



## Mergers: Commission clears acquisition of Activision Blizzard by Microsoft, subject to conditions

Brussels, 15 May 2023

The European Commission has approved, under the EU Merger Regulation, the proposed acquisition of Activision Blizzard ('Activision') by Microsoft. The approval is conditional on full compliance with the commitments offered by Microsoft. The commitments **fully address** the competition concerns identified by the Commission and **represent a significant improvement for cloud gaming as compared to the current situation**.

Today's decision follows an [in-depth investigation](#) of the proposed acquisition of **Activision** by **Microsoft**. As always, the Commission has based its decision on hard evidence, and on extensive information and feedback from competitors and customers, including from game developers and distributors as well as cloud game streaming platforms in the EU.

### The Commission's investigation

Today's decision follows an [in-depth investigation](#) of the proposed acquisition of Activision by Microsoft. Both companies develop and publish games for PCs, consoles, and mobile devices and distribute games for PCs. Microsoft also distributes games for consoles and offers the Xbox console along with a wide range of products and services, including the PC operating system "Windows". Activision's games portfolio includes famous franchises such as *Call of Duty*, *World of Warcraft*, *Overwatch* and *Diablo*.

The Commission's preliminary investigation found that Microsoft could harm competition (i) in the distribution of console and PC video games, including multi-game subscription services and cloud game streaming services; and (ii) in the supply of PC operating systems.

The Commission's in-depth market investigation indicated that Microsoft **would not be able to harm rival consoles and rival multi-game subscription services**. At the same time, it confirmed that **Microsoft could harm competition in the distribution of games via cloud game streaming services** and that **its position in the market for PC operating systems would be strengthened**.

In particular, the Commission found that:

- Microsoft **would have no incentive to refuse to distribute Activision's games to Sony, which is the leading distributor of console games** worldwide, including in the European Economic Area ('EEA') where there are four Sony PlayStation consoles for every Microsoft Xbox console bought by gamers. Indeed, Microsoft would have strong incentives to continue distributing Activision's games via a device as popular as Sony's PlayStation.
- **Even if Microsoft did decide to withdraw Activision's games from the PlayStation, this would not significantly harm competition in the consoles market**. Even if *Call of Duty* is largely played on console, it is less popular in the EEA than in other regions of the world, and is less popular in the EEA within its genre compared to other markets. Therefore, even without being able to offer this specific game, Sony could leverage its size, extensive games catalogue and market position to fend off any attempt to weaken its competitive position.
- Even without this transaction, Activision would not have made **its games available for multi-game subscription services**, as this would cannibalize sales of individual games. Therefore, the situation for third-party providers of multi-game subscription services would not change after the acquisition of Activision by Microsoft.
- The acquisition would **harm competition in the distribution of PC and console games via cloud game streaming services**, an innovative market segment that could transform the way many gamers play video games. Despite its potential, cloud game streaming is very limited today. The Commission found that the popularity of Activision's games could promote its growth. Instead, if Microsoft made **Activision's games exclusive to its own cloud game streaming service**, *Game Pass Ultimate*, and withheld them from rival cloud game streaming

providers, it would **reduce competition** in the **distribution of games via cloud game streaming**.

- If Microsoft made Activision's games exclusive to its own cloud game streaming service, Microsoft could also strengthen the **position of Windows in the market for PC operating systems**. This could be the case, should Microsoft hinder or degrade the streaming of Activision's games on PCs using operating systems other than Windows.

### The proposed remedies

To address the competition concerns identified by the Commission in the **market for the distribution of PC and console games via cloud game streaming services**, Microsoft offered the following comprehensive licensing commitments, with a 10-year duration:

- A **free license to consumers in the EEA** that would allow them to stream, via **any cloud game streaming services** of their choice, **all current and future Activision Blizzard PC and console games** for which they have a license.
- A corresponding **free license to cloud game streaming service providers** to allow EEA-based gamers to stream any Activision Blizzard's PC and console games.

Today, Activision Blizzard does not license its games to cloud game streaming services, nor does it stream the games itself. These licenses will ensure that **gamers** that have purchased one or more Activision games on a PC or console store, or that have subscribed to a multi-game subscription service that includes Activision games, **have the right to stream those games with any cloud game streaming service of their choice and play them on any device using any operating system**. The remedies also ensure that Activision's games available for streaming will have the same quality and content as games available for traditional download.

These commitments **fully address** the competition concerns identified by the Commission and **represent a significant improvement for cloud game streaming compared to the current situation**. They will **empower millions of EEA consumers to stream Activision's games using any cloud gaming services operating in the EEA**, provided they are purchased in an online store or included in an active multi-game subscription in the EEA. In addition, the availability of Activision's popular games for streaming via all cloud game streaming services will **boost the development of this dynamic technology in the EEA**. Ultimately, the commitments will unlock significant benefits for competition and consumers, by bringing Activision's games to new platforms, including smaller EU players, and to more devices than before.

The Commission carefully investigated the effectiveness of the remedies, collecting views from a large number of market participants and stakeholders. In particular, **cloud game streaming service providers gave positive feedback and showed interest in the licenses**. Some of these providers have **already entered** into bilateral agreements with Microsoft based on the proposed licenses to stream Activision's games, once the transaction is completed.

Taking into consideration the feedback of the market, the Commission concluded that the proposed acquisition, as modified by the commitments, would no longer raise competition concerns and would ultimately unlock significant benefits for competition and consumers. The Commission's decision is conditional upon full compliance with the commitments. Under supervision of the Commission, an independent trustee will be in charge of monitoring their implementation.



### Companies and products

**Microsoft** is a global technology company headquartered in Redmond, Washington, US. It offers a wide range of products and services to customers through the following operating segments: (i) Productivity and Business Processes; (ii) Intelligent Cloud; and (iii) More Personal Computing. Microsoft is active as a developer and publisher of games for PCs, game consoles, and mobile devices as well as a distributor of games for PCs and consoles. In addition, it offers the Xbox gaming console and related services.

**Activision Blizzard** is a publicly listed company headquartered in Santa Monica, California, US. It is active as a developer and publisher of games for PCs, consoles, and mobile devices as well as a distributor of games for PCs.

**Cloud game streaming**, while still nascent, represents a growing industry trend, with increasing availability of streaming platforms, also EU-based. Thanks to this technology, games can run in remote servers and do not need to be installed in the gamers' end devices. Therefore, cloud game streaming allows gamers to stream games and play them on any device of their choice, even on devices that would not normally support the game (e.g. PCs with an operating system other than Microsoft's Windows, Smart TVs, smartphones and tablets). Despite its potential, cloud game streaming still represents a very limited part of the overall market for the distribution of games today, accounting only for around 1% of the total worldwide market in 2022. To unleash its potential, cloud game streaming will require broader game catalogues and high-speed internet.

### Merger control and procedure

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the [Merger Regulation](#)) and to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it.

The vast majority of notified mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

There are currently seven Phase II merger investigations: (i) the [proposed acquisition of OMV Slovenija by MOL](#); (ii) the [proposed acquisition of eTraveli by Booking](#); (iii) the [proposed acquisition of Lagardère by Vivendi](#); (iv) the [proposed acquisition of VMware by Broadcom](#); (v) the [proposed acquisition of Inmarsat by Viasat](#); (vi) the [proposed acquisition of Asiana by Korean Air](#); and (vii)

the [proposed creation of a joint venture by Orange and MasMovil](#).

More information will be available on the Commission's [competition website](#), in the Commission's [public case register](#) under the case number [M.10646](#).

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Quotes:

Video games attract billions of users all over the world. In such a fast-growing and dynamic industry, it is crucial to protect competition and innovation. Our decision represents an important step in this direction, by bringing Activision's popular games to many more devices and consumers than before thanks to cloud game streaming. The commitments offered by Microsoft will enable for the first time the streaming of such games in any cloud game streaming services, enhancing competition and opportunities for growth.

Margrethe Vestager, Executive Vice-President in charge of competition policy - 15/05/2023

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