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10
 11 UNITED STATES DISTRICT COURT
 12 NORTHERN DISTRICT OF CALIFORNIA

13 JULIANNA FELIX GAMBOA, individually and
 14 behalf of all others similarly situated,

15 Plaintiff,

16 v.

17 APPLE INC., a California corporation,

18 Defendant.

No.

**CLASS ACTION COMPLAINT FOR
 VIOLATIONS OF THE SHERMAN ACT
 AND CLAYTON ACT**

DEMAND FOR JURY TRIAL

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1 Plaintiff Julianna Felix Gamboa, on her own behalf and that of all similarly situated consumers,
2 alleges as follows:

3 **I. INTRODUCTION**

4 1. Mobile devices (smartphone and tablets) rely increasingly on cloud storage to host the
5 abundance of data users accumulate through ordinary use. The apps, pictures, videos, messages, and
6 other data files users amass often vastly exceed the storage capacity of their device. To retain files and
7 access them seamlessly across devices, users can upload them to a cloud platform or “the cloud” for
8 safe storage. Cloud storage has become a billion (soon-to-be trillion) dollar industry.

9 2. Apple is a dominant manufacturer of mobile devices. Its flagship products—the iPhone
10 and iPad—are used by billions of consumers worldwide. More than 100 million Americans have an
11 iPhone or an iPad, or both. In addition to manufacturing devices, Apple also generates revenue through
12 an array of apps and services that it markets to its users. One of these is a cloud-storage platform called
13 iCloud.

14 3. First introduced in 2011, iCloud has become a profit center for Apple, generating
15 billions in annual revenues. By any metric, iCloud dominates all other cloud platforms accessible on
16 Apple’s mobile devices, with a market share estimated to exceed 70 percent.

17 4. Apple does not dominate cloud storage on its devices due to any shortage of would-be
18 competitors. Cloud storage is offered by every major technology company (e.g., Google and
19 Microsoft) and numerous cloud-storage specialists (e.g., Dropbox, Sync.com, IDrive, to name a few).
20 Apple also does not dominate because it built a superior cloud-storage product. From a security and
21 functionality standpoint, iCloud is no better (and often inferior) to other cloud storage platforms.
22 Instead, Apple has achieved market dominance by rigging the competitive playing field so that only
23 iCloud can win.

24 5. Apple has accomplished this with surgical technological restraints. While competing
25 cloud providers can access and host certain iPhone and iPad data (e.g., photos and videos), Apple
26 arbitrarily sequesters a set of files (mainly app data and device settings) and denies all but iCloud
27 permissions to host them. These sequestered files—hereafter “Restricted Files”—are significant
28 because they include data needed to restore a device when it is replaced. But from a technological and

1 security standpoint, these files are no different from all other data that accumulates on Apple’s mobile
2 devices. The storage infrastructure required to host all file types is the same.

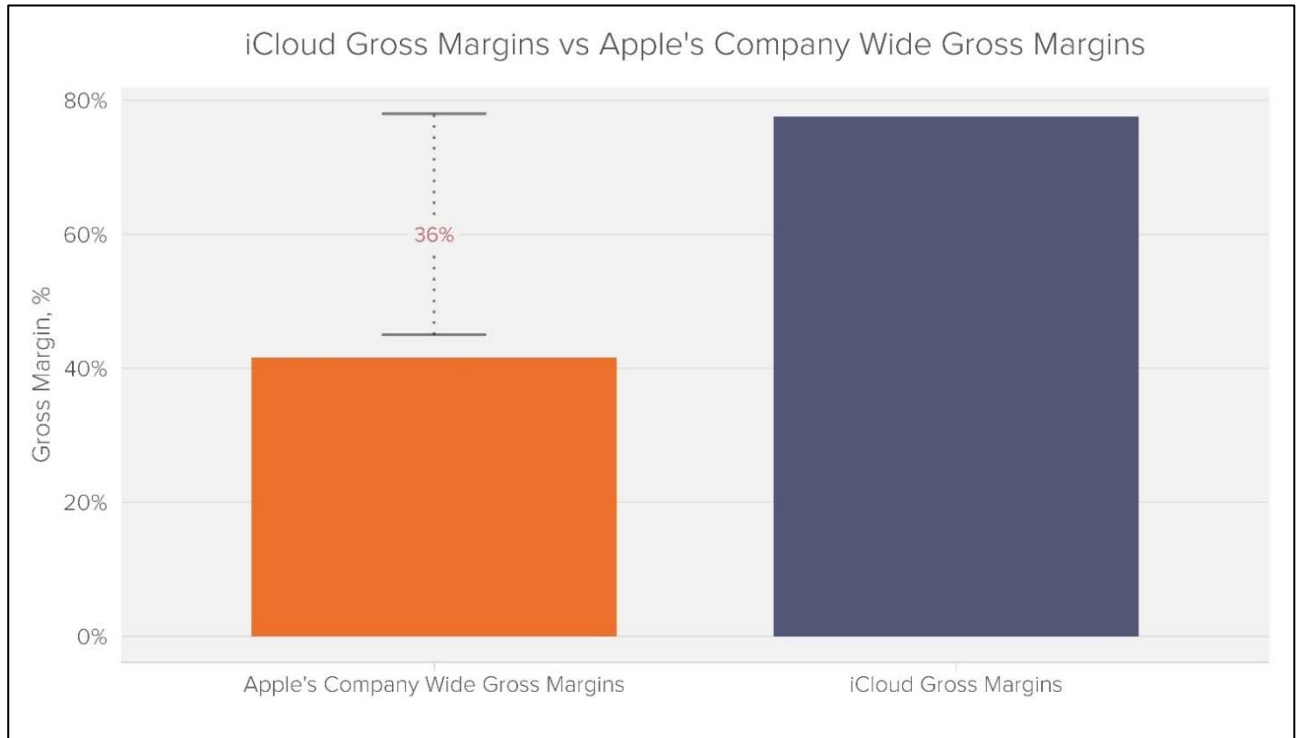
3 6. Apple’s arbitrary prohibition on hosting Restricted Files fundamentally distorts the
4 competitive landscape to privilege iCloud over all rivals. As a result of this restraint, would-be cloud
5 competitors are unable to offer Apple’s device holders a full-service cloud-storage solution, or even a
6 pale comparison. Sure, rivals can host photos, videos, and certain other data files. But they cannot host
7 all of the data users want to back up, including for device restoration. This gives iCloud an enormous
8 structural advantage against all would-be competitors. A consumer that uses a competing cloud
9 platform to store photos will still need iCloud for Restricted File storage. As Apple knows, this is an
10 unattractive option. It requires juggling multiple cloud accounts with multiple interfaces and splitting
11 files between them. This is far less convenient than using a single cloud storage service capable of
12 storing all file types in one location. Through the restraints challenged in this lawsuit, Apple has
13 ensured that only iCloud can perform this basic function.

14 7. There is no plausible technological or security justification for Apple granting iCloud
15 exclusive access to Restricted Files. As Apple itself admits, cloud storage is “agnostic about what is
16 being stored and handles all file content the same way, as a collection of bytes.”¹ Samsung has
17 historically offered its own proprietary cloud storage platform (Samsung Drive) while also giving users
18 the option of backing up the entirety of their devices (all file types) on Google Drive. Moreover, Apple
19 itself uses infrastructure provided by others—including Google, Microsoft, and Amazon—to host
20 iCloud data, further undermining any notion that Restricted Files must be retained by Apple for
21 security reasons.

22 8. Apple’s restraints can be coherently explained only as an attempt to stifle competition,
23 and that is their manifest effect. Having insulated itself from any real threat to iCloud’s dominance,
24 Apple charges supracompetitive fees for iCloud subscription plans. This is reflected in Apple’s gross
25 margins, which approach *80 percent* for iCloud, substantially exceeding Apple’s already high
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27 ¹ “iOS Security,” APPLE (Oct. 2014),
28 https://www.apple.com/mx/privacy/docs/iOS_Security_Guide_Oct_2014.pdf.

1 company-wide gross margins (which fall in the 40 percent range). In other words, undisciplined by
 2 competition, Apple has marked up its iCloud prices to the point where the service is generating almost
 3 pure profit. Apple’s ability to sustain these prices is a testament to its monopoly power.



17 9. Plaintiff seeks to represent a nationwide class (and a California subclass) of consumers
 18 who purchased iCloud storage plans and were overcharged. Plaintiff and the class were further harmed
 19 because Apple’s restraints reduce output and stifle innovation by suppressing competitors’ incentives
 20 to develop cloud storage solutions that better serve the needs of Apple device holders. In short, absent
 21 Apple’s restraints, cloud storage on Apple mobile devices would be better, safer, cheaper, and more
 22 prevalent, all to the benefit of consumers.

23 10. The antitrust laws provide a remedy. Apple has violated the Sherman Act in at least two
 24 ways. *First*, Apple has unlawfully “tied” two products together—specifically, its mobile devices and
 25 iCloud—by compelling that device holders use iCloud to back up and store Restricted Files. This tie
 26 satisfies all criteria for *per se* condemnation because Apple has market power in the tying device
 27 markets and the tie involves separate products and a significant volume of commerce.

1 11. *Second*, by inhibiting competition from rival cloud-storage providers, Apple unlawfully
2 monopolizes (and has attempted to monopolize) the market for Cloud Storage on Apple Mobile
3 Devices. This is a relevant market, technically an “aftermarket” to the device foremarkets in which
4 apple’s iPhones and iPads compete. Apple exercises monopoly power in this market, as evidenced by
5 its high market share, estimated to exceed 70 percent, and demonstrated ability to restrict output and
6 charge supracompetitive prices to iCloud subscribers.

7 12. Apple has also violated California’s Unfair Competition Law (UCL) by engaging in
8 “unlawful, unfair, or fraudulent” business practices, including tying and restraining competition among
9 cloud-storage platforms that would otherwise inure to the benefit of consumers.

10 13. On behalf of a proposed class of tens of millions of consumers who were overcharged
11 for iCloud plans, Plaintiff seeks damages, restitution, injunctive relief, and all other relief available to
12 end Apple’s anticompetitive practices.

13 II. JURISDICTION AND VENUE

14 14. This Court has subject matter jurisdiction over this action under 28 U.S.C. § 1331
15 because Plaintiff alleges violations of federal law, namely, the Sherman Act.

16 15. This Court has personal jurisdiction over Defendant Apple, which is headquartered in
17 this District. Apple has engaged in sufficient minimum contacts with the United States, this judicial
18 district, and this State, and it has intentionally availed itself of the laws of the United States and this
19 State by conducting a substantial amount of business throughout the State.

20 16. This judicial district is a proper venue because Apple resides in this District and
21 transacts affairs in this District. A substantial part of the events giving rise to Plaintiff’s claims occurred
22 in this District.

23 III. PARTIES

24 17. Plaintiff Julianna Felix Gamboa resides in Los Angeles, California. Ms. Felix
25 Gamboa purchased a 200GB iCloud storage plan in or around September 2022 for \$2.99 a month.
26 Ms. Felix Gamboa maintains the same 200GB iCloud storage plan as of the filing of this complaint
27 and continues to pay the same monthly price. Ms. Felix uses her iCloud storage plan to back up her
28 iPhone, including device settings, as well as to store photos, videos, and other files. As a result of

1 Apple’s anticompetitive practices alleged herein, Ms. Felix Gamboa has paid (and continues to pay)
2 a supracompetitive price for her iCloud storage plan.

3 18. Defendant Apple designs, manufactures, and markets smartphones, personal
4 computers, tablets, and smart watches, and sells a variety of services, including iCloud. Apple
5 maintains its headquarters and principal place of business in Cupertino, California.

6 **IV. RELEVANT FACTS**

7 **A. Cloud Storage**

8 19. Cloud storage is a means of storing and backing up digital files on remote servers where
9 it is accessible via an internet connection. More than 70 percent of U.S. consumers reportedly use some
10 form of cloud storage.² All major technology companies offer a cloud-storage service and there are
11 numerous technology companies specializing in cloud storage.

12 20. While cloud storage is available across a number of computing devices, it plays a
13 particularly vital role on smartphones and tablets, which typically have limited local storage capacity.
14 Smartphones and tablets accumulate an enormous amount of data in myriad forms, including pictures,
15 videos, music, apps, emails, texts, device settings, and podcasts. For many smartphone and tablet users,
16 these files quickly exceed the storage capacity of their devices. To retain these files, while maintaining
17 ready access to them through an internet connection, mobile device users can obtain a cloud storage
18 solution. Cloud storage allows mobile device users to access a surplusage of files seamlessly across
19 multiple devices (e.g., their smartphone and their tablet) without transferring them between devices or
20 porting them with a physical external drive.

21 21. In addition to storing files on remote servers, thereby freeing up space on users’ devices,
22 cloud storage can be used to “back up” files so that they can be readily restored in the event a device
23 is lost or replaced.

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² Martin Armstrong, “What’s in the Cloud,” STATISTICA (Sep. 30, 2021),
28 <https://www.statista.com/chart/25896/gcs-cloud-storage-services-usage/>.

1 **B. iCloud**

2 22. Apple’s cloud storage service is called iCloud. It launched in 2011. iCloud permits
3 Apple’s users to store all types of data on remote or “cloud” servers, and then access that data across
4 their devices. File types that can be stored on iCloud include, without limitation, user photos, videos,
5 music, device settings, and apps.

6 23. iCloud is one of Apple’s most widely used subscription services. Reports indicate that
7 Apple had at least 850 million iCloud users by 2020, and the service has become a major profit center
8 for the company.³ For reference, Apple’s most profitable business line is its “services” division, which
9 comprises (among other things), Apple’s licensing revenues, subscription plans like iCloud, as well as
10 Apple Pay.⁴ Apple’s service division generates more than \$20 billion a quarter, or \$80 billion
11 annually,⁵ and analysts report that 20% of Apple’s services revenue comes from iCloud.⁶
12 This means iCloud is generating approximately \$16 billion in annual revenues.

13 24. Apple device holders are given 5GB of free iCloud storage space, but as Apple’s iCloud
14 revenues attest, most users find this insufficient for their storage needs and purchase a supplemental
15 iCloud storage plan.⁷ Apple presently offers six iCloud storage tiers by monthly subscription.

iCloud Storage Tiers	
Up to 5GB	Free
50GB	\$0.99/month
200GB	\$2.99/month

21 ³ Alexander Eser, “Essential Apple Icloud Statistics in 2024,” ZIPDO (updated July 16, 2023),
22 <https://zipdo.co/statistics/apple-icloud/>.

23 ⁴ Kif Leswing, “Apple’s most profitable line of business is making up for some hardware
24 struggles,” CNBC (Aug. 3, 2023), <https://www.cnbc.com/2023/08/03/apple-services-are-very-profitable-and-may-be-ready-for-takeoff-again.html>.

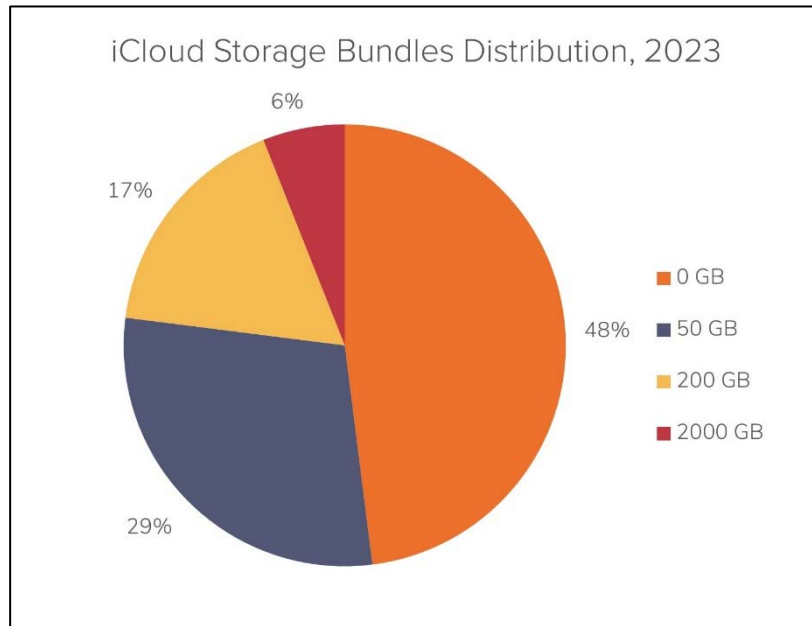
25 ⁵ “Apple’s revenues from iTunes, software and services from 1st quarter 2013 to 1st quarter 2024,”
26 STATISTICA, <https://www.statista.com/statistics/250918/apples-revenue-from-itunes-software-and-services/>.

27 ⁶ Alexander Eser, “Essential Apple Icloud Statistics in 2024, ZIPDO (Updated July 16, 2023),
28 <https://zipdo.co/statistics/apple-icloud/>.

⁷ Sidney Ho, Ross Seymore, dbDIG Primary Research Survey on Apple Services, DEUTSCHE BANK
(Oct. 24, 2023).

2TB	\$9.99/month
6TB	\$29.99/month
12TB	\$59.99/month

25. Of these storage tiers, the 50GB tier is Apple’s most popular offering, followed by the 200GB tier and the 2TB (or 2000GB) tier.⁸



26. While iCloud is an Apple service, Apple has historically contracted with third parties to host users’ iCloud data. When iCloud launched, Apple used Amazon Web Services and Microsoft Azure infrastructure to host iCloud data, and later Apple began using Google Cloud Platform for the same purpose.⁹ Reports indicate that Apple pays Google just \$0.0031 per gigabyte per month for

⁸ Sidney Ho, Ross Seymore, dbDIG Primary Research Survey on Apple Services, DEUTSCHE BANK (Oct. 24, 2023). Apple’s 6TB and 12TB plans are new offerings, launched in September 2023, and data on their usage has not been released. For the distribution chart above, the share of users per iCloud bundle were estimated by scaling bundle distribution data from the cited Deutsche Bank analysis to all iCloud users.

⁹ Chris Davies, “Apple confirms iCloud uses Google servers (but don’t panic),” SLASH GEAR (Feb. 26, 2018), <https://www.slashgear.com/apple-confirms-icloud-uses-google-servers-but-dont-panic-26521087>.

1 storage,¹⁰ which, as addressed below, amounts to an infinitesimal fraction of the prices Apple charges
2 its iCloud subscribers. *See infra* § IV.D.1.a.

3 **C. Apple Unlawfully Ties iCloud to Its Mobile Devices by Arbitrarily Restricting Access to**
4 **Alternative Cloud Storage Platforms.**

5 27. From a technological standpoint, the same storage infrastructure is needed to back up
6 all types of files and data stored on Apple’s mobile devices. Apple has acknowledged as much,
7 observing in security protocols that its iCloud “service is agnostic about what is being stored and
8 handles all file content the same way, as a collection of bytes.”¹¹

9 28. Apple nevertheless arbitrarily requires that its mobile device holders use iCloud to back
10 up certain file types—mainly, device settings as well as apps and apps data (“Restricted Files”). With
11 respect to other file types—e.g., photos and videos (“Accessible Files”)—Apple mobile device holders
12 can select from other cloud-based storage providers servicing the market, including Google Drive,
13 Sync.com, pCloud, and others.

14 29. For consumers, backing up Restricted Files is significant because these are the files that
15 allow users to effectively restore the look and feel of their device—i.e., reinstall apps and device
16 settings—after a factory reset or when they purchase a new device. There is obvious convenience to
17 using a cloud storage solution that can store and back up both Restricted Files (which will allow
18 restoration of their device) and Accessible Files, including photos and videos.

19 30. By sequestering Restricted Files, and denying all other cloud providers access to them,
20 Apple prevents rival cloud platforms from offering a full-service cloud solution that can compete
21 effectively against iCloud. The cloud products that rivals can offer are, by virtue of Apple’s restraints,
22 fundamentally diminished because they can only host Accessible Files. Users who want to back up all
23 of their files—including the basic Restricted Files needed to restore their device at replacement—have
24 but one option in the marketplace: iCloud.

25
26 ¹⁰ Mike Peterson, “Apple is now Google’s largest corporate customer for cloud storage,” APPLE
27 INSIDER (Jan. 29, 2021), <https://appleinsider.com/articles/21/06/29/apple-is-now-googles-largest-corporate-customer-for-cloud-storage>.

28 ¹¹ *Id.*

1 31. There is no technological or security justification for Apple mandating the use of iCloud
2 for Restricted Files. Apple draws this distinction only to curtail competition and advantage its iCloud
3 product over rival cloud platforms.

4 32. Tellingly in this regard, Samsung—which Apple depicts as one of its chief competitors
5 in device markets—has historically offered a proprietary cloud storage platform (Samsung Cloud),
6 but, unlike Apple, Samsung does not require that its device holders use Samsung Cloud to store or
7 backup any file types. Rather, Samsung device holders historically have been allowed to choose
8 between Samsung Cloud and Google Drive to back up the entirety of their devices, including the files
9 needed to restore them.

10 33. As this example attests, there is nothing inherent to Restricted Files that requires that
11 they be hosted only on a cloud platform maintained by a device’s manufacturer. Absent Apple’s
12 restrictions, any rival cloud platform could host Restricted Files and consumers would have the option
13 of choosing between iCloud and such rival platforms for all of their cloud-storage needs.

14 34. Apple’s restrictions eliminate that choice and, in doing so, effectively compel Apple
15 device holders to use iCloud for cloud storage. Technically speaking, Apple imposes what economists
16 refer to as a “requirements” tie. That is, if iPhone or iPad holders wish to use cloud storage for
17 Restricted Files—and most do—iCloud is their only option for fulfilling that requirement. And for
18 anyone requiring more than 5GB of storage, which is to say most Apple customers,¹² they must pay
19 for it.

20 35. As addressed immediately below, this tie exhibits all the hallmarks of a *per se* unlawful
21 tying arrangement, including: (1) the tie involves two separate products; (2) Apple possesses market
22 power in the tying product markets; and (3) the tie impacts a substantial volume of commerce.

23 **1. The Tie Involves Separate Products.**

24 36. Smartphones and tablets (the tying products here) are distinct from cloud storage on
25 Apple’s mobile devices (the tied product). There is separate demand for these products as evidenced
26

27 ¹² See Sidney Ho, Ross Seymore, dbDIG Primary Research Survey on Apple Services, DEUTSCHE
28 BANK (Oct. 24, 2023).

1 by the fact that many firms offer them separately. That is, consumers can buy smartphones and tablets
2 (including Apple's) without also purchasing or using any cloud storage. Indeed, Apple was
3 manufacturing smartphones before iCloud even existed. And likewise, consumers can purchase a cloud
4 storage plan (including iCloud) without also purchasing a smartphone or tablet. Notably in this regard,
5 iCloud can be purchased and used on Apple's personal computers. Other cloud storage providers
6 likewise offer cloud storage plans as a freestanding product.

7 37. Accordingly, it is both possible and efficient to separate the tying and tied products at
8 issue. It would be illogical and ignore market realities to treat Apple's mobile devices (smartphones
9 and tablets) and cloud storage as a single product. They are distinct products, with distinct uses, serving
10 distinct needs.

11 38. The same logic holds if one considers the tied product to be cloud storage of Restricted
12 Files on Apple's mobile devices (rather than cloud storage generally). For precisely the same reasons,
13 cloud storage for Restricted Files is not the same product as Apple's smartphones and tablets.

14 **2. Apple Has Market Power in the U.S. Markets for Smartphones and Tablets.**

15 39. Apple has substantial market power in both the smartphone and tablet product markets.

16 **a. The Smartphone Product Market**

17 40. Smartphones are a singular device that has transformed the way people interact with
18 the world. They allow people to access the internet anytime and anywhere with a cellular or Wi-Fi
19 connection. Smartphones also provide access to apps with a staggering range of functionality. With a
20 smartphone in hand, consumers can shop online, navigate a city, post on social media, buy movie
21 tickets, check the weather, and so much more. While it has ceased to be their primary function,
22 smartphones are also mobile telephones. Apple and other smartphone manufacturers treat smartphones
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1 as a distinct product line, both in marketing materials and public filings.¹³ There is widespread industry
2 and public recognition of a distinct market for smartphones.¹⁴

3 41. There is no reasonably close substitute for the smartphone. Various devices can provide
4 some piece of a smartphone's functionality, but none provide a substantial share. Landline phones
5 enable phone calls, but not on the move, and they do not offer the other features smartphones provide.
6 Cellphones (that are not smartphones) provide mobility, but not internet access or any of the other
7 features of a smartphone. Personal computers (including laptops) provide internet access and
8 computing functions, and sometimes phone applications, but they are not as portable as a smartphone,
9 and generally do not have cellular access. That consumers typically own a smartphone along with these
10 and other electronic devices shows that the products are compliments, not substitutes.

11 42. The absence of close substitutes in part explains the ubiquitous adoption of
12 smartphones. As of 2021, approximately 85% of adults in the U.S. owned a smartphone.¹⁵ As of 2024,
13 that number has reached 90%.¹⁶

14 43. Apple enjoys market power in the U.S. smartphone product market. The iPhone, first
15 launched in 2007, is the leading smartphone in the U.S. For nearly a decade, iPhones have had a
16 market share in the United States exceeding 40%, reaching approximately 61.3% in 2024.¹⁷

17 44. Apple's market power is reinforced by substantial barriers to entry. Developing the
18 hardware and software needed to market a smartphone requires a substantial outlay of capital and
19 expertise. The iPhone also benefits from significant indirect-network effects generated by its sizable
20

21 ¹³ See Apple Inc. 2022 Form 10-K at 1 (listing iPhone as a distinct product line, separate from other
22 Apple offerings).

23 ¹⁴ See, e.g., Igor Bonifacic, "iPhone overtakes Android to Claim Majority of US Smartphone
24 Market," ENGADGET (Sept. 3, 2022), <https://www.engadget.com/iphone-overtakes-android-us-market-share-223251196.html>.

25 ¹⁵ See "Demographics of Mobile Device Ownership and Adoption in the United States," PEW
RESEARCH CENTER (Apr. 7, 2021), <https://www.pewresearch.org/internet/fact-sheet/mobile/>.

26 ¹⁶ "Mobile Fact Sheet," PEW RESEARCH CENTER (Jan. 31, 2024),
<https://www.pewresearch.org/internet/fact-sheet/mobile/>.

27 ¹⁷ See "iPhone Market Share: US (2014-2022), OBERLO, [https://www.oberlo.com/statistics/iphone-](https://www.oberlo.com/statistics/iphone-market-share-us)
28 [market-share-us](https://www.oberlo.com/statistics/iphone-market-share-us); "US Smartphone Market Share," OBERLO, [https://www.oberlo.com/statistics/us-](https://www.oberlo.com/statistics/us-smartphone-market-share)
[smartphone-market-share](https://www.oberlo.com/statistics/us-smartphone-market-share).

1 user base and large community of developers creating iOS apps. To succeed, new entrants would need
2 to convince users to switch to a new smartphone operating system without the catalog of apps available
3 on iOS, while simultaneously convincing developers to incur the costs of writing apps for a new
4 operating system without iOS' sizable user base. These are substantial hurdles. Brand loyalty to
5 existing manufacturers, and high switching costs, compound the difficulty of entry.¹⁸ Highly
6 sophisticated and resourced companies—e.g., Amazon and Microsoft—have sought to market
7 smartphones and failed to gain traction.

8 **b. The Tablet Product Market**

9 45. Tablets share certain features of smartphones, and other features of laptops, but they
10 are a distinct product. Apple introduced the first tablet—the iPad—in 2010, marketing it as “a third
11 category of device.”¹⁹ Tablets do not replace smartphones and were never intended to. Apple and other
12 tablet manufacturers treat tablets as a distinct product line, both in marketing materials and public
13 filings.²⁰ There is widespread industry and public recognition of a distinct market for tablets.²¹

14 46. One fundamental difference between tablets and smartphones is the screen size. The
15 screen on a smartphone ranges from 4 to 6 inches, making the device small enough to fit into a pocket.²²
16 Tablets have screens ranging from 7 to 17 inches, making them far less mobile or stowable.²³ The
17 screen size differential also means that certain apps are developed solely for either tablets or
18 smartphones, and are not available on both.

20 ¹⁸ See *infra* ¶¶ 69-72.

21 ¹⁹ See William Gallagher, “Apple got tablets right, and created a whole new market with the iPad
22 12 years ago today” APPLEINSIDER (Jan. 27, 2022), <https://appleinsider.com/articles/19/01/27/apple-got-tablets-right-and-created-a-whole-new-market-with-the-ipad>.

23 ²⁰ See Apple Inc. 2022 Form 10-K at 1 (listing iPad as a distinct product line, separate from other
24 Apple offerings).

25 ²¹ See, e.g., “Tablet Vendor Market Share United States Of America,” STATCOUNTER,
<https://gs.statcounter.com/vendor-market-share/tablet/united-states-of-america>.

26 ²² See “Smartphone sales market share in the United States from 2017 to 2019, by display size,”
27 STATISTA (Apr. 21, 2022), <https://www.statista.com/statistics/1042669/us-smartphone-sales-by-display-size/>.

28 ²³ See “Tablet Comparison Chart: List Of Tablets In 2022,” TABLETMONKEYS (June 2022),
<https://tabletmonkeys.com/tablet-comparison/>.

1 47. While some tablets have cellular connectivity and can be used to make and receive
2 telephone calls, that is not a core functionality. Rather, with the larger screen, tablets provide more
3 immersive internet connectivity. And they can be used to perform a range of productivity tasks like a
4 laptop or desktop computer. For example, with keyboard accessories, tablets can be used as word
5 processors. They are also marketed as creativity tools that can be used to create and edit music and
6 video. That consumers typically own a tablet along with smartphones, computers, and other mobile
7 electronic devices shows that the products are compliments, not substitutes.

8 48. Apple enjoys market power in the U.S. tablet product market. As of January 2024,
9 iPad's U.S. market share in the tablet market was 57%, more than triple the 16% share of its closest
10 competitor, Samsung.²⁴

11 49. There are also substantial barriers to entry into the tablet market, bolstering Apple's
12 market power. As with smartphones, bringing a tablet to market requires substantial capital and
13 expertise. Indirect network effects also reinforce Apple's market power and make entry difficult.
14 To succeed, new entrants need to convince users to switch to a new tablet operating system without
15 the catalog of apps available on iOS, while simultaneously convincing developers to incur the costs of
16 writing apps for a new operating system without iOS's sizable user base. Brand loyalty and high
17 switching costs likewise impose a substantial impediment to new entrants. Sophisticated and highly
18 motivated companies, including Google and Microsoft, have sought to market tablets and failed to
19 gain significant market share for their offerings.

20 **3. The Tie Affects a Significant Volume of Commerce.**

21 50. Ties can be condemned *per se* when they affect a not insignificant (or "non de
22 minimis") volume of commerce. Cloud storage is a billion (soon-to-be *trillion*)²⁵ dollar industry, and
23
24

25 ²⁴ See "Tablet Vendor Market Shares United States of America (Jan 2023 – Jan 2024),
26 STATCOUNTER (Jan. 2024), <https://gs.statcounter.com/vendor-market-share/tablet/united-states-of-america>.

27 ²⁵ See "Cloud Spending to Top \$1 Trillion in Four Years," THENEXTPLATFORM (Jan. 26, 2023),
28 <https://www.nextplatform.com/2023/01/26/cloud-spending-to-top-1-trillion-in-four-years/>.

1 Apple's iCloud alone generates billions in annual revenues, as reflected above (*supra* § IV.B). The
2 volume-of-commerce requirement for *per se* condemnation is thus met.

3 **D. Apple Unlawfully Monopolizes the Market for Cloud Storage on Apple Mobile Devices.**

4 51. In addition to imposing an unlawful tie, Apple unlawfully monopolizes the market for
5 Cloud Storage on Apple Mobile Devices. Unlawful monopolization occurs when a firm (1) acquires
6 or maintains a monopoly (2) through anticompetitive conduct. The facts alleged below support both
7 elements.

8 **1. Apple Has Monopoly Power in the Market for Cloud Storage on Apple Mobile
9 Devices.**

10 52. Monopoly power is the substantial ability to control prices or exclude competition.
11 It can be established through direct proof of either supracompetitive prices, or reduced output, or both.
12 Alternatively, monopoly power can be established indirectly with proof of high market share in a
13 relevant antitrust market.

14 **a. Direct Proof of Monopoly Power: Apple Has Demonstrated Its Ability to
15 Charge Supracompetitive Prices and Restrict Output.**

16 **(1) Apple Charges Supracompetitive Prices for iCloud.**

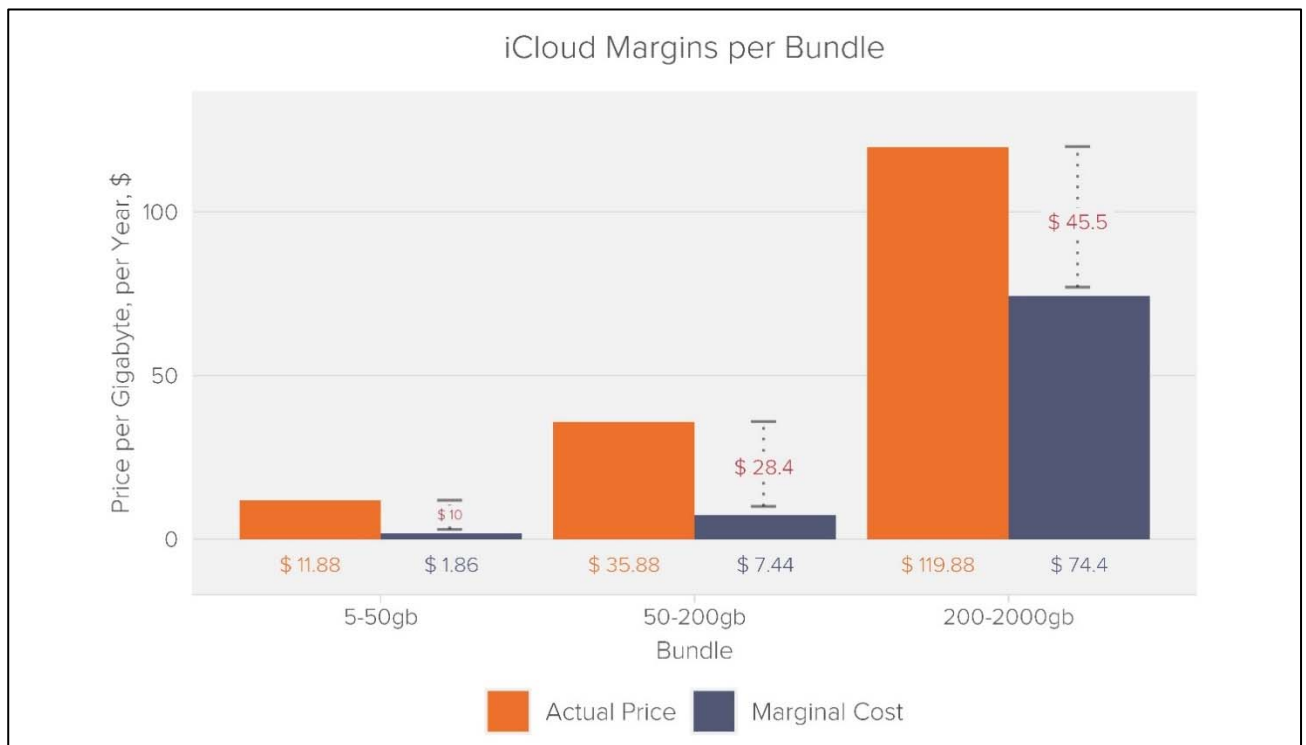
17 53. Having shielded itself from meaningful competition, Apple is able to charge
18 supracompetitive prices for iCloud.

19 54. It is textbook economics that, in a competitive market, prices tend toward marginal
20 costs, or the cost of producing one additional unit of the product or service sold. It is apparent that
21 Apple prices iCloud significantly above its marginal costs, that is, supracompetitively.

22 55. Rather than build out its own servers to host all iCloud data, Apple relies on the storage
23 infrastructure of third parties, most recently Google. Apple's per-GB cost of acquiring this
24 infrastructure provides a reasonable estimate of its marginal costs. Industry analysts report that Apple
25
26
27
28

1 pays Google \$300 million annually for 8 exabytes (or 8 billion gigabytes) of storage.²⁶ This equates to
 2 \$0.0031 per gigabyte per month.²⁷

3 56. Apple's iCloud prices dwarf these marginal costs, resulting in staggering margins. For
 4 Apple's three most popular iCloud storage tiers, the below chart compares Apple's per-GB annual
 5 marginal costs with the per-GB annual price Apple charges iCloud subscribers like Plaintiff and the
 6 proposed class here.



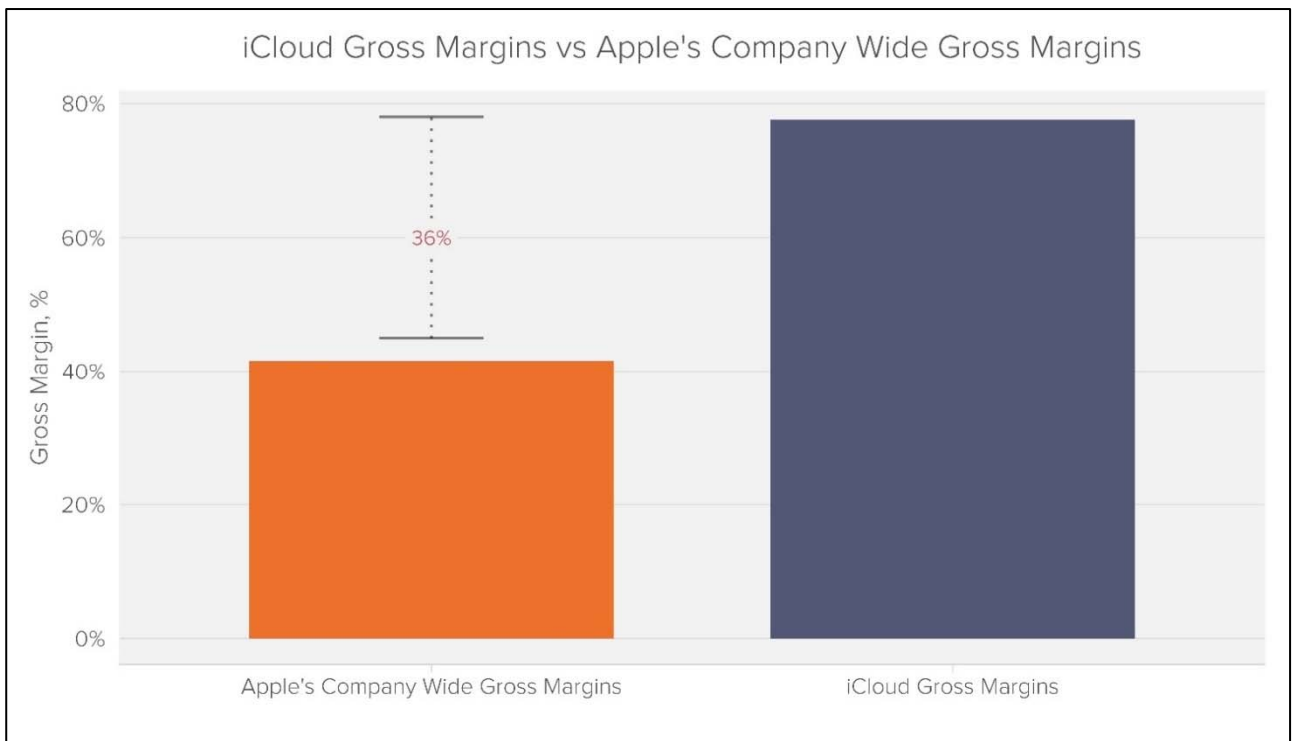
20 57. In short, Apple is marking up its marginal costs by staggering amounts. For the 5 to
 21 50GB tier, Apple pays Google \$1.86 annually per GB for storage infrastructure, and charges
 22 consumers \$11.88. For the 50 to 200GB tier, it pays Google \$7.44 annually per GB and charges

25 ²⁶ Mike Peterson, "Apple is now Google's largest corporate customer for cloud storage," APPLE
 26 INSIDER (Jan. 29, 2021), <https://appleinsider.com/articles/21/06/29/apple-is-now-googles-largest-corporate-customer-for-cloud-storage>.

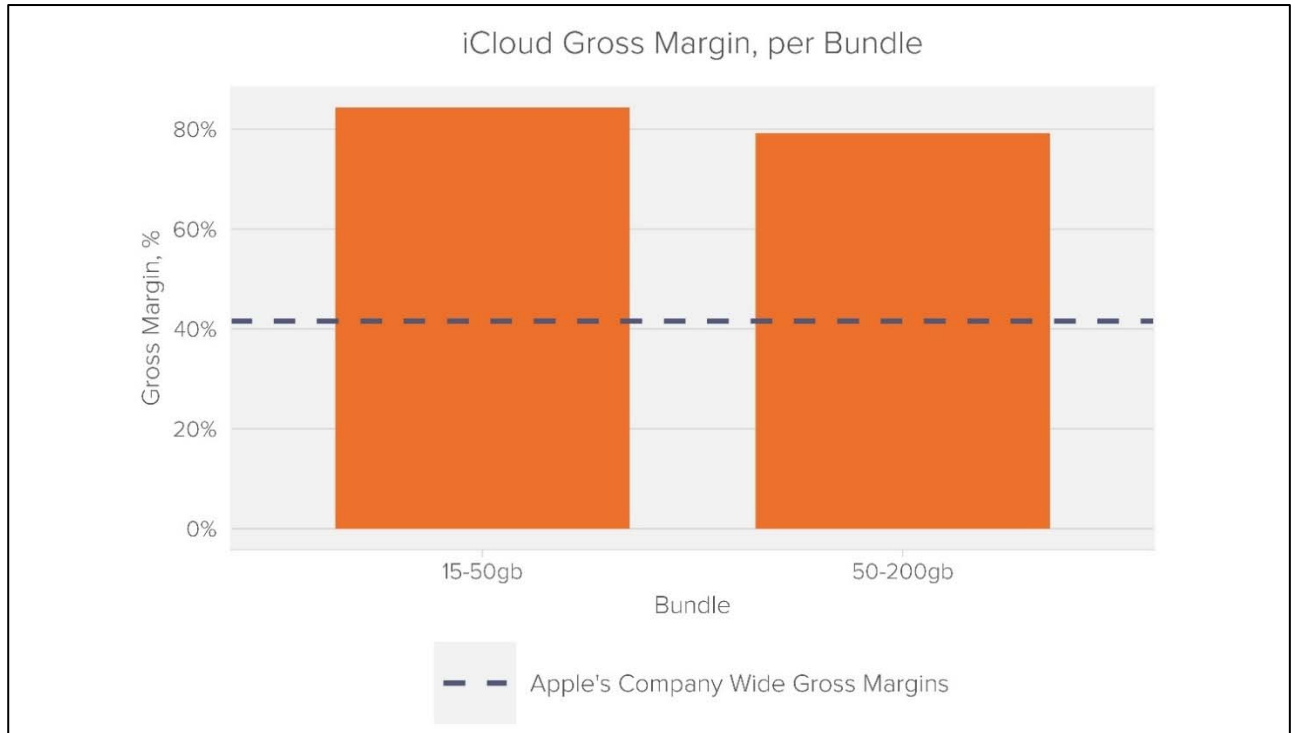
27 ²⁷ Notably, this is comparable to Amazon's most competitive cloud storage plans for its S3 Glacier
 28 service. See "Amazon S3 Glacier service (Glacier API for vaults) pricing," AMAZON, <https://aws.amazon.com/s3/glacier/pricing/>.

1 consumers \$35.98. And for the 200GB to 2TB tier, Apple pays Google \$74.40 annually per GB and
 2 charges consumers \$119.99.

3 58. Markups of this magnitude yield eyewatering gross margins. For context, Apple is one
 4 of the most profitable companies the world has ever known. Apple generally reports company-wide
 5 gross margins slightly above 40%, which is high.²⁸ But not in comparison to the margins Apple
 6 generates with its iCloud plans. Apple’s gross margins for iCloud are approximately 78%, and they
 7 **exceed 80%** on Apple’s most popular 15-50GB iCloud plan. Put another way, the price the proposed
 8 class paid for these plans is almost pure profit to Apple.



27 ²⁸ See “Apple’s gross margin as percentage of revenue from 1st quarter 2005 to 1st quarter 2024,”
 28 STATISTICA (Feb. 2024), <https://www.statista.com/statistics/263436/apples-gross-margin-since-2005/#:~:text=As%20of%20the%20first%20quarter,a%20percentage%20of%20total%20revenue>.



13 59. Apple's iCloud pricing is thus not simply above Apple's marginal costs, it is grossly
14 above marginal costs. It is manifestly supracompetitive as a matter of textbook economics.

15 60. In a market without Apple's restraints, competition on price would be vigorous. Cloud
16 Storage on Apple Mobile Devices is a billion-dollar industry that Apple completely dominates today.
17 If other cloud storage providers were able to offer a full-service cloud storage solution to Apple's
18 mobile device users, these providers would be highly incentivized to compete aggressively on price to
19 differentiate their offerings and win subscribers. This would place enormous downward pressure on
20 iCloud's pricing. Having carefully insulated itself from these competitive dynamics, Apple is able to
21 maintain its supracompetitive iCloud prices.

22 **(2) Apple's Challenged Restraints Restrict Output.**

23 61. Apple's ability to restrict output is evidenced by its ability to flatly preclude any other
24 cloud provider from accessing and hosting Restricted Files on its mobile devices. This demonstrated
25 ability to restrict output prevents cloud providers from offering new and innovative cloud storage
26 options for Apple mobile device holders. In the absence of Apple's restrictions, additional output
27 would be generated by new entrants and existing cloud providers who would be incentivized to develop
28

1 full-service cloud solutions capable of challenging iCloud’s market supremacy. Given the billions that
2 cloud providers can earn from Apple’s massive user base, cloud platforms would be highly
3 incentivized to compete and appeal to a larger segment of Apple’s users, generating more cloud service
4 transactions overall. Apple’s restraints suppress this natural output.

5 62. Output is further diminished because, as addressed immediately above, Apple’s
6 restraints result in supracompetitive prices. Higher prices result in lower demand, and thus, lower
7 output. That is, if prices were lower prices for cloud storage on Apple mobile devices, more consumers
8 would purchase cloud storage and in larger amounts. In a more competitive market without Apple’s
9 restraints, prices would be lower, yielding higher demand and output.

10 **b. Indirect Proof of Monopoly Power: Apple Has a Dominant Share of a**
11 **Relevant Antitrust Market.**

12 63. Publicly available reports indicate that iCloud’s share of the market for Cloud Storage
13 on Apple Mobile Devices exceeds 70 percent.²⁹ That is a monopoly share of the market for Cloud
14 Storage on Apple Mobile Devices.

15 64. As set forth below, Cloud Storage on Apple Mobile Devices is a relevant antitrust
16 market under all conventional market definition principles, and barriers to entry are high.

20 ²⁹ Survey evidence indicates that, as of 2020, 33% of people using personal cloud storage in the
21 U.S. used iCloud. See “The Latest Cloud Computing Statistics,” AAG (Feb. 2024), [https://aag-
22 it.com/the-latest-cloud-computing-statistics/](https://aag-it.com/the-latest-cloud-computing-statistics/). That market share figure underestimates iCloud’s share
23 of the relevant market since it is not specific to Apple mobile devices and includes non-Apple devices
24 too. Since iCloud is available only on Apple’s devices, iCloud’s market share of the proposed relevant
25 market can be approximated by dividing iCloud’s reported market share across all devices (33%) by
26 Apple’s average share of the smartphone and tablet markets over the same period (or 45.5%). That
27 yields a market share of 72.5% ($33\% \div 45.5\% = 72.5\%$). See “iPhone Market Share: US (2014-2022),
28 OBERLO, <https://www.oberlo.com/statistics/iphone-market-share-us> (estimating 2020 iPhone US
market share of 45.3); “US PC shipments grew 1% to reach 135 million in 2021,” CANALYS (Feb.
2022), [https://www.canalys.com/newsroom/US-PC-market-Q4-2021?ctid=2640-
d86d3e3cc31b674e1dd838f856520b2a](https://www.canalys.com/newsroom/US-PC-market-Q4-2021?ctid=2640-d86d3e3cc31b674e1dd838f856520b2a) (estimating 2020 iPad US market share of 45.8%). Plaintiff
reserves all rights to re-estimate iCloud’s market share based on materials produced in discovery or
otherwise.

1 (1) **Cloud Storage on Apple Mobile Devices Is a Relevant Antitrust**
2 **Product Market.**

3 65. Cloud Storage on Apple Mobile Devices is a distinct product for which there are no
4 reasonably close substitutes. Consumers with an Apple smartphone or tablet have limited vehicles for
5 storing and backing up their data, none of which are reasonably interchangeable with Cloud Storage
6 on Apple Mobile Devices.

7 66. A salient feature of cloud-based storage is that it offers users relatively seamless access
8 to stored data *across* devices. For example, iPhone users with photos on a cloud platform can generally
9 access them from their iPad, and vice versa. Cloud storage also does away with physical hard drives
10 and other storage media that require a physical connection to port data to and from a device. With a
11 cloud platform, users can generally upload and access stored files wherever they can access the
12 internet. Cloud platforms can also offer ranges of automation that allow users to back-up data
13 automatically without continuous user engagement.

14 67. Cloud Storage on Apple Mobile Devices is widely recognized within the industry as a
15 distinct market for cloud storage with distinguishing characteristics.³⁰ The market involves distinct
16 customers—i.e., users of Apple’s mobile devices. Cloud solutions for these customers must be
17 compatible with Apple’s mobile devices and operating systems and, in many instances, cloud providers
18 develop customized cloud apps for Apple devices using distinct development tools.

19 68. As for interchangeability of use, there are no comparable, much less reasonably
20 interchangeable, substitutes for Cloud Storage on Apple Mobile Devices.³¹

21
22
23 ³⁰ “Best Cloud Storage for iPhone 2024: Backup Your Apps and Photos,” CLOUDWARDS (Jan. 27,
24 2024), <https://www.cloudwards.net/best-cloud-storage-for-iphone/>; “5 Best Cloud Storage for
25 iPhone,” EASEUS (Jan. 31, 2024), [https://mobi.easeus.com/iphone-data-transfer/best-cloud-storage-
26 for-iphone.html](https://mobi.easeus.com/iphone-data-transfer/best-cloud-storage-for-iphone.html); “How to avoid paying Apple for extra iCloud storage,” COMPUTERWORLD (May 19,
27 2022), [https://www.computerworld.com/article/2476176/mac-os-x-how-to-avoid-paying-apple-for-
28 extra-icloud-storage.html](https://www.computerworld.com/article/2476176/mac-os-x-how-to-avoid-paying-apple-for-extra-icloud-storage.html).

³¹ The existence of a market for Cloud Storage on Apple Mobile Devices does not foreclose the
existence of cognizable submarkets within that larger market. But under any conceivable segmentation
of the market for Cloud Storage on Apple Mobile Devices, Apple would retain a monopoly-level share
of the larger market and, mathematically, one or more submarkets.

(a) **Cloud Storage on Android Mobile Devices Is Not a Reasonable Substitute for Cloud Storage on Apple Mobile Devices.**

69. Consumers with an iPhone or iPad can use cloud storage on non-Apple mobile devices only by switching operating systems and purchasing an Android mobile device. But the high costs and difficulty of switching effectively lock consumers into Apple’s device ecosystem. Studies show that switching is remarkably rare. More than 90% of new iPhone purchases are made by consumers whose previous smartphone was likewise a smartphone.³² There are many deterrents to switching. Learning to navigate an operating system (Apple or Android) takes time, and consumers who switch must undertake that labor-intensive process again. A NEW YORK TIMES guide to smartphones recommends against switching operating systems, precisely because “[b]y the time you’ve used a phone for a couple of years, you’ve spent a lot of time learning its quirks.”³³

70. Switching costs are also high. The most immediate cost is that of a new device, a switching cost that cannot be avoided because the Android operating system cannot be run from an Apple device. New smartphones and tablets cost hundreds of dollars, an investment most consumers do not make more than every two to three years. *See infra* ¶¶ 77-82 (applying SSNIP test).

71. In addition, much app and in-app content is specific to Apple’s operating systems and cannot be ported to a new device utilizing a different operating system. This exacerbates switching costs. As one senior Apple executive has put it: “Who’s going to buy a Samsung phone if they have apps, movies, etc. already purchased? They now need to spend hundreds more to get to where they are today.”³⁴ This is not an accident. Locking customers into its ecosystem, and erecting high switching costs, is indeed a central pillar of Apple’s business model. Apple’s overarching strategy, as Steve Jobs

³² See Chance Miller, “iPhone loyalty rate continues to exceed 90%, new CIRP data shows,” 9TO5MAC (Oct. 28, 2021) <https://9to5mac.com/2021/10/28/iphone-loyalty-rate-data-switchers/>.

³³ See Andrew Cunningham, “iPhone vs. Android: Which is Better for You?” NEW YORK TIMES (Jan. 27, 2021) <https://www.nytimes.com/wirecutter/reviews/ios-vs-android/>.

³⁴ See “Apple’s Past Sideloaded Plans, Ecosystem Lock-in Strategy, and More Revealed in Internal Documents,” MACRUMORS (Aug. 20, 2021), <https://forums.macrumors.com/threads/apples-past-sideloaded-plans-ecosystem-lock-in-strategy-and-more-revealed-in-internal-documents.2308143/>.

1 once described it, is to “[t]ie all of our products together, so we further lock customers into our
2 ecosystem.”³⁵

3 72. Given the difficulty and high costs of switching—and its relative infrequency—Apple
4 device holders cannot reasonably substitute to Android-based cloud storage options. Cloud storage on
5 Android devices thus cannot be included in same relevant antitrust market.

6 **(b) Local Storage Is Not a Reasonable Substitute for Cloud**
7 **Storage on Apple Mobile Devices.**

8 73. An iPhone or iPad can theoretically be backed up locally to a hard drive on a Mac or
9 PC, using Apple’s program iTunes, but this is labor-intensive and non-automated process that does not
10 reasonably substitute for cloud storage. To begin with, not all files that can be stored on iCloud can be
11 backed up to a local drive. Most prominently, users cannot store or back up content from app stores or
12 iTunes, or PDFs downloaded directly from Apple Books, on a local hard drive.³⁶ For users of Apples
13 mobile devices, these files can be only stored on iCloud. This difference alone makes local storage a
14 poor substitute for cloud storage.

15 74. Even if local backups provided the same storage capabilities as cloud storage, local
16 backups lack the ease of use and convenience that characterize cloud storage. *First*, local storage is
17 only available to users that have purchased a Mac or PC and have retained storage space on their local
18 drive sufficient to back up their mobile device. Users are also dependent on the functionality of that
19 physical device—if it is damaged or misplaced, all data can be lost. *Second*, users can back up to their
20 Mac or PC only by physically connecting their device, which requires cables and having both devices
21 physically present in the same location. *Third*, backing up locally entails a 7- or 8-step process
22 (depending on whether you are saving to a Mac or PC) that includes downloading and/or opening
23 iTunes, inputting and saving device and encryption passcodes, and following various screen prompts
24

25 ³⁵ See “Steve Jobs wanted to ‘further lock customers into Apple’s ecosystem,” CNET (April 2,
26 2014), <https://www.cnet.com/tech/tech-industry/steve-jobs-wanted-to-further-lock-customers-into-apples-ecosystem/>.

27 ³⁶ Apple Support article, “Backup methods for iPhone, iPad, and iPod touch,”
28 <https://support.apple.com/en-us/HT204136#:~:text=iCloud%20backs%20up-.Backups%20from%20your%20computer,downloaded%20directly%20to%20Apple%20Books.>

1 and troubleshooting steps.³⁷ *Fourth*, whereas cloud storage platforms can automatically backup data
2 without any action by the user, local backups are manual and require that the user undertake each of
3 the above steps every time they wish to backup new information on their device. This means that,
4 while an iCloud backup generally will include all data on a user’s device, including data recently
5 added, local backups will only include data accumulated at the time of the last manual backup, which
6 could be weeks or even months prior. Maintaining a comprehensive backup on a local drive thus
7 requires almost continuous manual updates.

8 75. Local storage also lacks a core distinguishing feature of cloud storage—the ability to
9 seamlessly access and manage stored data across multiple devices, including when the user is on the
10 move. For example, data stored on a home office Mac or PC cannot be accessed from a coffee shop
11 using an iPhone. By contrast, using a cloud-based solution, Apple device holders can access their data
12 on all of their devices, wherever they happen to be, provided they have some means of connecting to
13 the internet.

14 76. For all of these reasons, local storage is not a reasonable substitute for Cloud Storage
15 on Apple Mobile Devices.

16 **(c) The Proposed Market Would Pass a SSNIP Test.**

17 77. A common method to determine the relevant market is to assess whether a hypothetical
18 monopolist could impose a small but significant non-transitory increase in price (“SSNIP”) in the
19 proposed market, typically 5%. A hypothetical monopolist in the market for Cloud Storage on Apple
20 Mobile Devices could profitably impose a SSNIP—that is, sustain a significant price increase without
21 losing volume sufficient to make the price increase unprofitable.

22 78. A SSNIP test begins with a narrow market definition and asks whether a hypothetical
23 monopolist of that market could sustain a SSNIP without consumers switching to alternative products
24 to a degree that renders the SSNIP unprofitable. If the hypothetical monopolist could sustain the
25 SSNIP, the relevant market does not require expansion. If, however, consumers would switch to
26

27 ³⁷ See Apple Support article, “How to back up your iPhone, iPad, or iPod touch with iTunes on
28 your PC,” <https://support.apple.com/en-us/HT212156>; Apple support article, “How to back up your
iPhone, iPad, and iPod touch with your Mac,” <https://support.apple.com/en-us/HT211229>.

1 alternate products and render the SSNIP unprofitable, those alternate products must be included in the
2 relevant market.

3 79. As applied here, consumer substitution to conceivable alternatives would not defeat a
4 SSNIP on Cloud Storage on Apple Mobile Devices. In other words, the proposed market could pass a
5 SSNIP test.

6 80. *First*, switching to cloud storage on Android devices would be minimal and extremely
7 rare in response to a SSNIP. This is because the cost of Cloud Storage on Apple Mobile Devices, while
8 substantial (and supracompetitive), pales in comparison to the cost of purchasing a new device on a
9 new operating system and porting what data and features can be ported across ecosystems. That is,
10 Apple's most popular storage tiers are all less than \$9.99 per month,³⁸ meaning for most iCloud users
11 a 5% increase in iCloud pricing would equate to less than 50 cents a month. A new Android
12 smartphone, by contrast, will cost hundreds of dollars, with some premium devices comparable to
13 iPhones exceeding \$1,000. And this is to say nothing about the other costs associated with switching
14 ecosystems. In short, it would be economically irrational for Apple's device holders to respond to a
15 SSNIP on Cloud Storage for Apple Mobile Devices by purchasing a new device to access Android-
16 based cloud storage solutions.

17 81. Consumers also cannot reasonably anticipate or estimate the total cost of an increase in
18 the price for Cloud Storage on Apple Mobile Devices, because users cannot accurately measure their
19 future data storage needs, which can fluctuate dramatically (and unpredictably) over time based on
20 changes in technology (e.g., size of files) and the uses to which consumers put their mobile devices.
21 In addition, consumers generally substantially discount future costs when they choose a device,
22 meaning the future cost of cloud storage, which is already small relative to the cost of a new device, is
23 even less significant.³⁹

24 _____
25 ³⁸ Apple did not even offer its higher-volume storage tiers (6TB and 12TB) in the United States
until September 2023.

26 ³⁹ Gregory Howard, John C. Whitehead, and Jacob Hochard, "Estimating discount rates using
27 referendum-style choice experiments: An analysis of multiple methodologies," *Journal of*
28 *Environmental Economics and Management* (Jan. 2021),
<https://www.sciencedirect.com/science/article/abs/pii/S0095069620301224>.

1 82. A SSNIP test likewise excludes local storage from the relevant product market. Apple
2 already charges more than 5% more for iCloud storage than its device holders pay to back up their
3 devices to a Mac or PC. Indeed, Apple does not charge anything when users backup their devices to a
4 Mac or PC. If Cloud Storage for Apple Mobile Devices and such local storage were in the same
5 antitrust market, one would expect substantial switching from cloud storage (for which significant
6 monthly fees apply) to local storage (which is free, provided the user has sufficient storage space on
7 their hard drive). This has not occurred. In fact, iCloud usage by Apple device holders has been
8 increasing steadily for years.⁴⁰

9 **(d) The Market for Cloud Storage on Apple Mobile Devices**
10 **Demonstrates All Characteristics of an “Aftermarket.”**

11 83. The market for Cloud Storage on Apple Mobile Devices can be considered an
12 aftermarket to the primary device markets for smartphones and tablets. An aftermarket is a derivative
13 market for goods or services used in conjunction with some primary product. In determining whether
14 an aftermarket exists, relevant factors include whether “(1) the challenged aftermarket restrictions are
15 ‘not generally known’ when consumers make their foremarket purchases; (2) ‘significant’ information
16 costs prevent accurate life-cycle pricing; (3) ‘significant’ monetary or non-monetary switching costs
17 exist; and (4) general market-definition principles regarding cross-elasticity of demand do not
18 undermine the proposed single-brand market.” *Epic Games, Inc. v. Apple, Inc.*, 67 F.4th 946, 977 (9th
19 Cir. 2023). The market for Cloud Storage on Apple Mobile Devices satisfies each of these criteria.

20 84. **Restrictions Not Generally Known at Foremarket Purchase.** When consumers
21 purchase an Apple mobile device, they are nowhere advised that iCloud is the only cloud service
22 capable of storing or backing up Restricted Files on their device. Such a term cannot even be found in
23 the fine print of Apple’s otherwise highly detailed Apple’s Software License Agreement for iPhones
24 and iPads. Nor is such a term included in Apple’s iCloud user terms and conditions. In fact, far from
25 suggesting that iCloud is the only option for backing up Restricted Files (or any files), the iCloud terms
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⁴⁰ See, e.g., “Essential Apple iCloud Statistics in 2024,” ZIPDO (July 16, 2024),
<https://zipdo.co/statistics/apple-icloud/>.

1 and conditions specify: “[I]t is your responsibility to maintain appropriate alternate backup of your
2 information and data.”⁴¹

3 85. Cloud storage is also widely available on other platforms, with many well-known
4 technology firms offering cloud storage products that are available on Apple’s mobile devices.
5 Consumers have no reason to know, and generally do not know, that these otherwise ubiquitous and
6 highly functioning cloud storage solutions are incapable of hosting certain files—i.e., Restricted
7 Files—on Apple’s mobile devices. Consumers generally learn of this limitation only *after* they have
8 purchased their mobile device and attempt to use alternative cloud storage platforms to backup
9 Restricted Files, or the entirety of their files. But by this point, the user has already transacted in the
10 foremarket. Accordingly, any competition occurring in the device foremarkets does not serve to
11 meaningfully constrain Apple’s restraints on cloud storage in the aftermarket.

12 86. **Significant Information Costs Prevent Accurate Lifecycle Pricing.** For similar
13 reasons, consumers cannot (and do not) accurately estimate the lifecycle price of Apple’s challenged
14 restraints when transacting in the foremarket for Apple’s mobile devices. The restraints are, as just
15 noted, generally unknown to users and thus no life-cycle pricing can occur.

16 87. Even if consumers knew at the time they purchased their iPhone or iPad that iCloud is
17 the only available cloud platform for Restricted Files—which generally they do not—they could not
18 accurately measure the lifecycle cost of this restraint. Consumers’ cloud storage needs change over
19 time, including as to Restricted Files, often for reasons users cannot anticipate and for reasons users
20 do not control. For example, anytime a developer updates an app, the storage required for that app can
21 change. These type of app updates can be pushed to the users of Apple mobile devices without any
22 action of the user. Similarly, a consumer that happens to receive text messages with large attached files
23 (e.g., videos) will see a marked increase in his or her storage needs. File sizes are also increasing
24 dramatically over time as the fidelity of mobile photos and videos, and size of other user content,
25 increases.

26
27 ⁴¹ “Welcome to iCloud,” APPLE, at Section II.O, [https://www.apple.com/legal/internet-](https://www.apple.com/legal/internet-services/icloud/)
28 [services/icloud/](https://www.apple.com/legal/internet-services/icloud/).

1 88. Accordingly, to accurately life-cycle price Apple’s restriction on Restricted File
2 hosting, device holders would both need to be aware of the restraint (which they generally are not) and
3 be capable of predicting the amount and types of data they will store on their phone into the open-
4 ended future. Given the variability and unpredictability of data needs over time, this is not possible.

5 89. Lifecycle pricing is made even more difficulty because consumers are typically locked
6 into Apple’s mobile-device ecosystem beyond the life of any particular device—that is, once a
7 consumer purchases an iPhone, he or she is overwhelmingly likely to purchase an iPhone when
8 replacing that device. This is known as “path dependency.”⁴² Because of path dependency, the lifecycle
9 costs of Apple’s restraints extend far beyond the lifecycle of any particular Apple mobile device, and
10 encompass the entire period users remain with in Apple’s device ecosystem. This makes the costs even
11 more difficult to predict with any accuracy.

12 90. **High Switching Costs and General Market Definition Principles.** For reasons
13 already addressed, the final two elements of a cognizable “aftermarket” are also present. *First*, high
14 costs deter users from switching away from Apple’s devices in the foremarket (*supra* ¶¶ 69-72).
15 *Second*, conventional market definition principles support treating Cloud Storage on Apple Mobile
16 Devices as a relevant antitrust market (*supra* ¶¶ 65-82). In sum, the market for Cloud Storage on Apple
17 Mobile Devices exhibits all characteristics of an aftermarket.

18 **(2) Barriers to Entry are Substantial.**

19 91. Apple’s dominant share in the market for Cloud Storage on Apple Mobile Devices is
20 reinforced through high barriers to entry. Developing a cloud storage platform requires a substantial
21 outlay of capital to procure sufficient server capacity. Cloud storage platforms must also invest
22 substantially in data security protections. These upstart costs erect significant barriers to entry.

23 92. More critically, even a firm with the resources needed to develop a cloud platform for
24 Apple’s mobile devices cannot compete profitably in the market for Cloud Storage on Apple Mobile
25 Devices. And this is because Apple’s challenged restraints prevent would-be competitors from offering
26

27 ⁴² The Netherlands Authority for Consumers & Markets, Market Study Into Mobile App Stores
28 (2019), at 55.

1 cloud storage solutions for the full range of files Apple’s device holders wish to store. Would be
2 competitors can only host a limited set of file types, offering consumers a product that is—due to this
3 limitation—inherently disadvantaged to iCloud. This prevents would be entrants from placing any
4 meaningful competitive constraints on Apple.

5 **(3) The Relevant Geographic Market is the United States.**

6 93. There is a relevant U.S. market for Cloud Storage on Apple Mobile Devices.

7 **2. Apple Has Secured and Maintained its Monopoly through Anticompetitive**
8 **Restraints.**

9 94. Apple dominates the market for Cloud Storage on Apple Mobile Devices not because
10 it built a superior cloud storage platform. Far from it, industry analysts describe iCloud as a “fairly
11 sparse offering, with lots of common cloud storage features missing completely”⁴³ and a “rather
12 insecure and expensive” platform.⁴⁴ Other analysts have noted iCloud’s persistent “problems with its
13 most basic functionality.”⁴⁵

14 95. What drives iCloud’s success is that Apple has designed its ecosystem to prevent rival
15 cloud storage platforms from mounting a meaningful competitive threat. Apple has done this by
16 preventing other platforms from accessing and hosting Restricted Files, which are the very files users
17 need to restore their device in the event it is lost or replaced.

18 96. Through this restraint, which serves no technological or security purpose, Apple has
19 made iCloud the only cloud-storage platform capable of servicing *all* of its device holders’ cloud-
20 storage needs. Apple device holders can either use iCloud for cloud-based storage or undertake the
21 added expense and burden of splitting out their files and managing multiple cloud storage accounts—
22 iCloud for Restricted Files and a competitor service for Accessible Files. Faced with this Hobson’s
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25 ⁴³ Alexander Hougen, “iCloud Drive Review,” CLOUDWARDS (Jan. 31, 2021),
<https://www.cloudwards.net/review/icloud-drive/>.

26 ⁴⁴ “Best Cloud Storage for iPhone 2024: Backup Your Apps and Photos,” CLOUDWARDS (Jan. 27,
27 2024), <https://www.cloudwards.net/best-cloud-storage-for-iphone/>.

28 ⁴⁵ “Apple has an iCloud problem,” MACWORLD (Oct. 19, 2023),
<https://www.macworld.com/article/2110142/icloud-free-tier-storage-drive-mail-sync.html>.

1 choice, most consumers select a single iCloud storage plan, rather than juggle multiple cloud-storage
2 accounts, on different platforms, with different interfaces and billing cycles.

3 97. By handicapping all would-be rivals in this fashion, Apple has severely thwarted
4 competition across the market. In a competitive market, cloud-storage providers—Apple included—
5 would be required to compete aggressively on the merits to gain user acceptance. There are many
6 technology firms positioned to compete, and many would compete aggressively to serve a lucrative
7 cloud storage market in which Apple’s iCloud product reportedly generates billions in annual revenues.

8 98. Given a real choice between iCloud and competing services capable of backing up their
9 entirety of their devices, many Apple users would select a competitor service. But Apple’s challenged
10 restraints have surgically prevented this competition from unfolding, securing a durable monopoly for
11 Apple.

12 **E. Apple Cannot Justify Its Restraints as Serving Any Procompetitive End.**

13 99. Apple’s challenged restraints on hosting Restricted Files can only be coherently
14 explained as an attempt to impede competition. There is no technological reason mandating for Apple
15 to bar competitor access to Restricted Files. As addressed in this Complaint (*supra* ¶ 27), Apple itself
16 acknowledges that all files—Restricted and Accessible—are alike. The infrastructure needed to host
17 them is no different. Apple’s chief competitor in the device markets (according to Apple) is Samsung,
18 and tellingly Samsung has not required that its device holders store any particular file types on
19 Samsung’s proprietary cloud platform, Samsung Cloud. Instead, Samsung has given users the choice
20 to use Google Drive to back up the entirety of their devices. Other manufacturers of Android devices
21 likewise permit third-party cloud services to back up all user files, including settings needed to restore
22 devices.

23 100. Similarly, while the process is far more cumbersome (*supra* ¶¶ 73-76), even Apple
24 mobile device holders can backup many types of Restricted Files on hard drives, including a PC. While
25 this form of storage is distinguishable, and not reasonably substitutable for cloud-based storage (and
26 thus not in the same relevant market), it further demonstrates that rival storage platforms could, absent
27 Apple’s restrictions, host and back up Restricted Files.

1 101. Apple also cannot credibly assert that foreclosing competitor access to Restricted Files
2 is necessary for security reasons. The reality is that Apple already allows third-party cloud storage
3 providers to access some of the most sensitive data on users' devices—including photos and videos. If
4 Apple believed that preventing third-party cloud providers from accessing user data was necessary to
5 protect user security, Apple would not permit such access for some of the most sensitive data users
6 amass.

7 102. In addition, Apple outsources the infrastructure for its own iCloud service to other cloud
8 platforms. It now uses Google's infrastructure, and previously it used Amazon's and Microsoft's. In
9 other words, Apple already allows rival cloud providers to access Restricted Files, but only to support
10 iCloud and not to offer a competing cloud product. This further undermines any security-based
11 justification Apple might assert.

12 V. INTERSTATE TRADE AND COMMERCE

13 103. Apple's conduct, as alleged in this Complaint, were within the flow of, and substantially
14 affected, interstate commerce. Apple markets and provides iCloud services across, and without regard
15 to, state lines.

16 VI. CLASS ALLEGATIONS

17 104. Plaintiff brings this proposed class action for damages and injunctive relief pursuant to
18 Fed. R. Civ. P. 23(b)(1), (2), and (3).

19 105. Plaintiff brings this action on their own behalf and on behalf of the following class:

20 **Nationwide Class:** All persons and entities who, as residents of the
21 United States, and during the period of March 1, 2020 to the date of class
22 notice, purchased any iCloud plan to store any iPhone or iPad data.

22 **California Subclass:** All persons and entities who, as residents of
23 California, and during the period of March 1, 2020 to the date of class
24 notice, purchased any iCloud plan to store any iPhone or iPad data.

24 106. Excluded from the proposed class is Defendant; Defendant's affiliates and subsidiaries;
25 Defendant's current or former employees, officers, directors, agents, and representatives; the district
26 judge or magistrate judge to whom this case is assigned, as well as those judges' immediate family
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28

1 members; counsel to Plaintiff and the proposed class, as well as counsel’s employees; and all
2 governmental entities.

3 107. **Numerosity:** The exact number of the members of the proposed class and subclass is
4 unknown and is not available to the Plaintiff at this time, but upon information and belief, the class
5 will consist of tens of millions of members such that individual joinder in this case is impracticable, as
6 will the subclass.

7 108. **Commonality:** Numerous questions of law and fact are common to the claims of the
8 Plaintiff and members of the proposed class. These include, but are not limited to:

9 a. Whether Apple has unlawfully tied iCloud to the purchase of its mobile
10 devices—specifically the iPhone and iPad—by precluding third parties from offering cloud storage
11 for Restricted Files, and thereby requiring that iCloud be used for storing such files;

12 b. Whether there is an antitrust market (or submarket or aftermarket) for Cloud
13 Storage on Apple Mobile Devices;

14 c. Whether Apple unlawfully monopolized, or attempted to monopolize, a
15 market for Cloud Storage on Apple Mobile Devices;

16 d. Whether competition in the market for Cloud Storage on Apple Mobile
17 Devices has been constrained or harmed by Apple’s tying, monopolization, or attempted
18 monopolization conduct;

19 e. Whether consumers have been harmed, including by way of having paid more
20 for iCloud storage plans than they would have but for Apple’s allegedly anticompetitive conduct;

21 f. Whether Plaintiff and members of the proposed class are entitled to
22 declaratory or injunctive relief to halt Apple’s unlawful practices, and to their attorney fees, costs,
23 and expenses; and

24 g. Whether Plaintiff and members of the proposed class are entitled to any
25 damages or restitution incidental to the declaratory or injunctive relief they seek, or otherwise, and to
26 their attorney fees, costs, and expenses related to any recovery of such monetary relief.

1 109. **Typicality:** Plaintiff's claims are typical of the claims of the members of the proposed
2 class. The factual and legal bases of Apple's liability are the same and resulted in injury to Plaintiff
3 and all of the other members of the proposed class.

4 110. **Adequate representation:** Plaintiff will represent and protect the interests of the
5 proposed class both fairly and adequately. Plaintiff has retained counsel competent and experienced in
6 complex class-action litigation. Plaintiff has no interests that are antagonistic to those of the proposed
7 class, and its interests do not conflict with the interests of the proposed class members it seeks to
8 represent. Class counsel have been investigating the claims asserted in this complaint since November
9 2023, have invested substantial resources developing these claims, have developed a proprietary case
10 in that this case is not based on some public announcement of an antitrust violation, and are qualified
11 and best positioned to lead the representation of the proposed class.

12 111. **Prevention of inconsistent or varying adjudications:** If prosecution of myriad
13 individual actions for the conduct complained of were undertaken, there may be inconsistent or varying
14 results. This would have the effect of establishing incompatible standards of conduct for the Defendant.
15 Certification of Plaintiff's proposed class would prevent these undesirable outcomes.

16 112. **Injunctive and declaratory relief:** By way of its conduct described in this complaint,
17 Apple has acted on grounds that apply generally to the proposed class. Accordingly, final injunctive
18 relief or corresponding declaratory relief is appropriate respecting the class as a whole.

19 113. **Predominance and superiority:** This proposed class action is appropriate for
20 certification. Class proceedings on these facts and this law are superior to all other available methods
21 for the fair and efficient adjudication of this controversy, given that joinder of all members is
22 impracticable. Even if members of the proposed class could sustain individual litigation, that course
23 would not be preferable to a class action because individual litigation would increase the delay and
24 expense to the parties due to the complex factual and legal controversies present in this matter. Here,
25 the class action device will present far fewer management difficulties, and it will provide the benefit
26 of a single adjudication, economies of scale, and comprehensive supervision by this Court. Further,
27 uniformity of decisions will be ensured.

VII. STANDING AND ANTITRUST INJURY

114. Plaintiff and members of the proposed class purchased iCloud storage plans directly from Apple. Because of the anticompetitive conduct alleged in this Complaint, Plaintiff and class members were forced to pay more for those plans than they would have absent Apple’s alleged tying and monopolization conduct. Apple therefore has caused Plaintiff and class members to suffer overcharge damages.

115. Charging supracompetitive prices to consumers like Plaintiff and class members was the purpose and direct effect of Apple’s alleged tying and monopolization conduct.

116. Because Apple continues to engage in the anticompetitive practices alleged in this Complaint, Plaintiff and class members are reasonably likely to incur future overcharges when they purchase or renew iCloud storage plans. Plaintiff and class members have standing as direct purchasers of products sold by Apple at inflated prices. Both the actual harm and the threat of future harm are cognizable antitrust injuries directly caused by Defendant’s violations of federal antitrust laws. The full amount of such overcharge damages will be calculated after discovery and upon proof at trial.

VIII. CLAIMS FOR RELIEF

**FIRST CAUSE OF ACTION:
VIOLATION OF THE SHERMAN ACT – TYING (15 U.S.C. §§ 1, 3)**

117. Plaintiff repeats and re-alleges every allegation above as if set forth herein in full.

118. Apple has unlawfully tied iCloud to its mobile devices, namely the iPhone and iPad.

119. As demonstrated herein, iCloud is a product in the market for Cloud Storage on Apple Mobile Devices. This market is distinct from the relevant markets for Apple’s mobile devices. Apple’s unlawful tying arrangement thus ties two separate products that are in separate markets.

120. Apple exercises market power in the mobile device markets for smartphones and tablets.

121. Apple coerces iOS consumers to use and purchase iCloud by foreclosing would-be rivals from accessing and hosting Restricted Files on a cloud platform. By virtue of Apple’s tying

1 conduct, consumers' only cloud storage option for hosting Restricted Files, or for hosting all files, is
2 iCloud.

3 122. Apple's conduct forecloses competition in the market for Cloud Storage on Apple
4 Mobile Devices. Given the volume of transactions and the money at issue, Apple's conduct affects a
5 substantial volume of commerce in that market.

6 123. Apple has thus engaged in a *per se* illegal tying arrangement.

7 124. In the alternative only, even if Apple's tying conduct does not constitute a *per se*
8 violation of the law, a rule-of-reason analysis of Apple's tying arrangement also would demonstrate
9 that it violates the law.

10 125. There is no valid business necessity or pro-competitive justification for Apple's tying
11 conduct.

12 126. Plaintiff and the class have been injured, and will continue to be injured, in their
13 businesses and property as a result of Apple's conduct, including by way of overpaying for Cloud
14 Storage on Apple Mobile Devices.

15 127. Plaintiff and members of the putative class have suffered and continue to suffer
16 damages and irreparable injury, including ongoing harm to their businesses, and such damages and
17 injury will not abate until the Court issues an injunction ending Apple's anticompetitive conduct issues.

18 **SECOND CAUSE OF ACTION:**
19 **VIOLATION OF THE SHERMAN ACT – MONOPOLIZATION**
20 **OF MARKET FOR CLOUD STORAGE ON APPLE MOBILE DEVICES**
21 **(15 U.S.C. § 2)**

22 128. Plaintiff repeats and re-alleges every allegation above as if set forth herein in full.

23 129. Apple possesses monopoly power in the market for Cloud Storage on Apple Mobile
24 Devices.

25 130. For the reasons stated herein, Apple has erected substantial barriers to entry and
26 expansion in the market for Cloud Storage on Apple Mobile Devices.

27 131. Apple has the power to exclude competition in the market for Cloud Storage on Apple
28 Mobile Devices, and it has willfully used that power, including by way of its unlawful practices in

1 restraint of trade as described herein, in order to achieve, maintain, and expand its monopoly power in
2 that market.

3 132. Furthermore, in order to willfully obtain, maintain, and enhance its monopoly power in
4 the market for Cloud Storage on Apple Mobile Devices, Apple has tied iCloud to its mobile devices,
5 specifically the iPhone and iPad. Consumers of these devices are given no option and are coerced to
6 use iCloud for cloud storage.

7 133. Apple's conduct as described herein, including its unlawful practices in restraint of
8 trade, is exclusionary vis-à-vis potential rivals in the market for Cloud Storage on Apple Mobile
9 Devices.

10 134. Apple has behaved as alleged herein to achieve, maintain, and grow its monopoly in
11 the market for Cloud Storage on Apple Mobile Devices, with the effect being that competition is
12 foreclosed and that consumer choice is diminished. So is innovation. Additionally, Apple has abused
13 its market power by imposing supracompetitive prices on consumers for Cloud Storage on Apple
14 Mobile Devices. Further, Apple's actions have depressed output as alleged herein.

15 135. There is no valid business necessity or pro-competitive justification for Apple's
16 conduct. Instead, Apple's actions are designed to destroy competition as alleged herein.

17 136. Plaintiff and the class have been injured, and will continue to be injured, in their
18 businesses and property as a result of Apple's conduct, including by way of paying supracompetitive
19 prices.

20 137. Moreover, Plaintiff and the class are entitled to an injunction to prevent Apple from
21 persisting in its unlawful behavior to their detriment, including the harm that its behavior is causing to
22 their businesses.

23 **THIRD CAUSE OF ACTION:**
24 **VIOLATION OF THE SHERMAN ACT – ATTEMPTED MONOPOLIZATION**
OF MARKET FOR CLOUD STORAGE ON APPLE MOBILE DEVICES (15 U.S.C. § 2)

25 138. Plaintiff repeats and re-alleges every allegation above as if set forth herein in full.

26 139. Apple has attempted to monopolize the market for Cloud Storage on Apple Mobile
27 Devices.

1 140. Apple's anticompetitive conduct has given Apple a monopoly or, at least, a dangerous
2 probability that it will achieve monopoly power in the relevant market described above.

3 141. Apple has a specific intent to achieve monopoly power in the relevant market described
4 above.

5 142. Apple has the power to exclude competition in the market for Cloud Storage on Apple
6 Mobile Devices, and it has willfully used that power, including by way of its unlawful practices in
7 restraint of trade as described herein, in an attempt to achieve, maintain, and expand its monopoly
8 power in that market.

9 143. Apple's conduct as described herein, including its unlawful practices in restraint of
10 trade, is exclusionary vis-à-vis all potential rivals in market for Cloud Storage on Apple Mobile
11 Devices.

12 144. Apple has behaved as alleged herein in a willful attempt to obtain a monopoly in the
13 market for Cloud Storage on Apple Mobile Devices, with the effect being that competition is
14 foreclosed and that consumer choice is gravely diminished. So is innovation. Additionally, Apple has
15 abused its market power by imposing supracompetitive prices on consumers for Cloud Storage on
16 Apple Mobile Devices. Further, Apple's actions have depressed output as alleged herein.

17 145. There is no valid business necessity or pro-competitive justification for Apple's
18 conduct.

19 146. Plaintiff and the class have been injured, and will continue to be injured, in their
20 businesses and property as a result of Apple's conduct, including by way of paying supracompetitive
21 prices.

22 147. Moreover, Plaintiff and the class are entitled to an injunction to prevent Apple from
23 persisting in its unlawful behavior to their detriment, including the harm that its behavior is causing to
24 their businesses.

25 **FOURTH CAUSE OF ACTION:**
26 **VIOLATION OF CALIFORNIA'S UNFAIR COMPETITION LAW,**
27 **CAL. BUS. & PROF. CODE § 17200, ET SEQ.**
 (LIMITED TO CALIFORNIA SUBCLASS)

28 148. Plaintiff repeats and re-makes every allegation above as if set forth herein in full.

1 149. California’s Unfair Competition Law (UCL) defines “unfair competition” to include
2 any “unlawful, unfair, or fraudulent” business act or practice. Cal. Bus. & Prof. Code §§ 17200 *et seq.*
3 Apple has engaged in acts and practices that are unlawful, unfair, and fraudulent.

4 150. Apple’s restraints on cloud storage, as alleged herein, violate the Sherman Act and thus
5 are “unlawful” for purposes of the UCL.

6 151. Apple’s restraints also violate the “unfair” prong of the UCL because they constitute at
7 least an incipient violation of the antitrust laws, violate the policy and spirit of the antitrust laws,
8 threaten to harm competition, and are substantially injurious to consumers.

9 152. The illegal conduct alleged herein is continuing and there is no indication that Apple
10 will cease such activity in the future.

11 153. Apple’s conduct in violation of the UCL has caused Plaintiff and members of the
12 California Subclass to pay supra-competitive and artificially inflated prices for cloud storage. Plaintiff
13 and the members of the California Subclass suffered injury in fact and lost money or property as a
14 result of such unfair competition.

15 154. As alleged herein, Apple has been unjustly enriched in violation of the UCL. Plaintiff
16 and the members of the California Subclass are accordingly entitled to equitable relief including
17 restitution and/or disgorgement of all revenues, earnings, profits, compensation, and benefits that may
18 have been obtained as a result of such business practices, pursuant to California Business and
19 Professions Code sections 17203 and 17204.

20 **PRAYER FOR RELIEF**

21 WHEREFORE, Plaintiff respectfully requests the following relief:

22 A. That the Court certify this case as a class action and that it appoint Plaintiff as class
23 representative and her counsel as class counsel;

24 B. That the Court award Plaintiff and the proposed class all appropriate relief, to include,
25 but not be limited to, injunctive relief requiring that Apple cease the abusive, unlawful, and
26 anticompetitive practices described herein; declaratory relief, adjudging such practices unlawful; as
27 well as monetary relief, whether by way of restitution or damages, including treble damages, or other
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1 multiple or punitive damages, or restitution, where mandated by law or equity or as otherwise
2 available; together with recovery of the costs of suit, to include reasonable attorneys' fees, costs, and
3 expenses, together with pre- and post-judgment interest to the maximum levels permitted by law or
4 equity.

5 C. That the Court grant such additional orders or judgments as may be necessary to prevent
6 the unlawful practices complained of herein; and

7 D. That the Court award Plaintiff and the proposed class such other, favorable relief as
8 may be available and appropriate under federal or state law, or at equity.

9 **JURY TRIAL DEMANDED**

10 Plaintiff demands a trial by jury on all claims so triable.

11
12 DATED: March 1, 2024

Respectfully submitted,

13 By /s/ Ben M. Harrington

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