

How App Store Regulation Would Undermine App Stores

State legislators need to be aware of bills seeking to undo the current management structure for the mobile stores from which we download apps for our smart phones. The provisions of these bills track some of the complaints from the world's largest and most lucrative companies selling digital-only goods and services on the app stores. These companies are seeking changes to the law to force app stores to distribute their products for free. As a result, state bills have sought to mandate software platform operators to allow sideloaded software and unvetted app stores by default.

Overall, bills aiming to regulate the current structure of app stores would allow:

More Malware, Copycat Apps, and Fraudulent Reviews

Software platforms would no longer be able to reject or remove bad actors, Trojan horse apps, malware, etc., from consumer devices.

o **Worse or Nonexistent Services.**

These kinds of bills would outright prohibit many of the services that small tech companies and app developers have pushed to make platforms perform better — from removing copycat apps and malware to eliminating apps with fake / fraudulent reviews.

Increased Cyber Attacks on Mobile Devices

All smart devices would be required to be “soft” targets, in cybersecurity terms, by law (currently, a small fraction of Android devices are soft targets because consumers have changed the default settings to allow sideloading from specified sources)—which means a lot more text and other behavioral attacks on mobile consumers.





Higher Costs for Smaller Companies

By requiring software platforms to provide free distribution for the highest-grossing, digital-only goods and services, these bills would upend the current progressive structure—charging the highest-revenue sellers more in commissions—and push software platforms to a more regressive structure, charging more money to low-revenue companies and the 84 percent of app makers that sell real-life goods and services.

- o Another cost would materialize in the form of trust-building: on app stores, vetting apps and app makers for security and privacy would be the job of the consumer rather than the software platform resulting in consumers turning away from small companies without brand recognition.
- o The small businesses that we represent rely on consumer trust of the platform, which allows them to market their products and services to a more welcoming consumer base. If consumer trust is eliminated, then smaller companies on the app stores will have to pay out of pocket to market and prove the security of their services—something that is already subsidized on the app platforms as currently structured.

Fewer Choices for Developers

Right now, app makers have a choice between HTML, progressive web app, Android, iOS, etc., and mobile app stores are often the best option because they are closed ecosystems. The bill would mandate that mobile software platforms operate like the other available options, homogenizing what is currently a diverse market for distribution.

