



March 27, 2021

The Honorable Deborah Ruggiero  
Chair, House Innovation, Internet, & Technology  
Rhode Island House of Representatives  
82 Smith Street  
Providence, RI 02903

Dear Chair Ruggiero, House Innovation, Internet, & Technology Committee, and House Leadership:

We write in support of H6055: General Regulatory Provisions – Deceptive Trade Practices. The proposed legislation will provide payment options for the people of Rhode Island, allow consumers to keep more money in their pockets, attract new developers and cutting-edge technology companies to Rhode Island, and address the monopolies controlling user data and payment exclusivity.

The Coalition for App Fairness (CAF) is an independent nonprofit organization made up of more than 50 app developers advocating for freedom of choice and competition across platforms. Our membership, which includes small and large developers across a variety of categories - from startups to small developers to popular apps - is committed to the creation of a fair system for digital app stores.<sup>1</sup> To achieve this goal, we introduced our App Store Principles, a list of rights and responsibilities for developers that would introduce transparency and fairness in the app development and distribution processes.

Today, dominant platforms, like Apple, have exclusive control over their respective app store marketplaces. When you think about how you download apps to your smartphone, the last thing that comes to mind is choice. In fact, for almost every cellphone user in Rhode Island there is no option: you use one of the dominant platforms or you don't have access to apps at all. Since the platforms control how you access apps, they also control which apps appear in the app store, how you pay for those apps, and serve as a middleman that controls user data to the detriment of the developer. In many cases, the app owner doesn't even have a direct relationship with their customer because the platforms control the data and contractual relationship.

H6055 accomplishes two things:

1. **It provides Rhode Island users payment choices for subscriptions and in-app payments. Think about the recurring subscription or the upgrade purchased in a video game – the dominant platforms tax those transactions at an astounding 30%. H6055 does not dictate what the dominant platforms can charge for their payment processing, but rather prohibits**

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<sup>1</sup> *Our Vision*, COALITION FOR APP FAIRNESS, <https://appfairness.org/our-vision/> (last visited Mar. 21, 2021).



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**the continued monopoly, providing competition and reducing fees to the Rhode Island consumer.**

- 2. Incentivizes app developers and owners to locate and grow in Rhode Island by allowing companies that do a majority of their work in Rhode Island to provide payment options to any of their customers, regardless of where they live. Importantly, when app developers are allowed to provide their customers choice, they remove the major app stores as the data collecting middlemen and gain direct line of sight to the consumer.**

App stores have become a tool through which tech monopolies control developers and undermine their products. The platforms, once disruptive and transformative in their own right, have settled into behaviors that not only hurt developers and consumers, but impair innovation in the digital sphere. Because the dominant platforms have unregulated power over app marketplaces, our members have been subject to abusive and anticompetitive practices.

Similarly, app developers face the threat of arbitrary removal from the app stores with no recourse. App stores have abused this power in the past, cutting off app developers from their own customers, permanently in some cases, for a wide variety of unfair and anticompetitive reasons. For example, apps have been removed in retaliation for cooperation with antitrust authorities.<sup>2</sup> Others have been removed because the app store owner wanted to remove alternatives to its own app offering.<sup>3</sup> Still others are removed for social or political reasons, despite not violating the terms of service for distribution on the app stores.

The app stores force many developers to use their in-app payment processing services or face removal from the app store (the sole pipeline to our customer). The unilateral control over payment processing allows dominant platforms to charge exorbitant fees of 30% for payment processing, while big developers pay only \$99 annually and 3-5% for the same payment processing service.

The platforms' will argue that measures like H6055 will lead to lesser privacy and security for users is merely a pretext for the continued entrenchment of their power.

The platforms impose payment processing requirements selectively, and for their own benefit. For example, Apple does not require the use of its in-app payment system for other services, like ordering groceries or purchasing a plane ticket, instead allowing users to choose from different payment processing options. The

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<sup>2</sup> Aimee Picchi, *Fortnite Maker Epic Games Sues Apple and Google After Being Booted From App Stores*, CBS NEWS (Aug. 13, 2020), <https://www.cbsnews.com/news/fortnite-epic-games-sues-apple-google-app-store-removal-2020-08-13/>.

<sup>3</sup> Reed Albergotti, *Apple Suppressed Competitors in its App Store -- Until it Got Caught, a Lawsuit Alleges*, WASH. POST (Dec. 20, 2019), <https://www.washingtonpost.com/technology/2019/12/20/apple-suppressed-competitors-its-app-store-until-it-got-caught-lawsuit-alleges/>.



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tech monopolies may argue that allowing processing choice will decrease safety and privacy, leading to malware or other threats. But if protecting user privacy were a real concern, no app developer would be allowed to offer payment choices and there would be no reason to treat these transactions differently from those involving "digital" goods and services. In actuality, Apple is squeezing app developers that are large enough to make them money, but not so big they can leverage the app store.

Ultimately, this legislation is about giving consumers choice. The platforms' aim to maintain their unilateral control over the app stores because it produces tremendous benefits, both financially and from a business development perspective. Because the platforms' have exclusive control over consumer data collected through their payment processor, they have better line of sight into an app's customer behavior than the actual company. The tech monopolies can then use that information and data to create competing apps, edging existing companies out of the market.

We appreciate the opportunity to share our members' perspective on the issue as the Rhode Island Legislature considers ways to increase fairness and transparency in app distribution on the largest app stores. We believe that H6055 is a reasonable measure to help curb the unfettered control that dominant platforms exercise over app developers and grow the Rhode Island tech economy by attracting new companies and helping existing developers grow.

We urge your support of H6055 in the House Innovation, Internet, & Technology Committee on March 29, 2021.

Sincerely,



Meghan DiMuzio  
Executive Director  
Coalition for App Fairness

CC: House Innovation, Internet, & Technology Committee

The Honorable Arthur Handy, First Vice-Chair  
The Honorable Lauren H. Carson, Second Vice  
Chair  
The Honorable Gregg Amore  
The Honorable Michael W. Chippendale, House  
Minority Whip  
The Honorable Terri-Denise Cortvriend  
The Honorable Robert E. Craven, Sr.

The Honorable Brian Patrick Kennedy  
The Honorable Charlene Lima  
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