

August 11, 2025

The Honorable Joaquin Castro
Co-Chair
U.S.- Japan Congressional Caucus
Washington, District of Columbia 20515

The Honorable Adrian Smith
Co-Chair
U.S.-Japan Congressional Caucus
Washington, District of Columbia 20515

Dear Co-Chairs Castro and Smith:

ACT | The App Association represents small businesses that compete and innovate across consumer and enterprise markets, and focuses on helping Congress, the Executive Branch, and governments around the world understand the needs of small tech companies when considering legislation and regulatory action. Our members are entrepreneurs, innovators, and independent developers within the global app ecosystem that engage with verticals across every industry. We work with and for our members to promote a policy environment that rewards and inspires innovation while providing resources that help them raise capital, create jobs, and continue to build incredible technology.

Much of our work focuses on ensuring that small technology companies can compete across markets where many large and small companies vie for customers and revenue. Many of our member companies take advantage of curated online marketplaces (COMs), including app stores. The single most important factor in the app ecosystem's dynamic growth and success is the presence of these COMs. Trusted app stores serve as a vital foundation for the growing uses of apps across industries and enterprises. Three key attributes led to the revolution in software distribution. Today every successful marketplace for mobile, desktop, gaming, and even cloud computing must provide these features or risk failing:

1. The provision of a bundle of services that reduces overhead costs;
2. Instantaneous and cost-effective consumer trust mechanisms; and
3. Cost-effective access to a global market.

Legislation mirroring or influenced by the European Union's (EU) Digital Markets Act (DMA) upends the pro-competitive dynamics of the app ecosystem by reducing the ability of these marketplaces to provide the services small businesses need and demand. The market for developer services—where a developer pays a COM for various services including distribution, marketing, etc.—is critical and experiencing vigorous competition across COMs. These markets offer immense value that developers realize through lower overhead and compliance costs, built-in customer trust, increased speed to market, and wider distribution and market access, and indeed the rise of these COMs is directly correlated to the incredible growth of the small business developer community. With lower costs and barriers to entry, both fledgling and established app developers can, and do, find success. These platforms provide a centralized framework for app developers to engage and secure visibility with the 5 billion app users worldwide while also serving consumers and enterprise users, representing a vibrant two-sided

market. Loss of these protections under DMA has led to higher costs for small businesses through increased compliance requirements, while not accomplishing legislators' goal of creating new online marketplaces. The estimated cost of compliance vastly underestimated the average spend by actors both large and small in the European market.

In competition with each other, today's COMs provide critical functions to the SME developer community, including:

- COMs vet apps for **privacy and data stewardship**. By conducting systematic privacy reviews to check for legal and terms of service compliance before allowing apps to be listed on their stores, COMs ensure consumer trust that products available are not risky or dangerous. And by continuously monitoring apps post-publication and conducting enforcement where necessary, COMs maintain trust by providing consumers with pathways to report bad actors. Such privacy enforcements benefit small business developers by providing clear, standardized privacy requirements and review processes that help them maintain compliance, avoid legal risks, and build user trust with transparent data practices.
- A COMs' **safety and security** functions are critical elements of the services they provide to developers. COMs' security features have been improved markedly over the course of their existence in response to demands from developers. Whereas unlocking a device used to require a four-digit passcode, devices are now capable of biometric-based authentication, and COMs make these authentication measures available to developers so they too can also benefit from these heightened security measures. But the high stakes game of cat-and-mouse between cybersecurity professionals and hackers will never end, and security must continue to evolve to meet and beat the threats. Although some COMs do not control device security, developers want the COMs' security features to work seamlessly with any relevant hardware and that they account for all attack vectors. COMs should continue to improve their threat gathering and sharing capabilities to ensure they protect developers across the COMs, regardless of where threats originate. Moreover, COMs should rapidly approve and deploy software updates with important security patches to protect consumers as well as developers and their clients and users. The same is true when it comes to privacy controls. App developers want COM-level privacy controls they can adapt to their products and services. The types and nature of these controls vary among COMs, and this variation should result in continuously improving options that iterate with end-user expectations and privacy risks.
- COMs play an important role in helping small developers enforce their **intellectual property (IP) rights**. Our member companies' IP helps eliminate the inherent disadvantages of being a small, innovative company by enabling them to protect the fruits of their ingenuity from larger firms that might want to take it. Compared to the past, IP resolution processes have significantly improved across the board, and they are important and in-demand developer services that COMs should improve to compete for developers.

- COMs also provide a range of built-in features and tools that small business developers can use to ensure their applications are **accessible to users with disabilities**, such as semantic user interface components designed to work seamlessly with assistive technologies. COMs also offer accessibility testing tools to help developers identify and fix accessibility barriers, and they support standardized accessibility attributes and guidelines like WCAG (Web Content Accessibility Guidelines), which developers can implement to make their app content perceivable, operable, and understandable for individuals with a wide range of disabilities. This comprehensive support not only helps fulfill legal and ethical obligations but also expands the user base by ensuring inclusivity and improved user experience for all.

In addition to all these concerns, the DMA has caused significant regulatory confusion for all involved in the European app market. Small businesses do not have the cash reserves or lawyer hours needed to slog through the compliance swamp, and as a result they are losing ground to big businesses. Many App Association members from different European countries met with a group of U.S. Representatives to discuss the major harms inflicted on their businesses by the DMA, including massive increases in compliance costs.

Japan is considering legislation similar to the DMA, which undercut each of the critical utilities described above that countless developers rely on to grow and create American jobs. American small businesses need Members of Congress to push trade negotiators to stand up for them and clearly oppose this type of regulation, especially when bilateral negotiations on trade are in progress with many nations that are actively considering DMA-style legislation. The DMA has appropriately been labeled a non-tariff trade barrier by both the Biden and Trump Administrations because of its effects on American technology companies and their market access. We urge you to oppose DMA-style legislation both in the United States and in Japan.

Sincerely,

A handwritten signature in black ink that reads "Morgan Reed". The signature is fluid and cursive, with the first name "Morgan" and last name "Reed" clearly distinguishable.

Morgan Reed
President

ACT | The App Association