieces of evidence that point to possible anti-competitive behaviour on the part of Apple. Among the most notable are:

Epic Games Lawsuit: In August 2020, the maker of the well-known video game Fortnite, Epic Games, filed a lawsuit against Apple, claiming that the latter was acting in an anti-competitive manner. In particular, Epic Games contended that Apple had retaliated against it for seeking to circumvent the App Store's payment mechanism and that Apple's commission rates and control over the App Store were anti-competitive.

EU inquiry: In response to concerns from Spotify and other businesses, the European Commission opened an antitrust inquiry into Apple's App Store practises in June 2020. Apple's commission fees, distribution of apps under its control, and in-app purchase regulations are the main subjects of the probe.

Apple said that it would lower its commission rates for developers making less than \$1 million per year from 30% to 15% in November 2020. Some people interpreted this action as a reaction to the mounting criticism of Apple's commission fees and management of the App Store.

Tim Cook, the CEO of Apple, spoke during a hearing on antitrust matters held by the Senate Judiciary Committee in April 2021. Cook was grilled about Apple's commission fees, its control over the distribution of apps, and how it handles rivals in the app market.

Scams on the App Store: There have been a number of occasions where scams and fraudulent apps have appeared on the App Store, which some have suggested is proof that Apple has no control over the marketplace. According to detractors, Apple's stringent policies and review procedure ought theoretically exclude the appearance of such frauds on the store, and the fact that they do so indicates that the company is not doing enough to safeguard customers.

These concrete pieces of evidence collectively imply that there are legitimate worries regarding Apple's actions in the App Store and its dominance of its ecosystem. Apple has made some adjustments in response to these issues, such as lowering commission fees for small developers, but it is still unclear whether Apple's actions are anti-competitive and whether they will ultimately hinder innovation and competition.

Apple's in app purchasing system

Developers can add extra features or material to their apps using Apple's in-app purchasing system, which customers can access through the App Store. Although the system has advantages for both consumers and developers, some claim that Apple has also utilised it to monopolise the market and suppress competition.

The commission rates of Apple's in-app purchasing system are one of the key issues. Critics claim that Apple's 30% commission on all in-app purchases made through the App Store is overly exorbitant. This commission covers both tangible products and services sold through applications in addition to digital products like music, movies, and eBooks. This implies that in-app purchase-based services like Uber and Grubhub are also subject to the 30% charge.

Critics claim that this commission rate inhibits competition in the app industry and provides Apple an unfair edge over alternative payment methods. By providing other payment options, some developers have attempted to get around the system, however Apple has been known to reject apps that do this, citing its App Store standards.

The power it affords Apple over the app market is another issue with Apple's in-app purchasing scheme. Apple has the authority to dictate the terms under which in-app purchases can be made because developers are required to use its platform. As a result, claims have been made that Apple is stifling competition by obliging developers to utilise its platform and by enforcing policies that favour its own services.

For instance, Apple mandated the usage of its in-app purchasing platform for all subscriptions sold through apps starting in 2011. With their own payment methods, businesses like Spotify and Netflix were now liable to the 30% charge. Since then, both businesses have made it impossible to buy subscriptions through their iOS apps.

Consumer's Harm

Customers have been accused of being harmed by Apple's in-app purchasing mechanism and related practises in a variety of ways. Among the primary worries are:

Increased Prices: According to critics, consumers pay more because of Apple's 30% commission on in-app sales. As a result, people pay more for the goods and services they buy through apps than they would have otherwise if the developers had been able to accept alternate forms of payment.

Users have a limited selection of payment methods since Apple mandates that developers use its in-app purchasing platform for digital payments. This restricts competition and innovation in the payment industry and may result in a dearth of variety in available payment methods.

Reduced Innovation: According to critics, the in-app purchasing system is restricted by Apple, which prevents developers from experimenting with different payment methods. This implies that customers might pass up cutting-edge payment options that could enhance their experience.

Reduced Access to Information: Since Apple is in charge of the in-app purchasing mechanism, it also has extensive access to data on customers' purchasing preferences. This data can be used to target advertisements and promotions, but it can also be used to prevent users from accessing data that Apple has not authorised.

Retaliation Against Competitors: According to critics, Apple has retaliated against rivals by using its dominance over the in-app purchasing system. For instance, Epic Games claimed that Apple retaliated against it after it tried to use a different payment method in its well-known game Fortnite.

These issues collectively imply that Apple's in-app purchasing mechanism and related business practises may be hurting consumers by stifling competition, driving up costs, stifling innovation, and restricting access to information. Apple has made some adjustments in response to these worries, such as lowering commission fees for small developers, but the argument over how these actions will affect consumers is certain to persist.

Apple's conduct in removing competitors from app store

Apple has been charged of expelling rival app stores in an effort to curtail competition and safeguard its own goods and services. This behaviour has been the focus of various court lawsuits and regulatory investigation.

Apple's withdrawal of Fortnite from the App Store in August 2020 serves as one illustration of this behaviour. The move came when Epic Games launched a new payment method that let customers buy virtual goods from the company directly, avoiding Apple's in-app shopping system and the related commission. Fortnite was then removed from the App Store by Apple in response, citing a breach of its App Store policies.

In response, Epic Games sued Apple on the grounds that it had broken antitrust laws by abusing its monopoly strength to hurt rivals. Epic Games alleged that Apple's actions were anti-competitive since they restricted customer and developer options and stifled market innovation.

Apple has also removed apps that compete with its own services from the App Store, including as Spotify's in-app subscription option and apps that offer substitute web browsers or email services, as well as other competitors. The removal of rival apps from the App Store, according to critics, hurts market competition and innovation. Apple can preserve its monopoly position and shield its own goods and services from competition by restricting customer and developer options.

Regulators and lawmakers have requested modifications to Apple's procedures in response to these worries. Others have urged Apple to open up its ecosystem to encourage more competition and creativity, while some have asked for greater openness in the App Store approval process.

In general, legal challenges and intense scrutiny have surrounded Apple's actions in expelling rivals from the App Store. Detractors claim that this hurts market competition and innovation.

Consumers Harm

There are various ways in which consumers could be harmed by competitors leaving the App Store:

Limited options: Customers have fewer options when choosing items and services when rivals are eliminated from the App Store. As a result, the market may experience a lack of innovation and variety and may experience increased pricing for customers.

Reduced innovation: As businesses try to stand out from the competition and offer better goods and services, competition is a driving force for innovation. When competitors are eliminated from the market, innovation may decline, which may eventually hurt consumers.

Potentially higher prices: Businesses could be able to charge more for their goods and services when there is less competition. Higher prices for consumers may arise from this, which may be detrimental for individuals with limited financial resources in particular.

Limiting consumer access to information: If rival apps are taken down from the App Store, customers may not have full access to the data they require to make wise purchases. Customers may be forced to choose from a limited selection of goods and services, which may not be the best fit for their requirements.

Furthermore, there are several potential antitrust violations that Apple has been accused of, including:

Monopolization: Apple has been accused of monopolizing the market for iOS app distribution by requiring all iOS apps to be distributed through the App Store, and by charging a 30% commission on all in-app purchases. Critics argue that this gives Apple an unfair advantage over competitors and limits consumer choice.

Anti-competitive conduct: Apple has been accused of engaging in anti-competitive conduct by removing competitors from the App Store and favoring its own products and services over those of competitors. This conduct has been criticized for limiting competition and innovation in the market.

Price fixing: Apple has been accused of engaging in price fixing by requiring app developers to use its in-app purchasing system and charging a 30% commission on all in-app purchases. Critics argue that this results in higher prices for consumers, and limits the ability of developers to offer lower prices for their products and services.

Tying arrangements: Apple has been accused of engaging in tying arrangements by requiring app developers to use its in-app purchasing system in order to distribute their apps through the App Store. Critics argue that this ties the sale of apps to the use of Apple's in-app purchasing system, and limits the ability of developers to offer alternative payment systems.

Discrimination: Apple has been accused of discriminating against competitors by favoring its own products and services over those of competitors in the App Store. This conduct has been criticized for limiting competition and innovation in the market.

These potential antitrust violations have been the subject of several legal cases and regulatory scrutiny, and are likely to continue to be a focus of attention for regulators and lawmakers going forward.

Apple's Self Preferencing

Apple's practise of favouring its own goods and services above those of its rivals in the App Store is known as self-preferencing. This practise can take many different forms, including prominently showcasing Apple's own apps and services in the App Store, restricting competitors' ability to market their own goods and services, and giving Apple's apps and services more priority in search results.

Apple's self-preferencing, according to critics, provides it an unfair competitive advantage and stifles innovation and competition. For instance, if Apple prioritises its own music streaming service over a rival's offering, the latter may find it harder to draw customers and expand its customer base. Furthermore, Apple may restrict customers' access to new apps and services if it favours its own search results over those of rivals.

Due to its self-preferencing practises, Apple has been under regulatory scrutiny and legal attack, with some contending that these practises violate antitrust laws. In response, Apple has defended its procedures as being in customers' best interests and essential to preserving the App Store's integrity and standard of excellence. Self-

preferencing and its effects on competition and innovation, however, are likely to be a topic of discussion for some time to come.

Tying Situation

Tying is a practice in which a company requires a buyer to purchase one product or service in order to obtain another product or service. In the case of Apple, the company has been accused of tying its own products and services to the use of its platform, which limits competition and choice for consumers.

Apple is charged with linking a variety of its own goods and services to the use of its platform. One of the most notable instances is Apple's insistence that any digital goods and services provided within an app must be purchased through the company's own in-app shopping platform. This implies that developers are prohibited from using alternative payment processors like PayPal or Stripe and are required to pay Apple a 30% commission fee on all in-app sales. Additionally, developers must submit their apps to Apple's App Store in order to reach iOS consumers, where they are subject to Apple's rules and must pay a 30% fee on all app sales. Apple's insistence that developers utilise its own programming language, Swift, to make iOS apps is another illustration of tying. Due to the need to use Swift or produce distinct versions of their apps for several platforms, developers are unable to construct cross-platform apps. This limits customer choice and makes it more challenging for developers to produce programmes that work across different platforms.

The usage of Apple's payment system and App Store by users in order to access specific apps and services, according to critics, limits consumer choice and is anti-competitive. Apple makes it challenging for rivals to enter the market and provide customers with alternatives by connecting its payment system and App Store to the iOS operating system.

As a result of its tying practises, Apple has come under regulatory scrutiny and legal attack; some claim that these practises violate antitrust laws. As the market for digital products and services develops, the argument about tying and its effects on innovation and competition is probably going to rage on.

How they are balancing

Arguments on both sides about whether Apple's actions are pro- or anti-competitive have been raised in relation to its business practises. While detractors claim that Apple's practises stifle competition and innovation, the company has claimed that they are important to create a safe and high-quality App Store ecosystem.

Apple frequently uses the advantages of its platform for developers as support for the claim that its actions are pro-competitive. The iOS platform from Apple has a sizable and active user base and gives developers access to a variety of tools and resources for producing top-notch apps. Furthermore, Apple has made significant investments in supporting the ecosystem of the App Store through marketing, advertising, and other measures that support user engagement and app discovery.

Apple has also maintained that its exclusive in-app payment platform and App Store policies are essential to safeguarding consumers from fraud and malware as well as ensuring that apps adhere to particular privacy and data protection standards. Apple asserts that by offering a safe and reliable platform, it is fostering consumer confidence and trust, which in turn encourages more people to utilise the App Store and buy apps and digital items.

Critics counter that Apple's actions stifle innovation and competition and that the expenses of the App Store ecosystem exceed the advantages. For instance, Apple restricts developers' ability to offer alternate payment methods or to compete on pricing by requiring them to utilise its proprietary in-app purchasing system and pay a 30% commission fee on all in-app transactions. Concerns regarding possible bias and arbitrary decision-making have also been raised as a result of Apple's control over the App Store approval process and its rules.

While there are valid points on both sides of the debate, it is evident that there is a strong desire to foster innovation and competition in the app and digital services markets. Regulators will therefore continue to closely monitor Apple's business practises to make sure that they do not unfairly restrict competition or harm consumers.

Conclusion

Regarding its business practises, both pro- and anti-competitive arguments have been made regarding Apple's conduct. Apple has argued that its practises are critical to building a secure and top-notch App Store ecosystem, despite critics' claims that they restrict competition and innovation.

Apple regularly argues that its activities are pro-competitive by highlighting the benefits of its platform for developers. Apple's iOS platform has a big and engaged user base and offers developers a wide range of tools and resources for creating excellent apps. Apple has also made considerable expenditures in promoting the App Store ecosystem through marketing, advertising, and other activities that encourage user interaction and app discovery.

Apple has also insisted that the laws governing the App Store and its exclusive in-app payment system are crucial for protecting users from malware and fraud as well as ensuring that apps follow specific privacy and data protection guidelines. Apple claims that by providing a secure and trustworthy platform, it is increasing consumer trust and confidence, which in turn encourages more people to use the App Store and purchase apps and other digital goods.

Arguments against Apple's policies include that they restrict innovation and competition and that the costs of the App Store ecosystem outweigh the benefits. For instance, by compelling developers to use its exclusive in-app purchasing system and pay a 30% commission charge on all in-app purchases, Apple limits their freedom to offer alternative payment methods or to compete on pricing. Apple's influence over the App Store approval process and its regulations has also sparked questions about potential prejudice and arbitrary decision-making.

Even though both sides of the argument have good reasons, it is clear that there is a strong desire to promote innovation and competition in the marketplaces for apps and digital services. In order to ensure that Apple's business practises do not unjustly limit competition or harm consumers, regulators will continue to closely watch them.

