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# iCloud Coverage: Antitrust Storm Brews Against Apple

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The skies are darkening over the "walled garden" of Apple's operating system. A Northern District of California court cleared the way for antitrust claims against Apple over its iCloud storage service on mobile devices. The court's decision to deny Apple's motion to dismiss in *Gamboa v. Apple* is a wake-up call for tech companies: courts are ready and willing to scrutinize platform-based restrictions, especially when those barriers are baked into product design. Judge Eumi Lee's ruling also shows how a change in legal strategy can make all the difference for plaintiffs – or defendants – when charting a course through the early stages of antitrust litigation.

## Cloudy with a Chance of Monopoly: The Core Allegations

At the heart of this legal squall is Apple's decision to block third-party cloud storage providers from accessing and storing certain "restricted files" on iPhones and iPads—files essential for full device back-ups and restores. Plaintiffs argue that this restriction results in requiring users to adopt iCloud, even when better or cheaper options are available. While users can technically use other cloud services for device storage, only iCloud offers "full-service" storage that includes these restricted files. The result? Apple's iCloud becomes the default, even when sunnier, more affordable skies exist elsewhere.

The court initially tossed plaintiffs' tying claim under Sherman Act Section 1, and monopolization and attempted monopolization claims under Sherman Act Section 2. But after a complaint overhaul, the court denied Apple's subsequent motion to dismiss, allowing plaintiffs' claims – now both construed under Section 2 of the Sherman Act – to proceed.

## Tying things Down: From Section 1 to Section 2

Plaintiffs' original tying theory under Section 1 of the Sherman Act didn't make landfall. The court found no plausible allegation of concerted action among competitors forcing users to buy iCloud with their Apple devices. This was because the plaintiffs alleged that Apple acted unilaterally when it decided to restrict access to certain files, without ever forming a "contract, combination…or conspiracy" as required under Section 1. The court also found that the tying claim failed because plaintiffs did not plausibly allege that Apple conditioned the sale of the tying product (Apple's mobile devices) to the tied product (iCloud storage). Because there was no explicit or implicit positive tie (an agreement to purchase iCloud) or negative tie (an agreement not to purchase a rival cloud storage service), plaintiffs' Section 1 claim failed.

Amendments to the complaint cured these deficiencies. Specifically, by reframing their tying claim as a Section 2 claim, plaintiffs eliminated the need to allege a "concerted" action, and instead only needed to allege these arrangements were "anticompetitive" in connection with Apple's attempt to monopolize the market. On this theory, plaintiffs claimed that Apple's "technological tie" exploited the company's dominant position in mobile device market in the secondary market of cloud storage for Apple mobile devices.

The court found that Apple's alleged restriction of access to certain files plausibly constituted such a technological tie. Even though users could technically purchase cloud storage from other providers, the fact that iCloud holds an 88% user share on Apple devices suggested the potential for coercion. This, the court reasoned, supported the allegation that Apple's design decisions effectively forced users into adopting iCloud, satisfying the anticompetitive conduct element of Section 2.

### Market Definition: The Tale of Two Markets

Another key dispute was market definition. Plaintiffs initially alleged monopolization claims based on a narrow market for "full-service" cloud storage on Apple devices—defined as services that can store all file types, including restricted files for complete device backups. This market included only iCloud. The court rejected this definition as implausible, noting that this "single-brand aftermarket" excluded obvious substitutes like Google Drive and Dropbox. In doing so, the court held that although these competitors could not store the restricted files and were not perfect competitors, they "compete[d] with one another sufficiently" to be included in the market.

In the second amended complaint, plaintiffs added a broader alternative market: all cloud storage services available on Apple mobile devices. This market included iCloud and its competitors. The court rejected Apple's attempt to include local storage in the market. Specifically, the court accepted plaintiffs' market definition because it alleged that cloud storage offers unique features – such as automatic backups and cross-device access – that local storage does not. The court also refused to take up the factual question of the substitutability of local storage at the motion to dismiss stage.

This shift in market definition was crucial. The change allowed the plaintiffs to allege that Apple holds a 96.1% share of cloud storage revenue on Apple devices—a figure based on industry data. Combined with allegations of high barriers to entry and expansion, the court found that plaintiffs had plausibly alleged monopoly power in the relevant market to support plaintiffs' Section 2 monopolization and attempted monopolization claims.

**Looking Ahead: The Forecast for Future Claims**

The Court's decision in *Gamboa* emphasizes several important trends in antitrust law:

***Section 2 Tying Claims Are Alive and Well.*** If the court's decision in *Gamboa* is representative of anything, it shows that courts may be increasingly willing to entertain tying claims as anticompetitive conduct under Section 2, especially when the alleged coercion arises from product design rather than explicit contractual conditions. "Technological tying" is officially on the radar.

***Market Definition Remains Central.*** The viability of any monopolization claim rises and falls with how the market is defined. Plaintiffs must include all reasonable substitutes, but can still argue for a market limited by platform-specific constraints. Furthermore, parties still have to clear a high bar to allege single product market, as seen in the court's rejection of plaintiffs' first complaint.

***Data and Metrics Matter.*** The court gave weight to plaintiffs' use of industry data to support market share and monopoly power allegations. This highlights the importance of empirical evidence to support market power claims in modern antitrust litigation.

**Conclusion**

The *Gamboa v. Apple* litigation will continue to storm through the Northern District of California. By allowing Section 2 tying and monopolization claims to proceed based on Apple's design restrictions and dominant market share, the court has signaled deeper scrutiny of how tech giants leverage control over their ecosystems.

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