Apps cost too much? Court allows suit adding to Apple's woes

By MARK SHERMAN AND MICHAEL LIEDTKE
Associated Press

AP Photo/Mark Lennihan,File

In this May 31, 2018, file photo, customers enter the Apple store in New York.

WASHINGTON — Consumers can pursue a lawsuit complaining that iPhone apps cost too much, the Supreme Court ruled on Monday, adding to Apple's woes that already include falling iPhone sales and a European investigation.

The lawsuit could have major implications for the tech giant's handling of the more than 2 million apps in Apple's App Store, where users get much of the software for their smartphones. While most of those apps are free to download, some impose fees for people to use the software and subscribe to the services.

In those cases, Apple charges a commission of 30%, a practice that the lawsuit contends unfairly drives up the price for the apps. Justice Brett Kavanaugh wrote the majority opinion that agreed the antitrust lawsuit can move forward in a lower court.

The court's four liberal justices joined Kavanaugh, one of President Donald Trump's two high court appointees, to reject a plea from Apple to end the lawsuit at this early stage. The decision did not involve the merits of the suit.

Apple argues it's merely a pipeline between app developers and consumers, and that iPhone users have no claims against Apple under antitrust law and a 1977 Supreme Court decision. Tens of thousands of developers create the software and set the price, Apple says.

"We're confident we will prevail when the facts are presented and that the App Store is not a monopoly by any metric," Apple said in statement issued in response to Monday's ruling. The lawsuit could take years to wind to its conclusion.

But Kavanaugh stressed in his opinion that Apple's commissions also may affect consumers, as well as app developers.

"The iPhone owners purchase apps directly from the retailer Apple," he said, describing a relationship sufficient to allow the lawsuit to go forward.

Justice Neil Gorsuch, Trump's other high court pick, wrote a dissent for four conservative justices, saying that the consumers' complaint against Apple is the kind of case that a 42-year-old decision, in Illinois Brick Co. v. Illinois, was intended to prevent. The court in that case "held that an antitrust plaintiff can't sue a defendant for overcharging someone else who might (or might not) have passed on all (or some) of the overcharge to him," Gorsuch wrote. "Yet today the court lets a pass-on case proceed."

The ruling threatens to throw another monkey wrench in Apple's efforts to increase the revenue generated from its app store at a time that its iPhone sales have plunged into their deepest slump since that revolutionary product hit the market 12 years ago.

To counter the iPhone sales drop, Apple is trying to make more money from selling services, such as its music subscription service, as well as a forthcoming Netflix-like video service while also taking a cut from the subscriptions and other transactions done on apps downloaded on iPhones and iPads.

The effort has been largely successful, helping to transform the Apple services division that includes the app store into the fastest growing part of the company. Apple's most recent quarter highlight the ongoing transformation as its services division revenue surged 16% percent from the previous year to $11.5 billion while iPhone sales plunged 17% to $31 billion.

Meanwhile, Apple is under scrutiny in Europe because of claims of unfair business practices.

Amazon offers to help employees start their own delivery business

By JOSEPH PISANI
AP Retail Writer

NEW YORK — Amazon, which is racing to deliver packages faster, is turning to its own employees with a proposition: Quit your job and we'll help you start a business delivering Amazon packages.

The offer, announced Monday, comes as Amazon seeks to speed up its shipping time from two days to one for its Prime members. The company sees the incentive as a way to get more packages delivered to shoppers' doorsteps more quickly.

Amazon says it will cover up to $10,000 in startup costs for employees who are accepted into the program and leave their jobs. Those who participate will be able to lease blue vans with the Amazon smile logo stamped on the side. The company says it will also pay them three months' worth of their salary.

The offer is open to most part-time and full-time Amazon employees, including warehouse workers who pack and ship orders. Whole Foods employees are not eligible to receive the new incentives. Seattle-based Amazon.com Inc. declined to say how many employees it expects to take them up on the offer.

The employee incentive is part of a program Amazon started a year ago that let anyone apply to launch an independent Amazon delivery business and provided $10,000 in reimbursements to military veterans.

The expansion is part of the company's plan to gain more control over its deliveries rather than rely on UPS, the post office and other carriers. It also gives Amazon a way to grow its delivery network without spending the money needed to buy vehicles or hire workers, says Barb Ivanov, director of University of Washington's Urban Freight Lab, a research lab that focuses on logistics and supply chain transportation.

AP Photo/Mark Lennihan,File

In this Oct. 10, 2018, file photo, Amazon Prime boxes are loaded on a cart for delivery in New York. Amazon, which is racing to deliver packages faster, is turning to its employees with a proposition: Quit your job and we'll help you start a business delivering Amazon package. The offer, announced Monday, comes as Amazon seeks to speed up its shipping time from two days to one for its Prime members.

"The wage problem won't be Amazon's problem," says Ivanov.

Overall, more than 200 Amazon delivery businesses have been created since it launched the program last June, says John Felton, Amazon's vice president of global delivery services.

One of them is run by Milton Collier, a freight broker who started his business in Atlanta about eight months ago. Since then, it has grown to 120 employees with a fleet of 50 vans that can handle up to 200 delivery stops in a day. It has already been preparing for the one-day shipping switch by hiring more people.

But Amazon is still posing a threat to UPS and FedEx, says Beth Davis-Sramek, a professor at Auburn University. Those carriers have thousands of trucks and hundreds of planes to get packages where they need to go. And they're doing more than just delivering boxes to doorsteps, she says; they're also transporting packages between warehouses and businesses.

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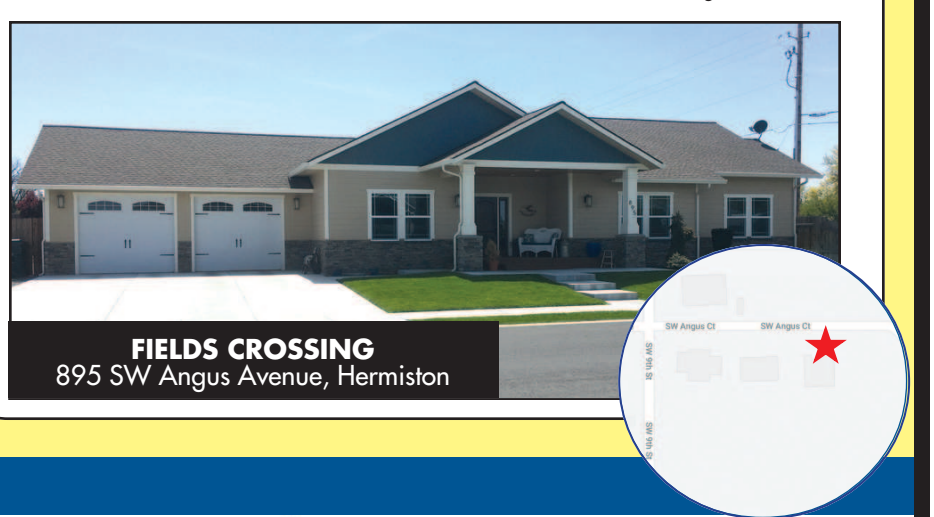

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