



Introduction and Statement of Interest

ACT | The App Association represents the global community of small business software application development companies and technology firms. Today, the value of the ecosystem the ACT represents—which we call the app economy—is ¥ 282 trillion and is responsible for millions of jobs, while serving as a key driver of the ¥ 1253 trillion internet of things (IoT) revolution. 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.

ACT appreciates this opportunity to provide input to the JFTC on its call for information regarding the Mobile Software Competition Act (MSCA), JFTC's enforcement of the Act, and Apple and Google's recent compliance statements.

Curated Online Marketplaces

Startups and small and medium-sized enterprises (SMEs) leverage curated online marketplaces (COMs) like those operated by Apple and Google to lower their overhead, gain access to global customers, and access a trusted marketplace. COMs create an environment where consumers feel more comfortable exploring new services and apps, especially from businesses they have never heard of, such as startups and SMEs. Without the brand recognition and established reputation of bigger competitors with large marketing budgets, SMEs rely on the trust and loyalty COMs build with consumers. Both consumers and SMEs benefit from having a bundle of services provided by COMs, including subscription management, data security, customer data management, and marketing.

ACT and its members are not opposed to COMs charging a reasonable fee for these services. Indeed, we are concerned that some stakeholders' policy proposals reducing or eliminating fees charged for link-outs to third-party stores or other means for COMs to recoup costs would have the unintended consequence of undermining COMs' incentive to provide robust services on their platforms. Today, COMs compete with each other to provide the best services in the realms of data security, intellectual property protection, consumer trust, and others. If larger third-party developers are incentivized to draw customers outside of the ecosystem and don't pay for the services they benefit from, these services may degrade over time as COM operators focus investments elsewhere. Because small developers generally lack the brand recognition to gather audiences outside of COMs in the same way, they will be worse off under such a system. ACT therefore urges JFTC to be careful about pursuing policies that incentivize outcomes that make SMEs worse off.



Interoperability (Access to OS features)

Interoperability ensures that you can connect your Sony headphones to your Apple iPhone. JFTC is currently looking into issues of interoperability. While there is occasionally a role for the government to play, standards development led by the private sector is the most efficient way to promote interoperability between products and services provided by different companies in a competitive environment.

As SME tech developers, our members are broadly supportive of the premise of interoperability. However, ACT and our members are concerned that unrestricted interoperability can expose sensitive data, such as private messages, location, or access to cameras, and can be taken advantage of by unscrupulous third parties and malware.

In addition, ACT urges JFTC to refrain from excessively promoting sideloading remedies that would reduce consumer trust in app distribution as part of this process. Mandates that require sideloading (including alternative app marketplaces) or materially weaken platform security controls erode consumer trust and disadvantage small tech companies. It is universally recognised that sideloading can reduce security and open significant new attack vectors for bad actors, so Apple and Google should be able to take measures of tacking such bad actors.

Trust and security are of paramount importance to SME developers. Alternative app stores may not implement review processes comparable to those of the main software distribution platforms, and sideloaded apps provide no protections at all. Therefore, the risk of downloading a pirated and potentially malicious app increases significantly.

When considering third-party app stores, SME developers with small teams and limited resources weigh the cost to adapt their apps and business processes against the potential customer expansion. If they decide against listing their app on a certain store, this creates an opportunity for copycat apps to be present on a multitude of third-party app stores. Customers who are looking for the original app after hearing of it through word-of-mouth or the original developer's marketing efforts receive a degraded experience, damaging the small business's reputation and trust.

We urge the JFTC to approach this issue sensibly and ensure that security is front and centre of their thinking at all times. We also encourage them to listen to the voices of startups and SMEs who rely on trust in interoperability for their businesses to succeed.

What Startups, Scaleups, and SMEs Need from Policymakers

SMEs are the backbone of the Japan's tech sector, and regulation should be aimed at ensuring they can grow, innovate, and flourish.



We urge JFTC to give full consideration to the impact on startups and SMEs of any market interventions on app stores and digital platforms, rather than designing policies that further benefit a handful of already large app developers. Any changes should be designed to ensure strong data and privacy protections and robust cybersecurity measures are maintained. Without this, consumers will lose trust in the app ecosystem, causing devastating harm to SMEs.

Conclusion

ACT welcomes the opportunity to contribute to the JFTC's analysis of the functioning of the MSCA. SMEs drive Japan's digital economy, and Japan has a chance to take a balanced approach, avoiding the harmful unintended consequences seen in other jurisdictions, where overregulation has burdened SMEs while reinforcing the dominance of large app developers only. Policymakers must ensure interventions enhance competition without disrupting the stability of digital ecosystems.