Abstract

When an organisation acts independently of the dynamics of the competitive market and attracts the greatest number of customers, it enjoys a dominant position in the market. It has been repeatedly proven through a series of cases that a dominating actor may try to engage in actions that are an abuse of their dominant position and hence, anti-competitive, resulting in a chilling effect on efforts to create perfect competition. In a fast-developing digital technology market, it is expected that the competition enforcement machinery will adopt measures that can be applied to dynamic competition. With the South Korean government bringing in a stricter legislation to control such misuse, would an attempt to shift from ex-post facto mechanism to an ex-ante framework afford a possible solution to bring in effective changes to circumscribe abuse of dominance in the digital marketspace? This paper tries to comparatively analyse the recent law passed by South Korea, nicknamed the “Anti-Google law”, and how India can take inspiration from it to implement changes to existing laws.

Keywords: Anti-Google law, in-app purchases, app developers, online gaming, anti-competitive behaviour, digital marketspace, Google, Apple

1. Introduction

The four tech giants, Amazon, Apple, Google, and Facebook, are constantly increasing their dominance in the market and have become monopolies (Subcommittee on Antitrust, 2020). These four businesses have been increasingly acting as gatekeepers of commerce and communications in the digital age, which allows them tremendous potential for misuse. Their combined market capitalisation increased by USD 1.4 trillion between 2013 and 2017 (Werline, 2017), and they often engage in certain
practices to eliminate or discipline a competitor or the relevant market by deterring new competitors from entering the market, thus preventing competition by substantially reducing the number of competitors.

The US has had two monopoly-related policies for over a century. Where competition is possible, antitrust legislation is applicable; where competition exists, antitrust legislation prohibits it from being undermined (Brennan, 2021). The most extreme violations occur when competitors agree to hold their rates static or separate their customers rather than competing for them. The purpose of laws prohibiting mergers between significant rivals and individual businesses that inhibit the success of other businesses is to maintain competition (Brennan, 2021).

South Korea became the first country (Dangor, 2021) to ban the monopoly of Apple and Google with respect to transactions in in-app purchases (“South Korea bans Google, Apple,” 2021). This decision was taken by the South Korean government to protect content developers and make an impact on tech giants (Rizvi, 2021). The National Assembly of South Korea passed a new law, with a majority of 180 of the 188 attending members, bringing in amendments of activities to enable the government to conduct surveys of market providers on how they are protecting users. The Telecommunications Business Act 2021, nicknamed “Anti-Google law” places restrictions on tech giants such as Apple and Google to prohibit them from compelling users to utilise the in-app purchase portals within the app. Apple said that this law would affect their business by causing decreasing app store purchases, while Google was of the opinion that its present model keeps costs low for consumers (Rizvi, 2021).

The Anti-Google law was introduced in South Korea to prevent app store owners from using their dominant position in the market to impose payment methods on app developers and cripple third-party payment methods. In September 2020, Google announced that apps in the Play Store can only accept payments through Google’s payment system and no other mode. Regulators in various countries are worried about Google’s market dominance in in-app purchase payment systems, online advertising, and various other areas in e-commerce. China has imposed a fine on various anti-monopoly violations while some countries require laws for the same (Reuters, 2021).
One of the biggest antitrust concerns about Google and Apple is their monopoly over in-app purchase and their payment systems. To understand Anti-Google law, one must understand the meaning of *in-app purchase*. An in-app purchase is when goods or services are purchased from an application. This allows app developers to provide their applications to consumers at no cost. When one downloads the free version of the app, the developer adds advertisements of other apps, provides features that can be unlocked only through purchase, or includes special items on sale. This profits the developer (Barone, 2020); for example, a game that is free for download may require a purchase to move to the next level or to upgrade the features of the game.

Google Play and iTunes allow users to download free apps but provide for in-app purchases. These platforms always inform users about the availability of such in-app purchases. Consumers make payments directly through the app and need not use any other payment platform. Further, if anyone attempts to pay via a different platform, it is considered a violation of the policies of the app stores. Thus,

In app purchases (or IAPs) have been drawing a lot of ire in the mobile world for quite some time now. Consumers agree that improperly done IAPs are ruining the app and game experience and even tech bloggers are giving the otherwise great apps bad reviews because they include in-app purchases. (Hindy, 2013)

Since in-app purchases are made through the application, any other gateway for purchase is considered unauthorised and raises security concerns. In-app purchasing has always been on the radar of regulators across countries because there has to be a delicate “balance in how IAPs should be done and many developers aren’t hitting that sweet spot” (Hindy, 2013). The concept may be better understood through the example of carpet bombing to get a picture of how developers are doing it incorrectly:

**Example – Carpet bombing**

A recent example is Angry Birds GO. It is a well-done game that any casual gamer could enjoy but the experience of the game is somewhat hindered by a near constant demand for money. After every race, it’ll ask if you want double coins forever. After a few races your birds get
tired and must rest but you can pay real money to keep them going. Right next to the unlockable cars are the pay-only cars. Literally everywhere you go in the game, it asks for money. In essence, the game carpet bombs you with in-app purchase opportunities and for many, it ruins the genuinely enjoyable game that’s underneath the nonsense. (Hindy, 2013)

Further, children today use the phone constantly, which has resulted in developers introducing flashy advertisements to encourage them to make in-app purchases. There have been several recent instances, especially during the lockdown, when children secretly made in-app purchases worth lakhs in mobile games using their parents’ debit/credit cards (Dogra, 2021).

The present paper attempts to understand the concept of in-app purchases being used by tech companies (Tissier, 2021) and provides an overview of the concept to establish how tech giants misuse their dominant position. Furthermore, a deep understanding of the present regime adopted by competition authorities is sought with a view to make informed decisions on improving competition law.

Abuse of dominant position is often seen as an easy practice adopted by bigger companies, as it is easier for them to use their privilege than set a moral high ground for healthy market competition. Thus, this paper suggests approximate measures that could be adopted to reinforce the present competition ecosystem with a different set of rules by conducting a comparative analysis of the legislative practices of other nations.

2. Law in South Korea

The South Korean parliament passed a bill to impose restrictions on the payment policies of Apple and Google. One of the major objectives of the bill was to stop these app store operators from charging in-app purchase commissions, thus curbing them from forcing software developers to use their payment methods (Geris, 2021). The bill, which is an amendment of the Telecommunications Business Act, was approved by South Korea’s National Assembly Legislation and Judiciary Committee on 26 August 2021 (Geris, 2021):
The bill was approved by 180 votes to nil in the National Assembly; making South Korea the first major economy to pass legislation on the issue, in a move that could set a precedent for other jurisdictions around the world. (Dangor, 2021)

The Act is the first law to place a ban on the payment policies of Apple and Google. It also empowers the South Korean government to intervene in payment disputes within app stores and haul up app store operators for delaying the publishing or deletion of apps.

According to the payment policies of Apple and Google, developers of apps on Apple’s App Store and Google Play Store have to pay up to 30% commission on every transaction. However, the Anti-Google law gives developers the freedom to direct users to pay using other payment platforms. Apple and Google reject the premise of this bill, arguing that it is bad for consumers (Feiner, 2021). In a statement, Apple said that the bill would undermine consumers’ trust in their store, as well as saying that it “will put users who purchase digital goods from other sources at risk of fraud, undermine their privacy protections and make it difficult to manage their purchases” (Yonhap, 2021); according to a Google spokesperson, “we’ll reflect on how to comply with this law while maintaining a model that supports a high-quality operating system and app-store, and we will share more in the coming weeks” (Geris, 2021, para. 5).

2.1. Amendment of the Telecommunications Business Act

The amended law prohibits app marketplaces from using their positions in the market to unfairly impose a particular payment system on content providers (Jang & Wong, 2021). Additionally, the Act prohibits delays in the review of the mobile content in cases where content providers use different payment platforms or systems. This delay was a form of retaliation by app store owners when a different payment method was used by content providers. The Act further makes it a requirement for app marketplaces to provide refund details and payment details in their terms and conditions. Furthermore, for the protection of content providers, the Act allows the Korea Communications Commission (KCC) and the Ministry of Science and Information and Communications Technologies (ICT) to investigate the operations of app marketplaces. Furthermore, the law imposes a fine of up to 3% of the revenue earned by the app stores in
South Korea if the provisions of the law are violated (Article 53 of the Act) (Library of Congress, 2021).

2.2 Effects of Anti-Google Law

The restrictions placed on app store owners such as Apple and Google regarding content providers are in conformity with the Monopoly Regulation and Fair Trade Act (MRFTA). MRFTA is the primary statute in South Korea that governs fairness in contracting. However, the amended Telecommunications Business Act (TBA) provides that, in case an administrative penalty or a corrective order is imposed under the TBA when the amended provisions are violated, the app store owner cannot be susceptible to an administrative sanction or order under MRFTA when the act violating the TBA also violates the provisions of MRFTA. Hence, when there is any contradiction between the provisions of the TBA and MRFTA, the former will prevail.

Google argues that it requires money to maintain the Play Store and the Android operating system. Apple contends that the law will put users at risk of privacy violations and fraud. Apple further states that, as a result of this law, 482,000 registered developers in South Korea will not have access to opportunities (Agrawal, 2021). However, the new amendment was welcomed by the Korea Internet Corporations Association (“South Korea bans Google, Apple,” 2021)—a lobby group comprising the largest internet companies of South Korea, including Naver, one of the biggest online shopping sites in the country.

As contended by the tech giants, the new law will have a significant impact on the revenues of both companies. It will set a further precedent for other countries around the world, prompting them to pass similar laws that would attempt to break the monopoly of Apple and Google.

3. International Perspective

Other countries in addition to South Korea have also proposed laws to prevent big tech companies from monopolising and abusing their dominance in the marketplace. In December 2020, the European Union (EU) proposed the Digital Markets Act for the prevention of gatekeeper positions of large technology platforms. Furthermore, 36 states in the
US filed an antitrust lawsuit against Google regarding the monopoly of transactions for in-app purchases. Besides this, the US Senate has introduced a bipartisan bill to restrict the operations of Apple and Google app stores and impose rules on app developers on the platform (Schweitzer & Gutmann, 2021). Likewise, the Australian Competition and Consumer Commission (ACCC) is also considering regulations to restrict the payment methods of Apple, Google, and WeChat (Park, 2021). In a discussion paper published in February this year, the ACCC stated that it aimed to go after big tech companies that indulged in anti-competitive conduct, insufficient consumer and business user protection, and bargaining imbalances, among other misconduct (ACCC, 2022).

### 3.1. Epic Games vs. Apple

Epic Games brought a lawsuit against Apple in the United States District Court for the Northern District of California against practices in the Apple App Store. Epic Games challenged Apple’s policy of not allowing app developers to make in-app purchases using payment methods other than that of Apple. The founder of Epic Games had previously challenged Apple its 30% commission charged on in-app purchase transactions for the game Fortnite. Epic Games changed the payment system for Fortnite, and Apple consequently blocked the game from App Store, which led to the former filing a suit against Apple. Apple filed a countersuit, claiming that using a separate payment system was a violation of the agreement between Epic Games and Apple. In the first part of the trial, the case was decided in favour of Apple. However, the court ordered Apple to not block developers from using other payment systems for in-app purchases and that developers can share this information with users. Epic Games filed another lawsuit in relation to Fortnite against Google on the same day, challenging the in-app purchase policies of the Google Play Store after Google removed Fortnite from the store when Epic Games included a payment system other than that of Google. Epic Games did not seek monetary damages in either of the cases. However, it sought injunctive relief to allow fair competition in the market, primarily opposing the monopoly of the app stores regarding the in-app purchase method.

While the court ruled in favour of Apple, it provided a permanent injunction against blocking in-app purchases and app developers for
providing different payment systems. The court observed that the relevant market was “digital mobile gaming transactions”. It was further held that Apple does not have a monopoly over this market; rather, it enjoys a duopoly with Google, and there are potential competitors in the market, such as Nintendo and Google Stadia (Robertson, 2021). The court held that Epic Games could not prove that Apple’s actions were violative of California competition law. The court further allowed Apple to continue charging a 30% commission on its own in-app purchases. Additionally, the court said that Apple cannot prohibit app developers from communicating with customers through the contact information gained by the developer in the process of a user signing up for the app. One of the reliefs sought by Epic Games required Apple to open up the App Store to third-party app stores. This relief was dismissed by the court.

4. Scenario in India

In 2020, 56 Indian start up founders appealed to the Ministry of Electronics and Information Technology pertaining to the changes proposed by Google regarding the payment approach adopted by app developers. Google’s new policies stated that it would charge a 30% commission from app developers and that developers had to make payments only through Google’s payment gateway.

Furthermore, the Alliance of Digital India Foundation (ADIF) raised with the Competition Commission of India (CCI) the issue of in-app purchases made by Apple and Google. Regarding South Korea’s legislation, the executive director of ADIF stated as follows:

Any legislation on the matter anywhere in the world will set a precedent for other nations to adopt and build on, and we hope this will now expedite smaller legislations by other governments as well. The matter has always been about the anti-competitive practices of forcing a payment option as well as of forcing out other payment providers. We exhort the Apple(s) and Google(s) of the world to uphold the spirit of the legislation and adopt fairer policies going forward. Unfair practices and anti-competitive practices stifle the innovation and adversely impact market outcomes in the long run. (Mukul, 2021)
Additionally, ADIF petitioned the government to make it mandatory for tech giants such as Apple and Google to allow in-app purchases using payment methods other than those provided by them.

India does not have any specific laws related to curbing the monopoly of Apple and Google regarding in-app purchases; however, it has its own regime for tackling anti-competitive behaviour. India formerly had the Monopolies and Restrictive Trade Practices Act, 1969 (MRTP Act), which was enacted to restrict the concentration of economic power in a few hands in the country (Gandhi, et al., 2021). In 2002, the Parliament of India enacted the Competition Act, 2002 (Competition Act) for regulating business practices and curbing practices that are harmful to competition in India. The Competition Act regulates three types of conduct, namely, anti-competitive agreements, abuse of dominant position, and combinations. The Competition Act was further amended through the Competition (Amendment) Act, 2007.

After Google’s September 2020 announcement that apps can make in-app purchases and transactions can only be made using Google’s billing system, there was discontent among the developer community in India. Following the consequent backlash faced by Google, it postponed the implementation of the in-app purchase policy in India and also reduced the commission from 30% to 15% for apps with only USD 1 million of annual revenue (Bhalla, 2021).

95% of the smartphones in India run on Google’s Android OS, which makes it dominant in India. Since the Google Play Store is preinstalled on Android phones, it becomes the default application to download apps on Android phones in India. Thus, Google’s policy of making it mandatory for app developers to use its billing system will disadvantage competitors.

CCI began investigating after a number of app developers approached it for protection from Google’s policies. Prima facie, CCI stated that “mandatory use of application store’s payment system for paid apps & in-app purchases restrict the choice available to the app developers to select a payment processing system of their choice especially considering when Google charges a commission of 30%” (Thomas, 2021). ADIF also filed an application to CCI praying for an order as a relief to maintain the status quo regarding policies until further notice. According to ADIF, the policy should not be implemented until CCI’s order, and if the order is in
favour of Google, at least a 6-month buffer period should be provided to developers to comply with the policies (Thomas, 2021).

The primary function of an app store is to connect the third-party app developer to the end user. Under the Information Technology Act, 2000 (IT Act), app stores can be classified as intermediaries that are exempt from their liability for the contents of the third party (§79, IT Act, 2000). App stores can be classified under three categories or functionalities: a platform that connects the user and the third party; a closed complex within which strict rules are to be followed; and utilities that are necessary for users to navigate or use their mobiles or smartphones. This complex definition is important as it helps determine the laws and regulations to be followed by the app stores. App stores are critical to the enforcement of laws online, which became evident when India banned Chinese applications. The access of an app is determined by app stores and their compliance with government regulations.

CCI recently investigated and passed an order against Google for abusing its dominance by not paying news publishers fair value for their digital content used in search results (“CCI orders probe against Google,” 2022). It was found that several countries, including Australia, France, and Spain, have passed legislations directing tech companies such as Google to adequately compensate news producers for using their content on search results and to declare the total revenue collected and percentage transferred to media houses.

Big tech companies experience constant questioning and investigation by regulatory bodies across the world due to their established dominance (“Android and iOS,” 2022) and its likely abuse. Evolving technology and lack of competition in the market make it difficult to obtain “fair” charges for services such as content moderation, app review, and transaction processing. Antitrust regulations alone cannot make big tech companies fall in line as they are always in crosshairs with different products and suggested remedies.

5. Conclusion

Apple and Google have been under scrutiny in South Korea as well as other countries for their in-app purchase policies. Such policies create an anti-competitive environment in marketplaces and also place other app
developers at a disadvantage, as third-party payment gateways charge less commission on in-app purchases compared to Google’s and Apple’s payment gateways (Sarwar, 2022). One of the major reasons for passing the Anti-Google law was to create a fair app ecosystem, where the rights of creators and developers are ensured and pushing an ad-based business model is essentially an abuse of their dominance. Users’ right to diverse content at a low price is also effectively ensured by the law.

App stores have legal responsibilities that they have to fulfil with reference to the enforcement of government regulations for an app. For a smooth regulatory framework, app stores must adhere to government policies. Apple and Google, being tech giants, have always been on the radar of regulators across countries, as they have a major market share and impact on users.

The limitation of the Anti-Google law is that it has failed to consider the possibility that consumer(s) will stop using small mobile-based apps. The author suggests that, to curb this issue, Android-based developers should coalesce around payment systems that will not exploit them like those of Apple or Google. Further, taking an antitrust action against these companies will be long and drawn-out, as complaints against the industry are varied, ranging from anti-competitiveness to privacy issues, data protection, and vulnerable information, against which multiple agencies will pursue action. There is always a possibility that bigger companies lure smaller companies with financial compensation, leading to a settlement. Here, the author suggests that governments can update or amend current antitrust laws so as to maintain a competitive environment, which will promote and allow other app stores and payment software to compete against Apple and Google and keep a check on acts of app market operators that impose unfair discriminatory conditions and restrictions on mobile content providers (Amended Telecommunications Business Act 2021). There is also a need to broaden the ambit of definitions and penal provisions to prevent bundling of all services by one app provider. Payment options for consumers can also be improved by mandating the elimination of anti-steering clauses from the app store policy. These rules can be modelled after the recent South Korean rules that aimed to accomplish the same objectives.
References


*Digital Markets Act 2022* Art. 3 (EU)


Information Technology Act 2000, § 79.


