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15 UNITED STATES DISTRICT COURT
16 NORTHERN DISTRICT OF CALIFORNIA
17 OAKLAND DIVISION

18 DONALD R. CAMERON, a California resident;
19 PURE SWEAT BASKETBALL, INC., an Illinois
20 corporation; and BARRY SERMONS, a Georgia
21 resident, on behalf of themselves and all others
22 similarly situated,

22 Plaintiffs,

23 v.

24 APPLE INC., a California corporation,

25 Defendant.

No. 4:19-cv-03074-YGR

PLAINTIFFS' CONSOLIDATED
CLASS ACTION COMPLAINT
FOR VIOLATIONS OF THE SHERMAN
ACT AND CALIFORNIA UNFAIR
COMPETITION LAW

Hon. Yvonne Gonzalez Rogers

JURY TRIAL DEMANDED

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1 For their complaint against defendant Apple Inc. (Apple), plaintiffs, on their own behalf and
2 on behalf of all others similarly situated, allege as follows:

3 I. INTRODUCTION

4 1. Plaintiffs Donald R. Cameron, Pure Sweat Basketball, Inc. (Pure Sweat Basketball),
5 and Barry Sermons are developers of digital products for the iPhone, a device powered by Apple's
6 iOS operating system. iOS developers create the applications and in-app products that bring Apple
7 iPhones, iPads, and iPod touch music players to life. Their apps allow users to play games while on
8 line at the grocery store, to edit documents, to make exercise more fun, to help meditate, and so
9 much more.

10 Apple's abusive monopoly in iOS app/in-app distribution services

11 2. Plaintiffs and their fellow iOS developers sell their iOS apps or app-related digital
12 products via Apple's App Store. They have no choice in the matter, but not because Apple built an
13 app store that beat all comers fair and square. Instead, from the outset, Apple attained monopoly
14 power in the U.S. market for iOS app and in-app-product¹ distribution services² by slamming the
15 door shut on any and all potential competitors. And it has barred the door ever since. On the
16 thinnest of pretenses—that somehow it is uniquely qualified to ensure the safety and device-
17 compatibility of apps³—Apple has never permitted anyone else to distribute apps and related digital
18 products⁴ to the many millions of U.S. owners of its mobile devices.

19 _____
20 ¹ Throughout this complaint in reference to the App Store, the terms “in-app product(s),” “in-
21 app-product(s),” and “in-app purchase(s)” include subscriptions, though at times plaintiffs discuss
22 other constituent products for clarity or information purposes. In-app products might include, for
23 example, paid virtual implements that a consumer buys in a game that is nominally free.
Subscriptions might include changing or updated digital content delivered through an app for a
periodic fee. Here, such products can be sold via the Apple Store, and if they are, then Apple
collects a fee or commission as alleged herein. (*See, e.g.* n. 6, *infra* (referring to Apple explanations
on its website).)

24 ² Alternatively, as alleged herein, Apple is a *de facto* monopsonist given its status as the sole
retailer of the app developers' digital products.

25 ³ *See, e.g.*, “Submitting iOS apps to the App Store,” available at:
26 <https://developer.apple.com/ios/submit/> (“The App Store is designed to provide customers with apps
27 that work seamlessly with their device's capabilities.”) (last accessed Sept. 30, 2019); Brief of
28 Petitioner Apple Inc., submitted to the U.S. Supreme Court in *Apple Inc. v. Pepper*, Aug. 10, 2018,
Sup. Ct. No. 17-204 (Apple Sup. Ct. Pet. Br.), at 7 (“Apple designed, from the ground up, an
ecosystem for the use, development, sale, and distribution of apps. That ecosystem has two relevant
features: (1) iPhones will only download third party software that Apple has reviewed for malware

1 3. Further, Apple’s market power has allowed it to charge developers a supra-
2 competitive 30% commission⁵ on the sale of paid apps and in-app products⁶ *for over 11 years now*,
3 despite the inevitable accrual of experience and economies of scale. Additionally, Apple collects a
4 \$99 annual fee from all developers who wish (and must) sell their products through the App Store.
5 Apple also dictates minimum and greater price points, such that iOS developers cannot offer paid
6 products at less than \$.99 or at price points ending in anything other than \$.99. And so, while Apple
7 is fond of pointing to impressive-sounding sales numbers and dollars earned by developers,
8 nonetheless, its exorbitant fee for distribution (or retail sales) services, coupled with its \$99 annual
9 fee and pricing mandates, have cut unlawfully into what would have been developers’ earnings in a
10 competitive atmosphere.

11 4. Also, Apple’s overly expensive 30% commission, its \$99 annual developer fee, and
12 its pricing mandates have depressed output of paid app and in-app-product transactions. The
13 consumer apps marketplace, which gives rise to the sale of Apple’s distribution or retail-sales
14 services to iOS developers, resoundingly favors low-priced or free apps.⁷ Developers and would-be
15 developers, who can only earn 70% on the dollar on each paid app or product, and who must pay \$99
16 annually to sell in the App Store, undoubtedly think very hard about whether to spend the effort,
17 time, and energy that is required to design and program an app or related product; bring it to market
18 in the single store available; and endeavor to recoup costs and make a reasonable profit. For many,
19 the calculus, including financial investments, makes no economic sense. And so they do not

20 _____
21 and offensive content, among other things, and (2) to distribute those third party apps, Apple created
a new kind of software distribution platform, the App Store.”).

22 ⁴ Those few who have tried have had to use unsanctioned workarounds, some of which required
23 the owners to jailbreak their devices and lose warranty coverage and support in the process. (*See*,
24 *e.g.*, “Cydia closes purchases for its iOS jailbreak store,” *The Verge*, Dec. 16, 2018, available at:
<https://www.theverge.com/2018/12/16/18143422/cydia-disables-in-app-purchases-ios-jailbreak-store-apple-iphone> (last accessed Sept. 30, 2019).)

25 ⁵ Plaintiffs alternatively refer to Apple’s commission as a “transaction fee,” “distribution fee,”
“distribution-services fee,” or “fee.”

26 ⁶ The current exception is subscriptions, where the rate drops to 15% after a year. (*E.g.*, “App
27 Store—Overview,” available at: <https://www.apple.com/ios/app-store/principles-practices/> (last
accessed Sept. 30, 2019).)

28 ⁷ *See* n.60, *infra*.

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