

AG Ferguson to join US Department of Justice lawsuit asserting Apple unlawfully monopolized smartphone market

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Lawsuit asserts former Apple CEO wanted to “further lock customers” into using products like the iPhone

SEATTLE — Attorney General Bob Ferguson announced today he will partner with the U.S. Department of Justice and a bipartisan group of 20 attorneys general in an antitrust lawsuit against Apple for monopolizing the smartphone market.

The federal lawsuit (<https://www.justice.gov/opa/media/1355456/dl?inline>), originally filed on March 21 in U.S. District Court for the District of New Jersey, asserts Apple has unlawful monopoly power in the smartphone market. It uses this power to dictate how users, developers and businesses can use the iPhone, stifling innovation and keeping prices artificially high.

By maintaining its monopoly over smartphones, Apple is able to harm consumers

in a wide variety of ways beyond the purchase of a smartphone, the lawsuit asserts. For example, by denying iPhone users the ability to choose their trusted banking apps as their digital wallet, Apple retains full control both over the individual and also over the income generated by forcing users to use only Apple-authorized products in the digital wallet.

Apple also prohibits the creation and use of alternative app stores that can be curated to reflect a consumer’s preferences with respect to security, privacy, or other values. These and many other features would be beneficial to consumers and empower them to make choices about what smartphone to buy and what apps and products to patronize. Allowing consumers to make that choice is an obstacle to Apple’s ability to maintain its monopoly, according to the lawsuit.

In 2010, then-CEO Steve Jobs discussed with other Apple executives how to “further lock customers into our ecosystem” and “make Apple[’s] ecosystem even more sticky.”

“An open marketplace encourages competition and creativity,” Ferguson said. “Apple’s monopoly over smartphones pads its profits at the expense of users, developers and businesses. Ending its illegal monopolization over smartphones will level the playing field for everyone.”

The states and DOJ are asking the court to order Apple to stop undermining technologies that compete with its own apps — in areas including streaming, messaging and digital payments — and prevent it from continuing to craft contracts with developers, accessory makers and consumers that let it “obtain, maintain, extend or entrench a monopoly.”

Apple estimates its share of the performance smartphone market exceeds 70 percent. Among teenagers, according to a survey cited in the lawsuit, iPhone’s market share is 85 percent. Beyond that dominance of the market, iPhone users rarely ever switch between different smartphones due to the controls Apple puts on its flagship product. Nearly 90 percent of iPhone owners in the U.S. replace their iPhone with another iPhone.

In fiscal year 2023, Apple generated net revenues of \$383 billion. Apple’s net income exceeds any other company in the Fortune 500 and the gross domestic products of more than 100 countries.

Assistant Attorney General Lumi Nodit will handle the case for Washington.

Apple violates antitrust laws in multiple ways

The federal lawsuit asserts that Apple’s unlawful controls take several forms:

- Undermining the ability of iPhone users to message the same way with users of other types of smartphones — the “green bubbles” for Android users. Messaging apps that work equally well across all smartphones can improve competition among smartphones by allowing users to switch phones without changing the way they communicate with friends, family, and others. Apple makes third-party messaging apps on the iPhone worse generally and relative to Apple Messages, Apple’s own messaging app, by limiting the types of messages they can send or receive. By doing so, Apple is knowingly and deliberately degrading quality, privacy and security for its users and others who do not have iPhones.
- Blocking the development of cloud-streaming apps and services that would allow consumers to enjoy high-quality video games and other cloud-based applications without having to pay for expensive smartphone hardware.
- Limiting the functionality of third-party smartwatches. Users who purchase the Apple Watch face substantial costs if they do not keep buying iPhones, and it is more difficult for iPhone users to use a non-Apple smartwatch, which may have features they prefer. Apple limits functions including the ability to respond to notifications and messages, and maintain consistent connections with the iPhone.
- Preventing third-party apps from offering the same functionality as Apple’s digital wallet and inhibiting the creation of other digital wallets. Digital wallets, which contain the user’s personal payment information without the need to swipe a card, are an increasingly important way that people use their smartphones. Apple has denied users access to digital wallets that would have provided a wide variety of enhanced features and denied digital wallet developers the opportunity to provide advanced digital payment services to their own customers.
- Disrupting the growth of more functional “super apps.” Super apps provide a user with broad functionality in a single app. Super apps can improve smartphone competition by providing a consistent user experience that can be ported across devices. Suppressing super apps harms all smartphone users — including Apple users — by denying them access to high quality experiences and it harms developers by preventing them from innovating and selling products.

Apple spends billions of dollars on marketing and branding to promote the idea that only Apple can safeguard consumers’ privacy and security interests. However, Apple often selectively compromises its privacy and security interests when doing so is in its own financial interest. The lawsuit asserts Apple’s true intentions are to protect its monopoly, not prioritize security and privacy.

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Media Resource Guide & Attorney General's Office FAQ (https://agportal-s3bucket.s3.us-west-2.amazonaws.com/uploadedfiles/AGOMediaResourceGuide.pdf?VersionId=07nhOUV_DDUZeFwbVlIEXtF0EEaTxLX)

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