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11
12 UNITED STATES DISTRICT COURT
13 NORTHERN DISTRICT OF CALIFORNIA

14 SAURIKIT, LLC

15
16 Plaintiff,

17 v.

18 APPLE INC.,

19 Defendant.

CASE NO. _____

COMPLAINT

JURY TRIAL DEMANDED

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. THE PARTIES	3
III. JURISDICTION AND VENUE.....	4
IV. INTRADISTRICT ASSIGNMENT	4
V. RELEVANT FACTS	5
A. CYDIA—THE INNOVATOR THAT LED APPLE TO CREATE THE APP STORE.....	5
B. APPLE MONOPOLIZES THE IOS APP DISTRIBUTION AND IOS APP PAYMENT PROCESSING MARKETS	8
1. Apple Belatedly Launches Its Own App Store	8
2. Apple Has Monopoly Power in the Relevant Markets for iOS App Distribution and iOS App Payment Processing	12
3. Apple’s Anticompetitive Conduct and the Antitrust Injury	21
INTERSTATE TRADE AND COMMERCE.....	30
PRAYER FOR RELIEF.....	37
DEMAND FOR JURY TRIAL.....	37

1 **I. INTRODUCTION**

2 1. In today's world, if you ask an iPhone user what is the "App Store," they will tell
3 you it is the store that Apple includes on all new iPhones and is the distribution channel through
4 which users locate, download, and pay for applications ("apps") for their phone. The App Store is
5 a huge business that generates over \$50 billion annually, of which Apple generally takes a 30%
6 cut. It is also a source of much controversy because, just as it does in nearly all aspects of its
7 business, Apple has wielded the power the App Store gives it over iOS app distribution ruthlessly,
8 and in a way that has not only drawn substantial outcry from the app developer community, but
9 also deep scrutiny from governments and regulators worldwide.

10 2. What most do not know, however, is that it did not have to be this way and, in fact,
11 is not this way (and never was) on nearly every other electronic device platform. Historically,
12 distribution of apps for a specific operating system ("OS") occurred in a separate and robustly
13 competitive market. Apple, however, began coercing users to utilize no other iOS app distribution
14 service but the App Store, coupling it closer and closer to the iPhone itself in order to crowd out
15 all competition. But Apple did not come up with this idea initially—it only saw the economic
16 promise that iOS app distribution represented after others, like the Plaintiff here, demonstrated that
17 value with their own iOS app distribution products/services. Faced with this realization, Apple
18 then decided to take that separate market (as well as the additional iOS app payment processing
19 market described herein) for itself.

20 3. Plaintiff SaurikIT, LLC ("SaurikIT" or "Cydia") was founded by Jay Freeman, a
21 preeminent software engineer. When Apple introduced the iPhone, it failed to address the
22 distribution of iOS apps. Mr. Freeman realized that Apple's users wanted and needed to expand
23 the iPhone's stock capabilities, so he developed Cydia. With an intuitive and attractive interface,
24 Cydia was the first comprehensive solution to fill that need and was the App Store before the App
25 Store even existed.

26 4. Cydia became hugely popular by offering a marketplace to find and obtain third
27 party iOS applications that greatly expanded the capabilities of the stock iPhone, including games,
28 productivity applications, and audio/visual applications such as a video recorder (whereas the

1 original iPhone only allowed still camera photos). Apple subsequently took many of these early
2 third party applications' innovations, incorporating them into the iPhone directly or through apps.

3 5. But far worse than simply copying others' innovations, Apple also recognized that
4 it could reap enormous profits if it cornered this fledgling market for iOS app distribution, because
5 that would give Apple complete power over iOS apps, regardless of the developer. Apple
6 therefore initiated a campaign to eliminate competition for iOS app distribution altogether. That
7 campaign has been successful and continues to this day. Apple did (and continues to do) so by,
8 *inter alia*, tying the App Store app to iPhone purchases by preinstalling it on all iOS devices and
9 then requiring it as the default method to obtain iOS apps, regardless of user preference for other
10 alternatives; technologically locking down the iPhone to prevent App Store competitors like Cydia
11 from even operating on the device; and imposing contractual terms on users that coerce and
12 prevent them from using App Store competitors. Apple has also mandated that iOS app
13 developers use it as their sole option for app payment processing (such as in-app purchases), thus
14 preventing other competitors, such as Cydia, from offering the same service to those developers.

15 6. Through these and other anticompetitive acts, Apple has wrongfully acquired and
16 maintained monopoly power in the market (or aftermarket) for iOS app distribution, and in the
17 market (or aftermarket) for iOS app payment processing. Apple has frozen Cydia and all other
18 competitors out of both markets, depriving them of the ability to compete with the App Store and
19 to offer developers and consumers better prices, better service, and more choice. This
20 anticompetitive conduct has unsurprisingly generated massive profits and unprecedented market
21 capitalization for Apple, as well as incredible market power.

22 7. But Apple's anticompetitive conduct has not gone unnoticed. Regulators around
23 the globe are currently investigating its abuses of power over iOS app distribution, iOS app
24 payment processing, and iOS apps themselves. The United States government, for example,
25 recently condemned Apple as a monopolist the likes of which "we last saw in the era of oil barons
26 and railroad tycoons." According to a recent U.S. House Judiciary Antitrust Subcommittee report,
27 "Apple leverages its control of iOS and the App Store to create and enforce barriers to competition
28 and discriminate against and exclude rivals while preferencing its own offerings." European

1 regulators likewise have “opened formal antitrust investigations to assess whether Apple’s rules
2 for app developers on the distribution of apps via the App Store violate EU competition rules” and
3 are concerned that “Apple obtained a ‘gatekeeper’ role when it comes to the distribution of apps
4 and content to users of Apple’s popular devices.” And that is just the beginning—Apple is under
5 investigation for its anticompetitive conduct in at least seven jurisdictions around the globe for
6 precisely the conduct Cydia challenges here.

7 8. Were it not for Apple’s anticompetitive acquisition and maintenance of an illegal
8 monopoly over iOS app distribution, users today would actually be able to choose how and where
9 to locate and obtain iOS apps, and developers would be able to use the iOS app distributor of their
10 choice. This would have, in turn, forced Apple to compete for such distribution, which basic
11 economics dictates would have carried substantial benefits to consumers and developers alike.
12 But Apple chose a different path and instead illegally squashed all competition for the App Store,
13 even despite efforts, like Cydia’s, to continue to compete in that market up to this day. Apple’s
14 actions have increased prices for developers and consumers, decreased market output in multiple
15 respects, and generally suppressed innovation because Apple simply wanted more money for
16 itself. Such actions are antithetical to fair competition, violate the law, and require action to
17 prevent further harm to the market and consumers. This lawsuit seeks to open the markets for iOS
18 app distribution and iOS app payment processing to those who wish to compete fairly with Apple,
19 and to recover the enormous damages Apple caused.

20 II. THE PARTIES

21 9. Plaintiff Cydia is a California company with its principal place of business in Isla
22 Vista, California. The Cydia application is an app marketplace that seeks to expand the
23 capabilities of the iPhone for users, including by distributing innovative applications, games, and
24 packages. Cydia was developed in 2008 by a programmer named Jay Freeman. At its inception in
25 2008, Cydia was the most successful iOS app distributor, predating the App Store. Apple then
26 escalated the anticompetitive conduct described herein, which forced its later-developed App Store
27 into a dominant position and largely shut Cydia and other competitors out of the iOS app
28 distribution market. Yet, even under these anticompetitive circumstances, Cydia has consistently

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