

### **CASE STUDY: The Rise of Apple and Fall of Rim**

**1. Working as a group or on your own, prepare a report which:**

- (a) includes figures that chart Apple's and RIM's performance in terms of growth rates in sales and net income between 2005 and 2016.**
- (b) examines the unit sales performance of the Apple's and BlackBerry's iPhones.**
- (c) compares Apple's spending on R&D with RIM's and its other competitors.**

**In the light of these comparisons, provides some explanation for Apple's success and RIM's relative demise.**

1. (a) Students could create a spread sheet from the table.

1. (b) Students should produce a bar chart showing the unit sales performance of the Apple's and BlackBerry's iPhones. Notable is the rapid rate of growth in sales of iPhones from 2009 and the decrease in Blackberry iPhone sales.

1. (c) Using a previous bar chart or a separate one, students should diagrammatically present Apple's spending on R&D with RIM's and its other competitors. In explaining Apple's success and RIM's relative demise, students should make the point that Apple spent 2.6 cent of sales revenue on R&D in 2013, while the figure for BlackBerry was 13.6 per cent. It would be useful to encourage students to explore reasons for differences in R&D. Schmidt (2012) argues Apple focused on *integrating*, not developing technologies. Also, Apple received government support.

**2. Apple, like many of its competitors, uses litigation like a tool of competition. Research the litigation between Apple and Motorola, owned by Google. What was the issue at stake and the outcome? See Apple Inc. v. Motorola, Inc. at the Justia US Law website; and the case at <http://docs.justia.com/cases/federal/appellate-courts/cafc/12-1548/12-1548-2014-04-25.pdf>.**

Some context: in 2011, Google spent \$12.5billion to acquire Motorola's thousands of patents, indicating the value put on IP in this industry. Both Apple and Motorola claimed that the other had infringed patents. The process started in 2010 when both Apple and Motorola lodged legal complaints in the USA and subsequently in Germany. The patents related to the use of the finger to control a touchscreen computer. In the USA, the case ended up in the Court of Appeals. The Court assumed that infringements had taken place but concluded that neither Apple nor Google were entitled to an injunction, which would have allowed them to restrain the activities of their adversary, or any damages. The court dismissed all claims 'with prejudice' meaning that the case had reached the end of the road and could not be brought back to court.

**3. Finally, discuss the importance of the mediating effects of human action, in particular the role of the state, on the rise of Apple and the fall of RIM.**

**[Hint: compare US and Canadian R&D expenditure on military and intelligence related projects.]**

The State/government is an important factor in the external environment of a business such as Apple and RIM. In many developed countries, it is one of the major sources of finance of R&D, especially of pure research. Mariana Mazzucato (2015), for example, posits that every technology that makes the iPhone smart owes its funding to both pure and applied research funded by the State. This can take place, for example, through universities and research institutes, which can generate results that can be developed and exploited commercially. Government assistance can also take the form of subsidies or tax reliefs to R&D carried out by business itself. Better students will draw on Mazzucato's (2015) work to show how Apple received huge direct and indirect US government support derived from: (i) direct equity investment, (ii) access to technologies, (iii) creation of tax, trade, or technology policies that supported US IT companies. The website of Canada's national newspaper, *The Globe and Mail*, contains articles on government policies, military expenditure, and RIM. For example, Jim Balsillie, co-founder of RIM, has argued that, in Canada, "policies required for the innovation economy are either absent or inadequate" (*The Globe and Mail*, 2015).