



## Antitrust: Commission sends Statement of Objections to Apple on App Store rules for music streaming providers

Brussels, 30 April 2021

The European Commission has informed Apple of its preliminary view that it distorted competition in the music streaming market as it abused its dominant position for the distribution of music streaming apps through its App Store. The Commission takes issue with the mandatory use of Apple's own in-app purchase mechanism imposed on music streaming app developers to distribute their apps via Apple's App Store. The Commission is also concerned that Apple applies certain restrictions on app developers preventing them from informing iPhone and iPad users of alternative, cheaper purchasing possibilities.

The Statement of Objections concerns the application of these rules to all music streaming apps, which compete with Apple's music streaming app "Apple Music" in the European Economic Area (EEA). It follows-up on a complaint by Spotify.

Executive Vice-President Margrethe **Vestager**, in charge of competition policy, said: *"App stores play a central role in today's digital economy. We can now do our shopping, access news, music or movies via apps instead of visiting websites. Our preliminary finding is that Apple is a gatekeeper to users of iPhones and iPads via the App Store. With Apple Music, Apple also competes with music streaming providers. By setting strict rules on the App store that disadvantage competing music streaming services, Apple deprives users of cheaper music streaming choices and distorts competition. This is done by charging high commission fees on each transaction in the App store for rivals and by forbidding them from informing their customers of alternative subscription options."*

### Statement of Objections on Apple's rules for distribution of music streaming apps

The Commission preliminary finds that Apple has a **dominant position** in the market for the distribution of music streaming apps through its App Store. For app developers, the App Store is the sole gateway to consumers using Apple's smart mobile devices running on Apple's smart mobile operating system iOS. Apple's devices and software form a *"closed ecosystem"* in which Apple controls every aspect of the user experience for iPhones and iPads.

Apple's App Store is part of this ecosystem and the only app store that iPhone and iPad users can use to download apps for their mobile devices. The Commission found that users of Apple's devices are very loyal to the brand and they do not switch easily. As a consequence, in order to serve iOS users, app developers have to distribute their apps via the App Store, subject to Apple's mandatory and non-negotiable rules.

The Commission's concerns, as outlined in the Statement of Objections, relate to the combination of the following two rules that Apple imposes in its agreements with music streaming app developers:

- The mandatory use of Apple's proprietary **in-app purchase system ("IAP")** for the distribution of paid digital content. Apple charges app developers a 30% commission fee on all subscriptions bought through the mandatory IAP. The Commission's investigation showed that most streaming providers passed this fee on to end users by raising prices.
- "Anti-steering provisions" which limit the ability of app developers to inform users of **alternative purchasing possibilities** outside of apps. While Apple allows users to use music subscriptions purchased elsewhere, its rules prevent developers from informing users about such purchasing possibilities, which are usually cheaper. The Commission is concerned that users of Apple devices pay significantly higher prices for their music subscription services or they are prevented from buying certain subscriptions directly in their apps.

The Commission's preliminary view is that Apple's rules distort competition in the market for music streaming services by raising the costs of competing music streaming app developers. This in turn leads to higher prices for consumers for their in-app music subscriptions on iOS devices. In addition, Apple becomes the intermediary for all IAP transactions and takes over the billing relationship, as well as related communications for competitors.

If confirmed, this conduct would infringe Article 102 of the Treaty on the Functioning of the European Union (TFEU) that prohibits the abuse of a dominant market position.

The sending of a Statement of Objections does not prejudice the outcome of an investigation.

## **Background and procedure**

[Article 102](#) of the TFEU prohibits the abuse of a dominant position. The implementation of these provisions is defined in the Antitrust Regulation ([Council Regulation No 1/2003](#)), which can also be applied by the national competition authorities.

The Commission [opened the in-depth investigation into Apple's App Store rules on 16 June 2020](#).

A Statement of Objections is a formal step in Commission investigations into suspected violations of EU antitrust rules. The Commission informs the parties concerned in writing of the objections raised against them. The addressees can examine the documents in the Commission's investigation file, reply in writing and request an oral hearing to present their comments on the case before representatives of the Commission and national competition authorities. Sending a Statement of Objections and opening of a formal antitrust investigation does not prejudice the outcome of the investigations.

There is no legal deadlines for bringing an antitrust investigation to an end. The duration of an antitrust investigation depends on a number of factors, including the complexity of the case, the extent to which the undertakings concerned cooperate with the Commission and the exercise of the rights of defence.

More information on the investigation is available on the Commission's [competition website](#), in the public [case register](#) under case number AT.40437. A periodic compilation of antitrust and cartel news is available in the [Competition Weekly e-News](#).

IP/21/2061

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