

**PROPOSED ACQUISITION BY  
ADOBE INC.**

**OF**

**FIGMA, INC.**



**Case ME/7021/22 – Adobe/Figma  
RESPONSE TO ISSUES STATEMENT OF 26 JULY 2023**

**9 AUGUST 2023**

Skadden, Arps, Slate, Meagher & Flom LLP  
Freshfields Bruckhaus Deringer  
Slaughter and May

## TABLE OF CONTENTS

A. Introduction	7
1. Executive summary	7
(a) There is no plausible market for “all-in-one screen design software”	8
(b) XD is not an active market participant: it does not, and cannot, drive innovation and product development in product design	9
(c) Project Spice was an aspirational project focused on developing an “infinite canvas” for mixed-media ideation and creation that has been permanently cancelled	11
(d) Adobe’s strategic priorities and incentives shifted to Adobe Express, which offers a [X<] better commercial opportunity	12
(e) Adobe has no plans to try to enter the product design space absent the Transaction	13
(f) Adobe does not drive Figma’s innovation in product design	14
(g) Innovation does not take place by reference to “screen design use cases”	15
(h) Figma will not compete or become a close competitor to Adobe for asset creation software in the future	16
(i) Adobe’s innovation efforts are not driven by Figma	17
(j) Neither Adobe nor Figma are innovating to create a “next generation” product integrating screen design and creative design	18
2. Transaction rationale and customer benefits	18
3. Appraisal of evidence during the Phase 2 review	20
B. TOH 1: The Transaction raises no competition concerns in the supply of “screen design tools”	21
1. There is no plausible basis to identify current or dynamic competition concerns in relation to the supply of screen design tools	21
2. The P1D’s “screen design” market definition does not accurately reflect market dynamics, and in any event is not a three player space	23
(a) Summary	23
(b) Marketing design tools and interactive product design and development tools are distinct	24
(i) There is limited demand-side substitutability between marketing design and product design and development software	24
(ii) The fact that Figma Design can be used for marketing design use cases does not mean that marketing design tools provide a constraint on Figma	26
(iii) If the P1D’s approach to market definition is valid, a whole host of marketing design tools provide a constraint on Figma	27
(c) The boundaries of the frame of reference are drawn without reasoned justification	28
(i) The P1D excludes point tools from its frame of reference without assessing demand-side substitutability	28
(ii) The P1D excludes from its competitive assessment several types of tools	

offering comprehensive pathways to solving the product design and development problem	30
(iii) The P1D includes whiteboarding software within its definition of “all-in-one” product design, but then mistakenly excludes later stages of the design and development process	31
(d) A static and backward-looking approach to the market definition is inconsistent with assessing future impacts in dynamic markets	32
(e) Adopting the appropriate frame of reference will reveal that Figma is subject to significant competitive constraints	32
(f) Static shares of supply are not a good measure of competition in a dynamic market	33
3. Adobe XD is not a meaningful competitor to Figma in interactive product design	33
(a) Summary	33
(b) As an innovative company Adobe’s product development strategy is marked by both successes and failures	34
(c) XD was a flawed product that never gained market traction because it failed to offer collaboration features expected in the market	35
(i) XD was built as a desktop product that missed the market for web based collaboration	35
(ii) XD failed to gain any meaningful market traction in interactive product design use cases	37
(d) XD was a [X] throughout its existence	38
(e) Revenues show that XD never achieved “escape velocity”	39
(i) Usage figures show decline	41
(ii) Contemporaneous internal documents reflect the poor performance of XD	42
(f) In a innovative and dynamic market XD cannot be considered a “material” competitor to Figma Design	43
(i) XD is disinvested and has no material resources or innovation roadmap	43
(ii) XD has minimal resources and is no longer being developed	45
(iii) Usage and revenue figures are continuing to decline	47
(iv) XD has not been and is not driving innovation in the market	48
(g) Conclusion	49
4. Adobe will not compete with or become a close competitor to Figma in the future in interactive product design	49
(a) Summary	49
(b) Adobe did not have the capabilities to develop a commercially viable product in the interactive product design space within the relevant period	50
(c) Project Spice was beset [X]	52
(d) Project Spice was originally envisioned as a collaborative web-based [X] not as a replacement for XD	53
(i) Product design in the context of Project Spice was a [X] pursued or approved	

by the Adobe decision makers	
(e) At its height, Project Spice had developed only a [X] ideation tool which [X] beta [X]	60
(f) The future state of “marketing design” was never achieved	66
(g) Project Spice faced significant technical challenges that made its execution commercially unfeasible	68
(i) Project Spice would have exerted little or no pressure in interactive product design	74
(h) The decision to cancel Project Spice was made for reasons unrelated to the Transaction	75
5. Adobe Express offered a better commercial opportunity than Project Spice	78
(a) Summary	78
(b) Adobe Express is a future growth engine and a major commercial opportunity for Adobe to enter the prosumers space	79
(c) Adobe Express faced a number of challenges in 2022, in terms of resourcing and technical delays	84
(i) Adobe had ambitious plans to launch a new version of Adobe Express	84
(ii) Adobe Express required additional resources to deliver on time	86
(iii) Coding both Adobe Express and Project Spice [X] resulted in technical trade offs delaying product development	87
(iv) Project Spice and Adobe Express shared co-dependencies which drove [X]	88
(d) Adobe [X] to enter the product design space organically absent the Transaction	88
(i) There is no evidence of Figma reacting to Adobe’s product development efforts	90
6. Figma operates and will continue to operate in a competitive interactive product design and development landscape	90
(a) A brief history of the evolution of interactive product design and development tools	90
(b) Direction of travel - sources of competitive pressure and innovation in this space are multiplying as design and development converge	92
(c) Drivers of Figma feature development	94
(d) Examples of innovative competitors	98
(e) These competitive threats are also reflected in Figma’s internal documents	102
(f) An assessment of the competitive landscape in this space should be forward looking	105
(g) Conclusions	106
C. TOH 2: The Transaction raises no competition concerns in the supply of vector editing, raster editing, video editing or motion design software	106
1. There is no plausible basis to find dynamic competition concerns in the supply of asset creation software	106

2. Innovation in asset creation software does not take place by reference to “screen design use cases”	107
(a) An assessment of asset creation software by reference to “screen design use cases” is not a plausible way to assess innovation or dynamic competition	107
(b) There is no evidentiary basis for basing a competitive assessment on “screen design use cases”	108
(c) A consistent approach should be taken when assessing the asset creation software space	111
3. Figma will not compete or become a close competitor to Adobe for asset creation software in the future	113
(a) Figma’s current graphics capabilities are simply the “nuts and bolts” needed for product design, and are sufficient for these purposes - there is no material demand for adding creative tooling functionalities	113
(b) Figma does not have any incentive nor intention to expand into asset creation tools in the foreseeable future, whether by materially developing its limited existing vector editing functionality to take this beyond product design and development use cases, or by offering dedicated tools	122
(c) The P1D incorrectly asserts that Figma has “regularly looked” at or has “actively been exploring the possibility” of expanding into asset creation software	131
(i) Figma will not buy	131
(ii) Figma will not build	134
4. Adobe’s innovation and product developments efforts in asset creation software are driven by a strong set of competitors for each type of asset creation software and key disruptive trends	138
(a) Adobe faces effective competition in asset creation tool software	138
(b) Adobe competes against a number of large, diversified companies in asset creation software	139
(c) There are also many effective players and potential entrants focused on specific asset creation software	143
(d) Adobe faces further competition from “Big Tech” players who are developing and offering innovative asset creation tool software solutions	144
(e) Adobe also faces significant competitive pressure from disruptive industry trends	146
(f) Adobe’s innovation efforts and product development are driven by the competitive pressure from its asset creation rivals and the disruptive trends impacting asset creation software	148
(g) Adobe’s key strategic priorities for the future	149
(i) Investing in Adobe Express	149
(ii) Improvements in Adobe’s flagship products	150
(iii) AI-driven creative tools and enhanced asset creation functionalities	151
(k) Adobe’s innovation and product development is not and will not be driven by narrow “screen design use cases”	153

(i) Competition and innovation does not take place on narrow “screen design use cases”	153
(ii) Any segmentation of the market by reference to “screen design use cases” would significantly expand the competitor set	154
5. Adobe does not consider Figma to be a material current or dynamic competitive threat to Adobe’s CC flagship apps	157
6. Neither Adobe nor Figma are innovating to create a “next generation” product integrating “screen design” and asset creation	163
(a) A limited subset of users make use of both product design and asset creation tools	164
(b) Interactive product design tool users show little interest in the integration of creative tooling functionalities with interactive product design tools	164
(c) Customers’ usage of asset creation tools is characterised by wide-spread multi-homing and limited technical barriers	165
(d) No evidence that Adobe, Figma or its competitors are planning or incentivised to develop an integrated product	167
(e) A more detailed assessment during the Phase 2 process will show that there is no basis for considering a hypothetical next generation product offering	168
7. The Transaction is not likely to result in a substantial lessening of dynamic competition in asset creation software markets, for “screen design use cases” or otherwise	170

## A. **Introduction**

This submission (the “**Response**”) is made by Adobe and Figma (the “**Parties**”) in response to the CMA’s issues statement published on 26 July 2023 (the “Issues Statement” or “**IS**”) in relation to the proposed acquisition by Adobe of Figma (the “**Transaction**”).

### 1. **Executive summary**

- 1.1 Adobe and Figma are companies with different technologies, products, customer profiles and use cases. Adobe’s Creative Cloud products, such as Photoshop and Illustrator, are used by professional photographers, graphic designers and other creative professionals to create and edit digital content, such as logos, illustrations, photos, videos and other digital assets. Adobe Express is a new template-based content creation app aimed at non-professionals. Figma on the other hand is a successful and fast-growing company in the product design space – professional web and app designers and wider stakeholders in the product design process value Figma Design as a tool to collaborate in the design of complex interactive websites and mobile apps.

- 1.2 **The Parties’ activities are complementary to each other, and the Transaction is fundamentally pro-competitive.** The Transaction will combine Adobe’s capabilities in asset creation<sup>1</sup> with Figma’s complementary expertise in web-based collaborative product design.

- a) From Adobe’s perspective, the Transaction enables it to expand its audience beyond its core base of creative professionals. It will enable it to forge a relationship with both product designers and website/app developers. Adobe has not previously addressed these customer groups to any meaningful extent; its products are aimed at creators of digital assets, rather than those who use those assets as an input in the product design process.
- b) From Figma’s perspective, Figma’s customers will benefit from the integration of Adobe’s high-resolution stock assets and fonts into Figma, as well as greater investment in innovation and product development. Figma’s operations will also benefit from access to Adobe’s wider distribution infrastructure and Figma’s products will continue to be offered on a standalone basis (and free for local communities for educational purposes).
- c) The Transaction will also bring together firms with complementary skills and technical “DNA” that creates scope for faster innovation. For example, [X], and Figma’s capabilities in web-based tools will help accelerate the development of web-based apps for [X].

- 1.3 At the core of the two theories of harm set out in the IS is a concern that each Party is likely to enter into the other’s markets in a manner that would introduce a strong competitive force in that other market, and that this prospect is already acting as a spur to the Parties’ innovation efforts in their respective existing markets. The Parties consider that the evidence base does not support either theory of harm.

---

<sup>1</sup> “Asset creation software” refers to tools used to generate and edit creative assets (such as videos, photos and logos) for a range of different use cases.

- 1.4 Instead, there is a strong body of evidence – including documentary evidence, executive testimony, economic evidence and other evidence relating to each Party’s respective technical capabilities and commercial priorities – which demonstrates that there are no plans or incentives for either Party to bring about this shift in the competitive dynamics in the other Party’s core markets, and that neither Party’s current innovation efforts are being spurred by the other’s.
- 1.5 The Parties consider that a thorough assessment of the totality of the evidence during the Phase 2 review should lead to the conclusion that the Transaction raises no competition concerns given that:
- a) Adobe XD is in maintenance mode and on the path to “end of life”. It is not driving, and will not drive, innovation in the product design space. This would remain the case absent the Transaction. While Figma is a successful and growing player in this market, it faces strong competition from several rivals that drive its continued product development, including Sketch, Framer, Webflow, PenPot, Origami, ProtoPie and Zeplin. The key areas of innovation in the product design space, such as the rise of “design to production” solutions, are not areas where Adobe is active, with Figma’s innovation efforts being driven by these other sources.
  - b) Adobe and Figma do not have product development plans, technical capabilities or commercial incentives to enter into each other’s core product areas in the future, and in any event not in a manner that could give rise to a substantial lessening of competition. Their respective strategic priorities and product development plans lie elsewhere, which is concretely shown by how they have decided to allocate their resources.
  - c) Neither Party’s innovation efforts – current or contemplated – are driven by the other Party’s activities.

**Theory of harm 1 misconstrues Adobe’s past failed attempts in product design and underestimates the body of evidence demonstrating that Adobe has no plans or incentives to enter product design absent the Transaction**

(a) *There is no plausible market for “all-in-one screen design software”*

- 1.6 The IS adopts, as a starting point, the Phase 1 Decision’s (“P1D”) frame of reference that posits a market for “*all-in-one screen design software*”.<sup>2</sup> The P1D framed this market as encompassing a “*continuum*”<sup>3</sup> of marketing design and interactive product design and also including whiteboarding software.<sup>4</sup>
- 1.7 A market for “*all-in-one screen design software*” is not supported by evidence on substitutability between marketing design software and product design software and how customers use these different types of software. This frame of reference is incorrect and inconsistent for the following reasons:

---

<sup>2</sup> IS, ¶¶24(a) and 26.

<sup>3</sup> P1D, ¶¶58 and 96.

<sup>4</sup> P1D, ¶63.



- a) **Marketing design software is not treated in a consistent way.** Having defined the market as including marketing design software, the P1D then excludes the strongest marketing design players from its competitive assessment, such as Canva, Microsoft Designer, Google Web Designer, Creatopy and VistaCreate. The frame of reference is also defined by reference to “all-in-one” tools, which gives rise to a further inconsistency given that marketing design use cases do not require “all-in-one” functionality (as defined in the P1D).
  - b) **The boundaries of the frame of reference are drawn without evidence on substitutability.** A frame of reference based around “all-in-one” screen design software (and, specifically, only three meaningful competitors) excludes meaningful competitors in the product design and development space, without performing a proper assessment of demand-side substitutability. For example, Figma’s innovation, particularly in recent years, has been driven by a wider set of point tools, low or no code integrated design-to-production tools, visual interface builders or integrated development environments (“IDEs”) and others, which (alone or by mixing-and-matching with other tools) offer a wide variety of comprehensive, competitive pathways to building software in code - which is the central product design and development problem that product teams are trying to solve for. Figma has introduced numerous features to its product design and development offering specifically in response to such players. Similarly, whiteboarding tools should not be included in the same market as product design software, as they are used for wider purposes. Whiteboarding tools belong to a separate, highly competitive market.
  - c) **A static and backward-looking approach to the frame of reference is inconsistent with the assessment of dynamic competition.** Given the IS recognises that the market is characterised by innovation, proper consideration should be given to the dynamic threats to Figma’s position when defining the frame of reference, such as point tools, no-code/low-code tools, design-to-production tools and AI-powered tools.
- (b) ***XD is not an active market participant: it does not, and cannot, drive innovation and product development in product design***

- 1.8 XD was a failed attempt to enter product design. It was disinvested and had the vast bulk of its workforce reassigned in October 2021. It is implausible and inconsistent with the evidence to conclude that XD is an active market participant that “*continues to compete closely with Figma*”.<sup>5</sup> It does not follow from the mere fact that XD is still available today to some customers that it has a “*material position*”<sup>6</sup> in product design. The reality is that it is a product that is on an inevitable path to “end of life”, with [X] and only [X] FTEs working on bugs, security fixes and minor updates [X].
- 1.9 A more detailed appraisal of the evidence demonstrates that XD is not a meaningful competitor (today or in the future) and is not a driver of innovation in product design:

---

<sup>5</sup> IS, ¶36.

<sup>6</sup> P1D, ¶141.

- a) **XD is a failed product that never gained market traction.** Web and app designers increasingly require tools providing real-time collaboration across large teams and varied stakeholders. XD was built as a desktop product without the technical foundations to enable collaboration and co-editing at scale. Attempts to retrofit XD with these capabilities were unsuccessful [§]. Evidence from internal documents and customer feedback shows that XD does not meet the needs of product design teams.
  - b) **XD never achieved commercial success despite significant investments made over the course of eight years.** [§]. This is even before allowing for additional relevant costs, such as shared overheads, the need for a return on capital and, most importantly, the “opportunity cost” of utilising scarce engineering resources on a failed product.
  - c) **Adobe has disinvested from XD and placed it in maintenance mode in February 2022.** Adobe’s [§] shows XD is [§].
  - d) **XD’s already limited presence will shrink even further as it moves towards “end of life”.** Since being placed in maintenance mode, [§]<sup>7</sup> [§].
- 1.10 The IS acknowledges that *“an important aspect of competition in this case is competition in innovation, specifically competition in product development between firms”*.<sup>8</sup> The industry is aware that Adobe has pulled its resources off XD and transferred them elsewhere, and it is evident to competitors (including Figma) that Adobe has ceased adding new features to XD. A product which has been stripped of nearly all resources cannot be considered a material competitive constraint in a market that is growing and driven by innovation. That XD simply exists, even though it does not innovate, cannot support a theory of harm in an innovation-driven market. Similarly, XD is not a close competitor to Figma, nor a product whose innovations are driving Figma’s future strategy and product development.
- (c) ***Project Spice was an aspirational project focused on developing an “infinite canvas” for mixed-media ideation and creation that has been permanently cancelled***
- 1.11 Project Spice was a failed three-year internal Adobe project. It was an ambitious project, conceived as a web-based “infinite canvas” for mixed-media ideation and creation that would integrate functionality from Adobe’s flagship photo, illustration and video editing products and enable simple edits to those files directly from a canvas where all such digital assets could be visually brought in together.
- 1.12 To the extent that product design was considered for a [§] by some of the Project Spice project team, [§] to focus on the delivery of ideation and not product design. [§]. Following numerous technical challenges [§] private beta, the project was cancelled in September 2022 independently of the Transaction. By then, Adobe had accepted that it [§] the ideation proposition on which Project Spice was focused at that time.

---

<sup>7</sup> [§].

<sup>8</sup> IS, ¶31 and P1D, ¶119.

- 1.13 The evidence, including sworn testimony from senior Adobe executives, internal documents, customer feedback, usage data and evidence relating to technical challenges, demonstrates that:
- a) **Project Spice was not a second attempt ([REDACTED]) to bring an interactive product design tool to market.** It was not an attempt to build a “next-generation” version of XD, but a separate project. [REDACTED] point in the future were set aside following clear instructions from senior Adobe leadership in early 2022 to focus on developing ideation and possibly marketing design. [REDACTED].
  - b) **Project Spice was not targeted at Figma’s product design audience.** [REDACTED]. Project Spice was not a competitive reaction to Figma.
  - c) **At its height, Project Spice had developed only a [REDACTED] ideation tool.** This tool was not released to the public and [REDACTED] in private beta testing.
  - d) **Project Spice faced significant technical challenges [REDACTED].** The delivery of Project Spice was also dependent on [REDACTED].
  - e) **The decision to cancel Project Spice was made for reasons unrelated to the Transaction.** [REDACTED] Project Spice could no longer come to market as a minimum viable product on a commercially acceptable timeframe. [REDACTED].
- 1.14 Project Spice was, in short, a failed experiment that was not intended to be an interactive product design tool. [REDACTED], it was in reality no more than an [REDACTED] ideation concept in a space saturated with far larger and more innovative competitors.
- (d) *Adobe’s strategic priorities and incentives shifted to Adobe Express, which offers a [REDACTED] better commercial opportunity*
- 1.15 As well as pursuing key strategic priorities relevant to its core customer base of creative professionals, Adobe is also seeking to expand its engagement with non-professional consumers and communicators – a huge population that its products have not previously specifically addressed. Adobe estimates that there are around [REDACTED] consumers and [REDACTED] communicators, compared to [REDACTED] creative professionals (which are the focus of its Creative Cloud products). In comparison, product design offers an even smaller audience base.
- 1.16 In this respect, a key commercial priority for Adobe is Adobe Express (and its latest version), which is a new template-based content creation app aimed at consumers and communicators. It makes it easy for non-professionals to design marketing content, such as flyers, banners, and social media posts.
- 1.17 The latest version of Express is a product that was [REDACTED] (unlike Project Spice), taking into account Adobe’s technical capabilities. [REDACTED]. Considering the total addressable market and Adobe’s likelihood of success, this is a [REDACTED] for Adobe and one which has [REDACTED].
- 1.18 Adobe had an ambitious product development roadmap for Adobe Express but faced significant challenges in 2022 driven both by [REDACTED] and technical challenges. The development of Project Spice and Adobe Express at the same time caused delays for Adobe Express, [REDACTED] decision in 2022 to re-allocate resources from Project Spice to support the delivery of Adobe Express [REDACTED].

- 1.19 [X].
- (e) ***Adobe has no plans to try to enter the product design space absent the Transaction***
- 1.20 Adobe's failure to develop a commercially viable product design offering, despite eight years of investment in XD, is a natural experiment that demonstrates why Adobe would not continue with its failed efforts in product design but rather pursue other more commercially attractive opportunities. With the failure of XD, Adobe has missed the market for product design. Adobe will not try to enter the market organically. It has no incentive to do so given Adobe has already committed its resources to key strategic priorities [X], in particular Adobe Express, AI for asset creation (including Firefly)<sup>9</sup> and the continued development of its flagship Creative Cloud products. Pursuing these key strategic priorities are long-term commitments that entail significant resource requirements.
- 1.21 The evidence demonstrates that Adobe has neither the technical capabilities nor the commercial incentives to enter the product design market organically.
- a) Product design tools have a completely different user base and underlying technology to Adobe's asset creation tools.
- b) The resources Adobe invested in XD were significant over an extended period of time. At its peak in 2020, XD's total headcount included [over 100] [X] staff – [X]. Despite these efforts, Adobe failed to develop a successful interactive product design tool.
- c) There is no reason why Adobe's strength in creative tooling would be particularly valuable in competing in the product design market. This is particularly the case given that innovation in this market is moving in other directions and catering to customer groups (e.g., developers) [X].
- d) Even if Adobe were hypothetically to consider another attempt in product design, by the time it could conceivably build and release a viable product, the market would have moved on (leaving Adobe's product lagging even further behind). Adobe could not provide any meaningful constraint in any relevant time period.
- 1.22 Adobe's only plan in relation to product design is the acquisition of Figma. Absent the Transaction, it does not have the ability or incentive to develop a product design offering organically. It has tried to enter this space and failed. The commercially sound decision is to move on and focus its innovation efforts on other more attractive opportunities that it has a realistic prospect of executing, such as Adobe Express.
- (f) ***Adobe does not drive Figma's innovation in product design***
- 1.23 Figma is under constant pressure to innovate and develop new features to ensure that it does not get left behind in the rapidly changing and innovative product design market. The evidence from Figma internal documents (including those since XD was placed in maintenance mode) and new feature developments shows that the competitive pressure on Figma to innovate and develop its product design offering does not come from Adobe, but instead from a range of innovative players, including

---

<sup>9</sup> See <<https://www.adobe.com/uk/sensei/generative-ai/firefly.html>>.

point tools, no-code/low-code tools, design-to-production tools, visual interface builders / IDEs, and AI-powered tools. [38].

**Theory of harm 2 rests on an unsustainably narrow competitive assessment focused on “creative design software for screen design use cases” which ignores the dynamic competitive landscape for “creative design software” and the Parties’ long-term commercial incentives**

- 1.24 The IS follows the P1D in finding that there is currently no effective competition between Adobe and Figma in “creative design software” markets.<sup>10</sup> This theory of harm is therefore based on products that do not currently compete and for which Figma has no development plans or allocated resources.
- 1.25 Figma does not have the ability or incentive to enter into the asset creation software space, and in any event not in a manner that could give rise to a substantial lessening of competition. Adobe’s [38] evidence shows that it has at least [38] closer rivals than Figma for asset creation tools. Figma would have to leapfrog not just one but over [38] rivals to be a proximate threat. To illustrate the massive step change that would be required, Figma’s very basic vector editing functionality (which the CMA views as the “*most advanced*” feature of its limited “*creative design functionality*”)<sup>11</sup> only allows users to create user interface (“UI”) elements (such as wireframes and basic icons) by enabling them to draw basic vector shapes, undertake boolean operations (which allows the combination of basic shapes like circles to make composite shapes) and make use of pen or arrow tools. This provides even less functionality than products such as Microsoft PowerPoint and Microsoft Paint.
- 1.26 Figma does not have any plans to enter the asset creation space in the foreseeable future. Figma’s focus is on constant innovation for its core constituents, which are product designers, developers and product managers that are always looking for the next more efficient tool to bring their designs closer to reality. Figma’s development roadmap for incremental features within Figma Design is focused on [38].

(g) ***Innovation does not take place by reference to “screen design use cases”***

- 1.27 In its Phase 2 inquiry, the CMA proposes to investigate whether the Transaction is likely to lead to any “*loss of competition in product development in creative design software for screen design use cases*”.<sup>12</sup> However, the focus on simpler “screen design use cases” does not “*reflect the reality of how firms compete*”<sup>13</sup> and is not supported by evidence or market realities:
- a) Adobe and its competitors are focused on developing and introducing new features to enhance the functionalities of their asset creation tools for all types of creative professionals who use these tools for a broad range of purposes. They do not, and cannot, discriminate by screen design use case based on price, quality or

---

<sup>10</sup> IS, ¶¶ 39 and 44.

<sup>11</sup> P1D, ¶222.

<sup>12</sup> IS, ¶43.

<sup>13</sup> CMA’s merger assessment guidelines, ¶4.28

any other metric. It follows that there is no drive to innovate specifically for screen design use cases.

- b) The proposition that there may be a body of users for whom product design software and asset creation software are (or could become) substitutable is not borne out by the evidence. The narrow focus on “*screen design use cases*” is not based on evidence of demand-side and supply-side substitutability, which would be essential to the understanding of the functionalities and usage of asset creation software. In reality, interactive product design tools like Figma Design already provide all the (very basic) asset creation functionality that a product designer needs (such as ability to make basic icons, crop images and basic animations for prototyping and user testing).
- 1.28 A consistent approach to assessing the asset creation software space leads to the inevitable conclusion that Figma does not, and cannot, drive Adobe’s innovation efforts in asset creation software.
- a) On the one hand, if the competitive assessment focuses on a narrow “screen design use case”, this is not an area where Adobe has a strong market position or [X]. There would be a plethora of competitors, many of whom offer significantly more sophisticated asset creation functionalities than Figma, who would exert a sufficient competitive constraint on the Parties post-Transaction. In terms of functionality, this would include the likes of Microsoft PowerPoint and Paint in addition to all the professional asset creation tools and interactive product design tools available in the market.
  - b) On the other hand, if the competitive assessment focuses on asset creation software more broadly, it is clear that Figma has no ability or incentive to enter and compete effectively as a provider of standalone asset creation software, nor would any hypothetical entry by Figma have any significant impact on competition in this space.
- (h) ***Figma will not compete or become a close competitor to Adobe for asset creation software in the future***
- 1.29 A full assessment of the evidence confirms that Figma does not have any “*well-developed plans*” or “*incentive to enter*”<sup>14</sup> the asset creation space in the foreseeable future, whether by way of development of Figma’s limited capabilities or by offering new asset creation tools.
- 1.30 Reliance on a small selection of internal documents, which are at most brainstorming and horizon scanning activities by Figma, is not a sufficient basis to conclude that Figma “*has been actively exploring*”<sup>15</sup> entering into asset creation software, let alone that it would be likely to do so or be successful and pose a sufficient constraint on Adobe were it to go down this path. These documents are not probative of an intention to enter into creative design, whether by acquisition or organically. [X].

---

<sup>14</sup> CMA’s merger assessment guidelines, ¶5.10-5.11.

<sup>15</sup> P1D, ¶242.

- 1.31 The evidence demonstrates that Figma has not “*taken [any] significant steps towards entry,*” and has no “*past history of entry into related markets.*”<sup>16</sup> It does not have the incentive (now or at any time in the foreseeable future) to expand its creative functionality through incremental improvements or developing standalone tools. In particular:
- a) There is currently no customer group buying Figma specifically for its limited vector editing, raster editing, video editing or motion design capabilities.
  - b) There is no material demand for adding further, more advanced creative tooling functionalities in the future within Figma’s product design software. This is shown, for example, by ordinary course internal documents, Figma’s periodic Voice of Customer reports and user feedback in Figma’s community support forum.
  - c) Any attempt to create advanced asset creation functionalities within Figma Design would create a [X]. Figma’s web-based architecture [X].
  - d) Figma’s incentive is to serve its existing customers (product teams) and close adjacencies. This is reflected in its [X] which is focused on its [X] audience of product designers and developers (*e.g.*, Dev Mode) and close adjacencies ([X]). These product development plans offer substantial financial opportunities, can leverage existing technical architecture, and offer significantly less cost and uncertainty than any attempt to enter the asset creation software space.
  - e) Even if Figma did have the intention to develop asset creation tools, [X]. Figma Design itself took the best part of five years to bring to market. This is not within the time horizon previously considered to be “*timely*” or “*the near future*”,<sup>17</sup> consistent with the CMA’s guidance and decisional practice.
- (i) ***Adobe’s innovation efforts are not driven by Figma***
- 1.32 Adobe competes against a diverse range of companies offering asset creation software products, such as Canva, Affinity, Picsart, Pixlr, VSCO, CapCut, Google, Apple and Microsoft (among many others). Adobe also faces competitive pressure from significant industry-wide disruptive trends, such as prosumer tools (*e.g.*, Canva), mobile products (*e.g.*, Picsart and CamScanner) and AI-driven tools (*e.g.*, DALL-E, Midjourney and Muse.ai), which are transforming the asset creation software landscape.
- 1.33 Adobe’s innovation and product development plans are driven by these competitive pressures and not Figma. In particular, Adobe’s strategic priorities are focused on growing [X], improving Adobe’s [X] products (whose core audiences are not

<sup>16</sup> CMA’s merger assessment guidelines, ¶5.10.

<sup>17</sup> *Facebook, Inc (now Meta Platforms, Inc) / Giphy Inc*, Final Report (18 October 2022), ¶9.95. See also *NVIDIA / Arm*, (20 July 2021), footnote 376 – “*typically entry or expansion [would be considered] effective within two years of an SLC arising*”; *Tobii AB of Smartbox Assistive Technologies Limited / Sensory Software International Ltd*, Final Report (15 August 2019), ¶8.68 – “*we therefore do not consider entry or expansion in the supply of AAC software to be likely within the next two years.*”; *Meta v Competition and Markets Authority* [2022] CAT 26 ¶105 (“*[W]e doubt very much ... if an impairment to dynamic competition that is not thought to manifest itself within five years at the outside can be considered to be an expectation. The world is simply not that predictable.*”)

product designers) and utilising [X] to [X]. This is supported by a substantial body of evidence, including internal documents, executive testimony and concrete decisions [X].

- 1.34 In circumstances where (as the CMA has stated)<sup>18</sup> Figma is a negligible competitive constraint and there are multiple more effective competitors to Adobe, it would take a substantial and implausible step change in Figma’s capabilities for it to become a credible threat in the future. Adobe does not consider Figma to be a material current or dynamic competitive threat, and it is clear that Adobe’s innovation and product development efforts are not being driven by Figma.
- 1.35 The Parties therefore consider that a full assessment of the evidence during the Phase 2 review will demonstrate that Figma does not pose a competitive threat to Adobe, let alone being the “*most significant threat*”<sup>19</sup> to Adobe in the asset creation software space (or in a hypothetical space for asset creation software for “screen design use cases”).

(j) ***Neither Adobe nor Figma are innovating to create a “next generation” product integrating screen design and creative design***

- 1.36 For both theories of harm, the PID hypothesises that Adobe and Figma are each innovating to develop a “next generation” product combining screen design and asset creation functionality.<sup>20</sup> This is also indicated in the IS.<sup>21</sup> This is speculative and cannot form the basis of either theory of harm, as neither Adobe nor Figma has any product development plans in relation to such a hypothetical “next generation” integrated product. The Parties also have no commercial incentive to innovate in this way, given the lack of evidence that customers currently or will in the future demand such a product. To the contrary, the evidence and data indicates that neither creative professionals nor product designers would demand or value this type of integrated product.

**Conclusion**

- 1.37 Adobe and Figma welcome the Panel’s fresh appraisal of the evidence in its Phase 2 review and are confident that this will lead to the conclusion that the Transaction will not result in a substantial lessening of competition on any relevant market.
- 1.38 The Transaction is pro-competitive and will unlock considerable benefits across a range of markets and user bases that will create more innovative services and product offerings than would be possible absent the Transaction. Customers will enjoy significant benefits, including greater access to Figma’s products (including wider distribution to Adobe’s enterprise customers), improved products (such as the integration of Adobe’s high-resolution stock assets and fonts into Figma) and greater investment in innovation and product development.

---

<sup>18</sup> PID, ¶227.

<sup>19</sup> PID, ¶275.

<sup>20</sup> See, for example, PID, ¶¶160, 173 and 211.

<sup>21</sup> IS, ¶19.



1.39 The Parties look forward to continuing their constructive engagement with the Panel and CMA staff throughout the Phase 2 process.

## **2. Transaction rationale and customer benefits**

2.1 Innovation has been an integral part of Adobe's DNA over the past 40 years. From inventing desktop publishing, to revolutionising imaging and design, to pioneering electronic documents, to advancing animation and video, Adobe is proud of the impact that its technologies have had on every aspect of society, including empowering individuals and companies to imagine, create and bring any digital experience to life. This innovation has reflected a combination of organic entry and acquisition. Indeed, flagship Adobe products like Photoshop and After Effects were acquisitions Adobe has made upon which it has subsequently innovated.

2.2 The Transaction is consistent with that track record of innovation. The Transaction offers a compelling opportunity in an area (product design) where Adobe lacks any viable offering or organic pathway. The Transaction will provide Adobe with the opportunity to expand to new audiences - designers, developers and managers of websites and apps - beyond its core user base of professional graphic designers, photographers and video makers. This will be a new constituency for Adobe.

2.3 For Adobe and its customers, the Transaction will:

- a) enable millions of users globally – including across digital, SME, mid-market and enterprise – to gain ready access to Figma's technology;
- b) disrupt the productivity space and create entirely [X]; and
- c) enable Adobe Express to compete with companies such as [X].

2.4 Figma will maintain broad autonomy under the leadership of Dylan Field, Figma CEO. Given that Figma has a different core customer base, Figma's greatest capacity for growth post-Transaction is offering a standalone product with the same go-to-market model and freemium pricing (including free access for education customers).

2.5 For Figma and its customers, the Transaction will:

- a) improve the user experience ("UX") through integrating Adobe's high-resolution stock assets and fonts into Figma;
- b) enable greater investment in product development, leading to more and better solutions for users; and
- c) provide access to a wider distribution infrastructure (*i.e.*, economies of scale).

2.6 Adobe's deal rationale [X].

2.7 The Transaction will therefore benefit both Adobe's and Figma's customers. While the Parties' response is focused on the theories of harm raised by the CMA to date, the Parties believe that the Transaction will create significant efficiencies and relevant customer benefits, including:

- a) [REDACTED].<sup>22 23</sup> [REDACTED].
- b) [REDACTED].

### Figure 1: Summary of Anticipated Synergies

[REDACTED]

[REDACTED] [Adobe internal document].

- c) Bringing together two firms with complementary product lines, technical expertise and “DNA” which will tend to accelerate innovation and product development, [REDACTED].
- 2.8 These benefits need to be weighed up, in due course, against any analysis of competitive effects. This is especially so given the nature of the concerns expressed which acknowledge that there is negligible competitive interaction between the parties today and rests upon one or both parties deviating from their product roadmap to enter the other’s space notwithstanding the existence of other more attractive commercial opportunities and strong technical constraints.
- 3. Appraisal of evidence during the Phase 2 review**
- 3.1 To assist the Panel’s review we make additional submissions under separate cover in respect of the Phase 1 evidence base and standard of review (the “**Evidence Paper**”), together with annexes providing additional context in relation to specific documents relied upon by the P1D.
- B. TOH 1: The Transaction raises no competition concerns in the supply of “screen design tools”**
- 1. There is no plausible basis to identify current or dynamic competition concerns in relation to the supply of screen design tools**
- 1.1 The premise of the P1D, repeated in the IS, is that “*Adobe had a long-standing strategy to develop products for screen design, including a project to develop its next generation screen design product... (Project Spice)*” (IS ¶19, P1D ¶68). This flows through TOH 1: “*Adobe XD continues to compete closely ... despite ... being placed in maintenance mode*” and “*through significant innovation efforts and investment (eg Project Spice)*” (IS ¶36).

<sup>22</sup> See CRA conglomerate annex submitted with the Merger Notice, **Table 1**. The analysis is based on comparing the cost of upgrading from CC All Apps to CC Complete in the “Integrated Offering Hypothesis” on slide 65 of the presentation approving the transaction “Project Saratoga, Approval to Sign - Initial Discussion, 9 September 2022” with the standalone cost of Figma. For the underlying document see Adobe Item 4c-01, slide 19.

<sup>23</sup> The economics literature establishes that mixed bundling of this form (*i.e.*, offering complementary products in a bundle at a price less than the sum of the two components is generally pro-competitive). Exceptions occur only if the discount for taking the integrated offering is so large that demand for standalone offerings dwindles and rivals are unable to compete. As has been established in the CRA submission on conglomerate effects, this is not the case here. See, for example, Choi, J. P. (2008). Mergers with bundling in complementary markets. *The Journal of Industrial Economics*, 56(3), 553-577. Flores-Fillol, R., & Moner-Colonques, R. (2011). Endogenous mergers of complements with mixed bundling. *Review of Industrial Organization*, 39(3), 231-251.

- 1.2 But the facts are more prosaic. Adobe built a desktop interactive product design tool, XD, that failed. It was the wrong technology at the wrong time. It generated no more than USD 17m standalone ARR globally, making [REDACTED]. XD [REDACTED], has just a skeleton crew [REDACTED]. The evidence shows that XD has been disinvested, and will remain so, irrespective of the Transaction.
- 1.3 Adobe experimented with a collaborative web-based canvas to which photo, illustration and video editing capabilities could be added (Project Spice). But it also failed, [REDACTED].<sup>24</sup>
- 1.4 That XD-type tooling was temporarily associated with one of Project Spice's future, oft-changing, aspirations was not [REDACTED]. It was a temporary aspiration, [REDACTED].<sup>25</sup> [REDACTED].
- 1.5 Highly innovative companies have product successes and failures. Some, like XD, launch and fail. Many more fail to make it out of development, like Project Spice. In hindsight, Adobe did not have the right web-DNA or understanding of web and app designers' needs. These are not the creative professionals that are Adobe's core constituency: the graphic designers that create professional digital images and artwork. Web and app designers need to work in large teams to collaborate on huge numbers of web and app screens — see ¶¶2.5-2.6 below. Matching email addresses between the Parties suggests that only [0–5]% of Adobe CC All Apps users were also users of Figma at some point during the period (2020-2022).<sup>26</sup> While this proportion is slightly higher when focusing on users of Photoshop or Illustrator, the fact remains that only a very small proportion of users of Photoshop ([5–10]%) and Illustrator ([5–10]%) were also Figma users during this period. Figma's core user base is web and app designers/developers/managers, not creatives.<sup>27</sup>
- 1.6 Adobe's President of Digital Media told the CMA on 27 April 2023 [REDACTED] with interactive product design. The board's decision to acquire Figma conceded that defeat. Adobe has no organic path: [REDACTED].<sup>28</sup> Figma is Adobe's opportunity to acquire a phenomenally successful company in this space.
- 1.7 As we observe below in relation to this theory of harm:
  - a) **Market definition:** in an innovation driven market, the frame of reference must capture the innovation-drivers. These are the point tools, low/code and prosumer tools that offer customers new features and capabilities, as well as those that address multiple parts of the design-to-code workflow. The [REDACTED] Adobe XD cannot be corralled with next generation innovators like Figma, to the exclusion of advanced prototypers and AI innovators (like Framer or Axure) or design-to-finished-website products (like Webflow). Those are the ones shaping Figma's roadmap rather than XD. A narrowly drawn frame of reference cannot answer the statutory question, namely whether the IS' chosen parameter of innovation competition is substantially harmed within a relevant market. The same problem

---

<sup>24</sup> [REDACTED].

<sup>25</sup> [REDACTED] [Adobe internal document].

<sup>26</sup> See the response to CMA RFI6 Q2 dated 26 May 2023 and ¶5.32(c) of the ILR.

<sup>27</sup> See FMN ¶184 and **Table 4**.

<sup>28</sup> [REDACTED] [Adobe internal document].

arises by conflating tools with disparate functions (whiteboarding, marketing and product design). **Section B.2** addresses market definition.

- b) **Current competition:** The P1D finds that XD is a “relevant competitor” in product design. This assessment applies a static rather than dynamic appraisal, contrary to what the IS proposes to do. As an innovation driver, XD’s cessation of development in maintenance mode is decisive. The evidence and Figma’s correct assessment of XD as a spent force confirms XD is not a source of competitive innovation. **Section B.3** addresses current competition.
- c) **Competition in product development:** The P1D asks whether Project Spice was a reaction to Figma or a continuation - second generation - product for XD. The evidence shows neither is true. Adobe’s development efforts avoided an “XD Web” and [X<] adding interactive product design tools was soon curtailed. The business logic for cancelling Project Spice is well documented, and unrelated to the Figma Transaction. Figma’s own innovations, both past and future, are influenced by competitors other than Adobe. The constituent elements of a dynamic theory of harm are therefore not present. **Section B.4** addresses competition in product development.

**2. The P1D’s “screen design” market definition does not accurately reflect market dynamics, and in any event is not a three player space**

(a) **Summary**

2.1 Robust market definition underpins the statutory question the inquiry must answer: whether an SLC may be expected to arise within any market or markets in the United Kingdom for goods or services. We invite the Panel to examine whether the P1D’s proposed market definition meets this requirement. We identify three principal concerns.

- a) **The P1D is internally inconsistent as a result of its inclusion of marketing design software.** The P1D states “screen design” software includes both (i) marketing design software and (ii) product design software.<sup>29</sup> This does not reflect the reality of the market in which Figma competes. But even on this basis, the P1D is internally inconsistent: having defined the market as including marketing design software, the P1D does not take into account a whole host of marketing design players in its competitive assessment. Furthermore, the frame of reference is defined by reference to “all-in-one” tools, which gives rise to a further inconsistency given that marketing design use cases do not require “all-in-one” functionality (as defined in the P1D).
- b) **The boundaries of the frame of reference are drawn without reasoned justification.** By limiting the frame of reference to “all-in-one” screen design

---

<sup>29</sup> It then uses this term to refer to software that is used in the design of websites, mobile applications, and digital marketing material (e.g., website landing pages and marketing emails): See P1D, ¶57. Further, at ¶58, the P1D acknowledges that “[s]creen design work can involve varying degrees of sophistication: for example, the design process for a simple marketing email or website [i.e., marketing design] will by necessity include less complicated design work than the process for a multi-functional website or mobile application [i.e., product design]... Notwithstanding this, the CMA considers that both uses [i.e., for marketing design and product design] require similar functionalities and exist along a continuum.” (emphasis added). P1D, ¶96 cites “for instance, note of a third-party call” as the basis for this statement.

software (and, specifically, only three meaningful competitors), the P1D excludes meaningful competitors in the product design and development space that are key sources of innovation and competition for Figma, without performing a proper assessment of demand-side substitutability for such tools. In particular, the P1D incorrectly excludes from its competitive assessment important players such as Framer, Webflow, PenPot, ProtoPie, Zeplin, visual interface builders or IDEs from Google, Apple, Microsoft, and others, which (alone or by mixing-and-matching with other tools) offer a wide variety of comprehensive, competitive pathways to building software in code - the central product design and development problem that product teams are trying to solve for. Additionally, the P1D includes whiteboarding tools in the frame of reference, but without reasoned justification (and without evidence of demand-side substitutability between whiteboarding tools on the one hand and interactive product design and development tools on the other), and anyway without considering important whiteboarding players such as Miro and Mural.

- c) **The P1D adopts a static and backward-looking approach which is inconsistent with its desire to assess future impacts in dynamic markets.** The P1D rightly points to the market being characterised by dynamic competition.<sup>30</sup> But it does not give due consideration to Figma's dynamic threats when defining the frame of reference. This includes innovative point tools, AI and ML, no-code/low-code tools, visual interface builders / IDEs and other design-to-production tools. In particular, the P1D does not recognise that the product design and development space is being disrupted by the growing convergence of design and development. The competitive landscape is increasingly defined by competition between tools that had historical centres of gravity in: (1) the design space (*e.g.*, point tools), but are more recently developing sophisticated design-to-production and coding functionalities; and (2) coding and development (*e.g.*, visual interface builders / IDEs), but are increasingly developing accessible, intuitive, visual design functionality. This is because the fundamental problem that users are seeking to solve is the product development problem - building commercially deployable digital products (*i.e.*, software) in code. These tools are therefore expanding out from their traditional centres of gravity to offer increasingly comprehensive solutions to this overarching problem, which in turn is promoting enhanced competition in the product design and development space.

- 2.2 Assessed properly, it is clear that Figma competes in the market for product design and development tools alongside a large number of competitors offering customers a variety of routes for building their desired digital product in code (including, for example, low-code/no-code tools, visual interface builders and AI/ML). By contrast, Figma is not constrained by more rudimentary whiteboarding or marketing design tools, which do not allow users to do this.

---

<sup>30</sup> P1D, ¶119.

(b) ***Marketing design tools and interactive product design and development tools are distinct***

(i) ***There is limited demand-side substitutability between marketing design and product design and development software***

- 2.3 At the outset, “screen design” - literally the design of anything that can be seen on a screen - is a nebulous term covering a vast multiplicity of products.<sup>31</sup> One might think of PowerPoint as the archetype of creating something to be presented on a screen. It is unclear why the P1D chooses this frame of reference. But it soon becomes clear that it is too vague an analytical lens.
- 2.4 Within this concept of “screen design”, the P1D includes marketing design and product design. Marketing design and product design: (1) have entirely distinct core use cases and serve different purposes; (2) involve different design processes; (3) involve different users and user personas; and accordingly (4) require different functionalities. There are clear cohorts of products who have optimised for each audience, with companies such as Canva, Microsoft Designer, Mailchimp, Visme, Pixlr, Piktochart and HubSpot optimised for marketing design, and players such as Figma, Sketch, Framer, PenPot, ProtoPie (and many others) optimised for product design and development, which has the end goal of translating a product design into software code to build a digital product.
- 2.5 Marketing design use cases, such as simple marketing emails, website landing pages, digital display ads, social media content, and billboards and posters, are different to product design and development use cases. The primary focus is on creating short-lived visually appealing content, through text, images, and other visual elements, for print or digital media, which impactfully communicates a message or brand identity. Companies using marketing design tools are looking to run a marketing campaign, either digital or physical, which is why they often include features like the ability to schedule campaigns and track marketing analytics and provide users with more visually rich asset and colour options.
- 2.6 This is in stark contrast to product design and development which serves distinct and more complex core use cases, being the creation of UI and UX for interactive websites and apps (*i.e.*, digital products), often consisting of hundreds of dynamic pages, states and flows (and catering for different device types). Such use cases revolve around the interactive end-user journey, and crafting an experience for end-users that is functional, seamless, intuitive and easy to navigate. The designs define a product that will live and grow organically as the core of a website or app that has a long term commercial life-span. Digital product designs therefore necessarily incorporate interactive components such as buttons, menus, navigation *etc.* and needs to consider how the design is translated into software code, because product

---

<sup>31</sup> While Adobe uses the term “screen design” as an umbrella term, the term is too imprecise to capture current market segments. As [§<] [Adobe’s Senior Vice President & General Manager, Creative Cloud and Document Cloud] explained in her deposition, “the screen design space matured” and “bifurcat[ed] into marketing design and interactive product design” ([§<] [Adobe’s Senior Vice President & General Manager, Creative Cloud and Document Cloud] Dep. 76:08–76:10).

design and development is in service of the final deliverable - helping teams build a digital product.

- 2.7 As such, the design processes are materially different between the two, with marketing design being shorter and finite (as the use cases are generally for a particular one-off purpose or event, after which designs are considered “finished”), while product design and development is typically a longer, iterative process. This is because product designs are “living documents” that are in constant use and require regular refinement.<sup>32</sup>
- 2.8 Marketing design workflows also generally do not require whiteboarding, wireframing, prototyping or handoff functionality (like product design and development does), and instead, involve concept development, visual exploration and finalising the design for publication and features relating to scheduling, running, and analysing marketing campaigns. Marketing design also typically requires less collaboration because there are fewer stakeholders involved compared to product design and development. There are many more stakeholders involved in product design and development<sup>33</sup>, and hence a greater need for collaboration (facilitated in Figma’s case, through real-time live co-editing functionality). In the digital economy, product design and development must be the core competency of many businesses - the apps and websites being designed are effectively the product or service sold. From this perspective, product design and development is more sophisticated and collaborative than marketing design.
- 2.9 In addition, the types of users of marketing design and interactive product design and development tools are different. While the primary users and user personas of marketing design tools comprise marketing professionals, influencers and small business owners, core users of interactive product design and development tools are product designers, UX designers and UI designers, product managers, software developers, and other members of product teams involved in building digital products.
- 2.10 Therefore, marketing design and interactive product design and development tools do not have “*similar functionalities*”.<sup>34</sup> The core functionalities differ in important ways. Product design requires complex collaboration and co-editing features and the ability to create complex design systems, wireframes, and prototypes that reflect customer interactions with a product. For example, some of the functionalities in Figma Design that are highly specific to product design, in relation to prototyping, include clickthrough prototypes, device specific emulation (*i.e.*, in an iPhone frame), scroll position (*e.g.*, animating as you scroll), detailed animation (*e.g.*, move, push, slide), expressions and conditionals, and separate/multiple flows. By way of further illustration, Figma’s design systems (also known as “team libraries”), are very similar to GitHub and code-like systems where users can initiate updates for others to receive, and users can also obtain analytics on components being inserted, removed and usage frequency.

---

<sup>32</sup> See Evidence Paper in respect of ME.7021.22000124589.

<sup>33</sup> Including product designers, product managers, executives, developers, marketing teams *etc.*.

<sup>34</sup> P1D, ¶58.

- 2.11 By contrast, marketing design output, such as simple landing webpages, marketing graphics (such as posters, banner ads, logos) and simple email marketing campaigns can be created without this level of functionality. Instead, marketing design use cases require a range of tailored, easy-to-use functionalities for an efficient marketing design workflow, such as features relating to scheduling, running, and analysing marketing campaigns, and as such, an “all-in-one” solution for these use cases would look very different to the one required for sophisticated digital products like apps (and cover only some of the stages of “all-in-one” functionality defined in the P1D).
- 2.12 Marketing design and interactive product design and development tools therefore do not belong in the same frame reference.

(ii) ***The fact that Figma Design can be used for marketing design use cases does not mean that marketing design tools provide a constraint on Figma***

- 2.13 The P1D suggests that Figma Design is used for marketing design because it offers marketing templates on its website.<sup>35</sup> But almost all the “Templates for Marketers” are intended for use within *FigJam* (45 of the 48 templates). These templates [§]. Further, the three Figma Design “marketing templates” on this webpage (Instagram template, Facebook ad creator and Customer Journey Map Software<sup>36</sup>) were [§].<sup>37</sup>
- 2.14 [§].<sup>38</sup> [§].
- 2.15 The P1D’s thesis thus demonstrates its own inconsistencies. The marketing templates are intended to be used with FigJam to compete with ideation tools like Mural and Miro, and design templates in PowerPoint or Canva. These are the types of less sophisticated products used in marketing design.
- 2.16 Finally, whilst it is theoretically possible to use Figma Design for marketing design, this is not its core functionality nor is it the commercial reality given that only [5-10]% of Figma Design users are marketers. It is not where the value of the Figma Design product lies, (just as Microsoft PowerPoint is not an efficient, optimised tool to make calendars, resumes or greeting cards, despite offering templates for all of these use cases).<sup>39</sup> Critically the reverse is not true: marketing design tools cannot be used for product design and development use cases. The constraint exercised by these tools on Figma, is therefore limited. For example, Figma’s innovations in advanced prototyping and design-to-code are irrelevant to marketing design.

(iii) ***If the P1D’s approach to market definition is valid, a whole host of marketing design tools provide a constraint on Figma***

- 2.17 If the CMA’s frame of reference is to encompass both marketing design and product design, then the P1D must take into account all marketing design tools (in addition to Adobe’s tools) in its competitive assessment (a market encompassing marketing

---

<sup>35</sup> P1D, ¶170(b) and fn 215.

<sup>36</sup> [§].

<sup>37</sup> [§].

<sup>38</sup> [§].

<sup>39</sup> See <<https://create.microsoft.com/en-us/search?filters=powerpoint>>.



design tools must include Canva, Microsoft Designer, HubSpot, Mailchimp and others). But it does not. The P1D specifically excludes, for example, prosumer tools “typically used for less sophisticated designs (such as photo and video editing for social media, websites, and marketing tools.)”<sup>40</sup> That is to say, for marketing design. To touch upon some examples referenced above, Mailchimp is a marketing platform that “enables small and mid-market businesses to digitally promote their business across email, social media, landing pages, ads, websites, and more, all from one place” and earned total revenues of USD 762 million in its latest fiscal year (ending 31 July 2022).<sup>41</sup> Another example of a company active in this space is HubSpot, which, among others, offers marketing and content management software that can be used to build personalised, automated marketing campaigns; design and host blog posts and web pages; use website themes and templates, etc.<sup>42</sup> HubSpot’s total revenues in the 12 months ending 30 June 2023 were around USD 1.94 billion.<sup>43</sup> Canva also allows users amongst other offerings to create digital product designs, wireframes, mockups and prototypes. Furthermore, in September 2022, Canva launched a new functionality/tool for website building, called Canva Websites, which allows teams to create fully customizable one-page websites, using Canva templates or starting from scratch, and to collaborate on these designs in real time.<sup>44</sup> Canva was expected to generate total revenues exceeding USD 1 billion in 2022.<sup>45</sup> If marketing design is considered part of the same frame of reference, taking just 10% of the total revenues of these three important market players (and not considering anyone else) would add further USD 370 million to the 2022 market size of USD 355 million<sup>46</sup>, and hence the market size would more than double. It is inconsistent to define a market which includes marketing design tools but fail to consider the players in that market for the purposes of the competitive assessment.

(c) *The boundaries of the frame of reference are drawn without reasoned justification*

(i) *The P1D excludes point tools from its frame of reference without assessing demand-side substitutability*

2.18 The P1D’s exclusion of point tools leads it to omit important innovative constraints on Figma. Point tools are a key driver of innovation for Figma, and constantly push them to expand and develop their product offering. By way of illustration:

---

<sup>40</sup> P1D, ¶74.

<sup>41</sup> See <[https://s23.q4cdn.com/935127502/files/doc\\_financials/2022/ar/FY22-Q4-10-K-Documents-AS-FILED-09-02-22.pdf](https://s23.q4cdn.com/935127502/files/doc_financials/2022/ar/FY22-Q4-10-K-Documents-AS-FILED-09-02-22.pdf)>, pp. 6 and 37.

<sup>42</sup> See <<https://www.hubspot.com/products/marketing> and <https://www.hubspot.com/products/cms>>.

<sup>43</sup> See <https://www.capitaliq.com/CIQDotNet/Financial/KeyStats.aspx?companyId=27629813&linkreferrerid=1>

<sup>44</sup> See <https://www.canva.com/newsroom/news/introducing-canva-websites/>. See also FMN ¶286-287.

<sup>45</sup> See <https://techcrunch.com/2021/09/14/canva-raises-200-million-at-a-40-billion-valuation/>.

<sup>46</sup> See P1D, Table 2.

- a) Point tools like ProtoPie, and Zeplin offer advanced functionality in discrete parts of the workflow and exert competitive pressure on Figma to improve its capabilities. [REDACTED],<sup>47</sup> [REDACTED].<sup>48</sup>
  - b) [REDACTED] has also been a significant source of innovation for Figma in the developer handoff space, whereby since early 2021, Figma has been developing Project Lego (Dev Mode) in response to players like [REDACTED]. For example, [Figma’s CEO] stated [REDACTED].<sup>49</sup>
- 2.19 The P1D recognises that “customers mentioned point tool providers as alternative solutions to the Parties’ screen design software, namely Abstract, Balsamiq, Omnigraffle, Principle, and Zeplin... [ranking] them as ‘very weak’, ‘weak’ or ‘adequate’”.<sup>50</sup> The P1D does not specify how many customers responded in this way and the proportion of responses against each of the suitability criteria. In any event, this shows that the CMA’s market outreach found customer feedback that at least some point tool providers are “adequate” competition to Figma.
- 2.20 Further, customers do, in fact, use a combination of interactive product design and development tools to meet their requirements (including point tools), underscoring that point tools are meaningful competitors to Figma in the product design and development space. For example:
- a) Adobe estimates that, on average, customers use between [REDACTED] interactive product design tools.<sup>51</sup> Other external surveys also provide general support for this. For example, ReOps Toolbox Project,<sup>52</sup> in its Design & Collaboration survey, assessed what tools people use across various design stages. Depending on the design stage, there were different tools, including point tools, that were more popular or more favoured over others. Results such as these serve to illustrate that there is no “one-stop-shop” for interactive product design tools, and that customers do use a combination of tools, including point tools. The Parties note that the P1D refers to the 2022 Design Tools Survey for UI Design.<sup>53</sup> In fact, when considering the prototyping category of the 2022 Design Tools Survey (an element of the CMA’s “all-in-one” definition), the landscape is very different and dominated by point tools and other tools that are not XD, including ProtoPie, Axure, Webflow, Framer, UXPin, Antetype, Anima, Proto.io, Anima, Principle, and many more.<sup>54</sup> The Parties note also that care is required in interpreting this

---

<sup>47</sup> See the following Figma internal documents, [REDACTED].

<sup>48</sup> See [REDACTED] – Figma internal document, [REDACTED].

<sup>49</sup> See [REDACTED] – Figma internal document, [REDACTED].

<sup>50</sup> P1D, ¶202.

<sup>51</sup> Based on Adobe’s XD [REDACTED], described in further detail at FMN ¶411 *et seq.*

<sup>52</sup> A community-based project that creates a resource for analysing, *e.g.*, the digital tools that people are using.

<sup>53</sup> P1D, fn 125.

<sup>54</sup> See <<https://uxtools.co/survey/2022/advanced-prototyping>>.

survey given that, as acknowledged by the P1D, it is unlikely to be representative.<sup>55</sup>

- i) This is also facilitated by plugins, which make the workflow transfer more efficient and streamlined. Figma plugins are available for competitor interactive product design and development tools (e.g., Axure, PenPot, Flinto, Framer and ProtoPie). [§<].
  - b) Lastly, absent such movement between different tools, there would be no commercial demand and justification for the proliferation of point tools that exist in the market. There is publicly available evidence of high usage of point tools such as Zeplin in digital product design workflows. For example, in September 2022, Zeplin (a prototyping and handoff tool primarily) announced that it had “reached 5 million users”.<sup>56</sup>
- 2.21 Indeed, there are numerous Figma internal documents, including documents from its CEO and senior management, that demonstrate the wide range of competitors tracked by Figma. For example, [§<].<sup>57</sup> Further examples of similar Figma internal documents are set out at **Section E ¶6.15**.
- 2.22 The P1D therefore erroneously excludes point tools from the market definition.
- (ii) ***The P1D excludes from its competitive assessment several types of tools offering comprehensive pathways to solving the product design and development problem***
- 2.23 Even if the P1D “all-in-one” definition were an appropriate frame of reference, the CMA’s competitive assessment would need to acknowledge the different (comprehensive) pathways available in the marketplace to solve the product design and development problem.
- 2.24 These include a variety of tools that have recently developed or expanded their propositions (often from more limited feature sets traditionally confined to just design, or just coding and development) to offer competitive solutions to product teams seeking to design and build commercially deployable digital software in code. These include:
- a) Integrated design-to-production, or low code and no code tools. These allow users to go straight from design to final product, for example by designing UI/UX using code-backed components. They include players such as Framer and Webflow.
  - b) Visual interface builders / IDEs. These are developer-centric design tools that are increasingly adding easy-to-use, visual design functionality, integrated into their native coding environments. Examples include Microsoft’s Visual Studio, Alphabet’s Android Studio, and Apple’s xCode.

---

<sup>55</sup> P1D ¶131 acknowledges that this data is self-reported and not based on a representative random sample. Indeed, as the Parties noted in Annex 6 to the IL response ¶1.22

<sup>56</sup> See [<sup>57</sup> See \[§<\] – Figma internal document, \[§<\].](https://blog.zeplin.io/hey-we-just-reached-5-million-users#:~:text=It%20says%20%E2%80%9Cwe%27ve%20just,on%20the%20promise%20of%20design>.<https://blog.zeplin.io/hey-we-just-reached-5-million-users#:~:text=It%20says%20%E2%80%9Cwe%27ve%20just,on%20the%20promise%20of%20design>.</a></p></div><div data-bbox=)

- c) Tools using artificial intelligence technology. Although the precise parameters of AI's application to product design and development are yet to crystallise, it seems possible that sophisticated digital products may eventually be generated in code using simple text prompts. Competitors experimenting with AI-driven solutions include Lunacy, Uizard, and Framer.
- 2.25 These significant sources of competition and innovation are described in more detail in the competitive landscape section below - the Parties urge the Panel to ensure that the frame of reference is sufficiently flexible to consider all of these important players.
- (iii) ***The PID includes whiteboarding software within its definition of “all-in-one” product design, but then mistakenly excludes later stages of the design and development process***
- 2.26 The PID's definition of the “all-in-one screen design” process, which starts with whiteboarding and concludes with the developer handoff stage, does not accurately reflect market realities.
- 2.27 First, pure whiteboarding tools are used to facilitate discussions and the process of ideation and brainstorming, rather than a functionality specific to the product design and development process. Customers seeking a digital space to brainstorm therefore have no need for the other functionalities provided by product design and development tools. This can be demonstrated by considering the interaction between Figma Design and FigJam, Figma's whiteboarding tool. Users can either use FigJam as a standalone product or, if using Figma Design as well, will switch between the two during their workflow. The same would be true where Figma Design customers use other whiteboarding tools, such as Jamboard or Lucidchart. The two types of software are used separately and, as such, whiteboarding cannot realistically be considered as a stage within the “all-in-one” product design and development process.
- 2.28 Second, if whiteboarding is to be included, then so should later stages of the design process, such as the production stage (which the PID currently does by virtue of the fact that it concludes the “all-in-one screen design” process with the developer handoff stage). In fact, the design of a product is not the user's end goal; building a product is the goal. A number of additional stages are required to build the design into code and subsequently launch the product. By ending the “all-in-one” concept at developer handoff, the PID disregards the significant constraint on Figma imposed by design-to-production tools, including Framer, Webflow, Flutterflow and others, as well as those imposed by visual interface builders, such as Microsoft's Visual Studio, Alphabet's Android Studio, and Apple's Xcode. This is demonstrated by customer feedback received by Figma about customers moving to [redacted] - see **Section E ¶6.12(a)**, FN 239 for customer feedback [redacted].
- (d) ***A static and backward-looking approach to the market definition is inconsistent with assessing future impacts in dynamic markets***
- 2.29 Product design is a highly dynamic and fast-moving space, due to the large and growing financial opportunity<sup>58</sup> and because rapid innovation and groundbreaking new technologies bring frequent opportunities to reimagine and disrupt. The dynamic

---

<sup>58</sup> Figma estimates that the total addressable market is currently ~USD 8 billion for UX/UI designers, ~USD 3 billion for developer handoff, and ~USD 9 billion for whiteboarding.

nature of the market is recognised in the P1D, which characterises the process of competition in the space as one driven by innovation.<sup>59</sup>

- 2.30 To understand competition in an innovation driven sector, the framework of analysis must include the innovation drivers. But the P1D market definition omits key innovative rivals. Even Figma, itself, was a new entrant and market disruptor less than five years ago.
- 2.31 Today, significant competitive pressure in this market comes from innovative point tools which: (a) deliver advanced functionality in discrete parts of the design and development workflows, and then typically seek to expand from discrete tasks to offer increasingly comprehensive solutions later in their lifecycles; and/or (b) improve efficiency by removing steps from these workflows.
- 2.32 Furthermore, customers on product teams are being provided with an increasing number of different routes for creating their desired end product - software built in code. The existence of low-code/no-code (also called design to production) tools, visual interface builders / IDEs, and AI/ML technology allow users to deliver their designs directly to code, and obviate the need for the additional step of building the final product. Each of these examples provide an alternative method for customers to create their digital products, and therefore represent a significant competitive threat for Figma.
- 2.33 The P1D's market definition therefore does not equip it to answer the statutory question. Limiting the market to "all-in-one" software providers excludes the drivers of innovation competition that the P1D and IS say they wish to examine.
- (e) *Adopting the appropriate frame of reference will reveal that Figma is subject to significant competitive constraints*
- 2.34 The Parties encourage the Panel to reassess the approach to market definition taken in the P1D. Duly assessed, it ought to become clear that Figma, through Figma Design:
- a) Solves for the central product design and development problem faced by product teams - *i.e.*, designing and building commercially deployable software in code.
  - b) Competes in a market for product design and development tools alongside a large number of competitors adopting different perspectives and pathways to solving this problem, including point tools (used on a mix-and-match basis by product teams), low and no code website builders, visual interface builders / IDEs, and tools leveraging new technologies such as AI and ML. These include players such as Framer, Webflow, PenPot, ProtoPie, Zeplin, Uizard, Lunacy, IDEs from Google, Microsoft, Apple, and many more. Indeed tools with historic centres of gravity in different parts of the product design and development spectrum are converging to offer increasingly comprehensive ("all-in-one") solutions.
  - c) Is not constrained in any meaningful way by more rudimentary whiteboarding or marketing design tools (either those currently active in the market, or those in development).

---

<sup>59</sup> See, for example, P1D ¶109.

2.35 Under this correct frame of reference, there is a much wider landscape of actual and potential competitors to Figma (especially in terms of product development competition) than just XD and Sketch. Critically, under this appropriate frame of reference, Figma is not constrained by [X]. Ultimately regardless of the frame of reference adopted, all the strong constraints from each of these types of competitors who drive innovation must be considered in the competitive assessment.

(f) ***Static shares of supply are not a good measure of competition in a dynamic market***

2.36 The P1D makes much of the parties' shares of supply within its frame of reference. But, assessing innovation competition by reference to a static view of end-to-end capabilities fails to capture the process of rivalry. Within an innovative market, shares of supply are a static and largely backwards-looking measure. They overstate the presence of current players and understate current as well as future innovators.

2.37 This is particularly clear when considering XD's presence in this market. XD is a product in maintenance mode, with [X]. As such, Adobe is not an effective or innovative competitor in this market. The P1D relies on the UX Tools 2022 Survey to justify a finding of closeness of competition between XD and Figma Design but cannot do so without regard to the Survey's "2023 Predictions", which places XD at the bottom of a long list of products which users are most excited to try in 2023.<sup>60</sup>

2.38 The Parties would urge the panel to assess XD's strength as an innovator directly rather than relying on shares of supply.

**3. Adobe XD is not a meaningful competitor to Figma in interactive product design**

(a) ***Summary***

3.1 The P1D identifies innovation as a principal driver of competition in "screen design" noting "*the role of innovation as an important competitive parameter*"<sup>61</sup>. Adobe XD was a victim of that creative destruction. Choosing to combine design and prototyping to take share from Sketch and InVision, it was built for the desktop, not the web. It [X], the next wave of innovation by Figma and its web-based peers, and never caught up.<sup>62</sup> XD stagnated as web-based rivals such as Figma grew exponentially. Adobe concluded it had lost the market in October 2021, and moved its engineers to other projects. Adobe no longer develops XD, having placed it in "maintenance mode".

3.2 The Parties ask the Panel to consider whether these facts support an innovation theory of harm - whether it is consistent with these facts to claim that XD has a "*material position*" and is a "*relevant competitor*" (PID ¶140), able to "*exert a strong constraint*" on Figma as provided for the CMA's merger assessment guidelines (MAGs ¶3.4).

---

<sup>60</sup> The Parties note that care is required in interpreting this survey given that, as acknowledged by the P1D, it is unlikely to be representative. PID ¶131 acknowledges that this data is self-reported and not based on a representative random sample. Indeed, as the Parties noted in Annex 6 to the IL response ¶1.22.

<sup>61</sup> PID ¶121

<sup>62</sup> [X] [Adobe internal document].

(b) *As an innovative company Adobe's product development strategy is marked by both successes and failures*

- 3.3 Adobe's approach to innovation throughout its history has resulted in many successes and failures. There are some, like XD, that fail after launch, and many more that never make it out of development like Project Spice (see **Figure 2** below).

**Figure 2: Examples of other Adobe products that failed**

[REDACTED]

- 3.4 Failure is part of trying to develop and build new solutions and that is true for many other companies in the digital space. There are many reasons a product might fail, such as (i) features and functions have not been mapped onto business need with sufficient precision; (ii) misunderstandings about the actual core need to be met; (iii) failures in the development process to adapt to changing business requirements during the course of development; or (iv) failure to gain market traction after being overtaken by competitors who have brought a similar offering to the market more quickly and already established a loyal user base.<sup>63</sup> For example, from Adobe's experience:
- a) [REDACTED].<sup>64</sup> [REDACTED].
- b) [REDACTED].<sup>65</sup> [REDACTED],<sup>66</sup> [REDACTED].<sup>67</sup>
- 3.5 Similarly, there have been many other examples across the tech industry of high-profile companies launching unsuccessful products, which ultimately had to be discontinued. For example: (a) "Google Stadia", a cloud gaming service which was launched in November 2019 but wound down in September (with full closure in January 2023) due to lack of user traction;<sup>68</sup> and (b) Microsoft's "Zune", a portable music player which was launched in 2006 but discontinued in 2011, as it had no unique or innovative features to differentiate it from the iPod, which had launched five years earlier and established itself as the market leader.<sup>69</sup>
- 3.6 Adobe's history in interactive product design (and its efforts in relation to Project Spice) should be considered in this context.

---

<sup>63</sup> See <[14 Common Reasons Software Projects Fail \(And How To Avoid Them\) \(forbes.com\)](#)>

<sup>64</sup> [REDACTED]

<sup>65</sup> [REDACTED]

<sup>66</sup> [REDACTED]

<sup>67</sup> [REDACTED]

<sup>68</sup> See <[A message about Stadia and our long term streaming strategy \(blog.google\)](#)>

<sup>69</sup> See <[10 Recent Product Design Failures And What We Can Learn From Them \(forbes.com\)](#)>

- (c) ***XD was a flawed product that never gained market traction because it failed to offer collaboration features expected in the market***
- (i) ***XD was built as a desktop product that missed the market for web based collaboration***
- 3.7 XD was launched in 2016/2017 as a desktop-based product, to compete with Sketch, just as designers moved to the web. As a desktop product, XD had the wrong software to build the feature set to be a successful interactive product design tool. It lacked collaboration and co-editing capabilities at scale.
- 3.8 XD faced three key challenges in offering collaboration at scale on its interactive product design tool:
- a) **As a desktop product, the software has to be downloaded by a user before it can be deployed causing “friction” in workflows.** Designers can only effectively share and work on the same project if they are all on the same version of the software, which is updated each time new features are introduced. When designers are on different versions they are unable to work together which tops work across the team until everyone has upgraded to the same version. This problem does not arise in browser based software as everyone is always on the same version.
  - b) **When XD was built the code did not contemplate [REDACTED] to the same codebase (from co-editors). [REDACTED].**
  - c) **In addition, collaboration required a shared folder system which would allow common access to files and projects used in the design (permissions and files). [REDACTED].**
- 3.9 As a result, the practical limit for the number of users in XD is low. [REDACTED].
- 3.10 As a result of these difficulties, [REDACTED]. This is evidenced by the fact that Adobe [REDACTED].<sup>70</sup> These issues meant, for example, that customers [REDACTED].<sup>71</sup> Adobe [REDACTED] (see the Parties’ response to the Issues Letter of 2 June 2023, dated 8 June 2023 (“ILR”) ¶4.43-4.43). [REDACTED].
- 3.11 Contemporaneous evidence documented XD’s failings. Adobe’s XD 2020 review identifies [REDACTED].<sup>72</sup> [REDACTED] stated [REDACTED]<sup>73</sup> [REDACTED].<sup>74</sup> XD’s March 2022 marketing guidance stated that use of XD [REDACTED].<sup>75 76</sup>
- 3.12 Following these issues, Adobe disinvested XD in October 2021 and [REDACTED] putting XD into “maintenance mode” in February 2022 (prior to the Transaction being

<sup>70</sup> See Annexes [REDACTED] [Adobe internal document].

<sup>71</sup> See [REDACTED] [Adobe internal document].

<sup>72</sup> See [REDACTED] [Adobe internal document].

<sup>73</sup> [REDACTED].

<sup>74</sup> See [REDACTED] [Adobe internal document].

<sup>75</sup> FMN, ¶516. See [REDACTED] [Adobe internal document].

<sup>76</sup> See [REDACTED] [Adobe internal document].



contemplated). As noted in para 3.6 above [§]. We understand that the CMA in the PID recognised these technical challenges and that XD is now in maintenance mode but remains concerned that despite being in maintenance mode XD is a relevant competitor in interactive product design.

(ii) ***XD failed to gain any meaningful market traction in interactive product design use cases***

- 3.13 XD failed to achieve any meaningful adoption for interactive product design use cases, particularly for larger teams. XD achieved only USD 14.5 million in global revenues in FY2022 and peaked with [§] globally (by comparison, Photoshop achieved [§] in single app booked revenues in FY2022 globally and had [§] MAU at the end of FY2022 globally). Further evidence of the lack of market traction achieved by XD is provided below.

(d) ***XD was a [§] throughout its existence***

- 3.14 XD was [§]. In the eight financial years before FY2022 [§]. In FY2021, the eighth year of XD's development, XD's [§].<sup>77</sup>
- 3.15 The product's financial performance was [§].

**Table 1: Adobe actual XD P&L for FY2014 to FY2022**

[§]

Notes: [§].

Source: Adobe.

- 3.16 In the ordinary course of business, Adobe does not attribute a proportion of Creative Cloud All Apps revenue to individual apps. It judges standalone revenue as the core commercial benchmark. All Apps subscriptions are not driven by any single app, let alone one as underperforming as XD.<sup>78</sup> [§] the specific economic value a user ascribes to a particular product within the offering.<sup>79</sup>
- 3.17 However, XD was a commercial failure even on the PID's attribution methodology.<sup>80</sup> Attributing [0–5]% of Creative Cloud All Apps revenues to XD, as proposed in the PID, the product would have been significantly loss-making in 2020 and 2021. On

---

<sup>77</sup> [§].

<sup>78</sup> [§], XD's contribution to Adobe's CC All Apps offerings has been and will continue to be minimal at best due to XD's poor performance and functionality. [§]. The CCI Single App pricing for XD (USD 9.99/mo) is significantly below the price of other popular applications (USD 20.99/mo), including Photoshop, Premiere Pro, Illustrator, and a number of others. In addition, the price of the CCI Single App plan for XD has not increased since it was launched in 2016. During that same period, Adobe increased the price of many of its other CCI Single Apps plans to account for new features.

<sup>79</sup> Adobe considers [§] to be the most important and best available indicator of an individual application's value to customers, [§].

<sup>80</sup> The PID computes this attribution level by first accounting for the proportion of CC All Apps customers for whom Adobe XD was the "primary" app in the bundle based on their monthly launch count (~[0–5]%). It then attributes 18% of the CC All Apps revenues from these users to Adobe XD to reflect that the price for Adobe XD standalone used to be around 18% of the price for CC All Apps (USD 9.99 compared to USD 54.99). See PID ¶128(c).

this basis, [REDACTED], even with the attribution claimed by the P1D, and even before one considers broader costs, including the opportunity costs set out above.

**Table 2: Adobe XD P&L for FY2020 to FY2022 based on the P1D attribution approach**

[REDACTED]

[REDACTED].

(e) ***Revenues show that XD never achieved “escape velocity”***

- 3.18 XD’s limited presence in the market for interactive product design is also evident from the evolution of XD’s ARR since 2021.
- 3.19 XD’s sales are evidently weak when contrasted with the large growth in demand for interactive product design in 2021-2022. For example, Figma’s annual recurring revenue more than doubled, from [REDACTED] to USD [400-500] [REDACTED] million during this time. **Figure 3** below benchmarks XD’s standalone ARR growth vs. Figma Design’s. Figma Design’s ARR exhibits a pattern of exponential growth while XD’s growth has been essentially linear, coming from a negligible basis and after a long period of investment.

**Figure 3: Comparison of Adobe XD and Figma Design’s ARR**

[REDACTED]

*Source: Adobe and Figma ARR data.*

- 3.20 It is clear from this pattern of growth that XD failed to capitalise on the growth in the market for interactive product design, unlike other players in this space. Figma experienced a much stronger growth over this period, essentially, more than doubling its ARR between calendar year 2021 and 2022. This is consistent even in 2023 as Figma continues to grow exponentially, while XD’s booked revenues [REDACTED].<sup>81</sup> XD’s standalone growth also lags behind several other competitors such as UiZard, Lunacy and Galileo that are experimenting with AI applications for product design and experiencing very significant growth in the market. For example, Uizard had more than 190,000 accounts created within six months of being launched out of beta in February 2021.<sup>82</sup>
- 3.21 XD’s position [REDACTED]. [REDACTED].<sup>83</sup>

<sup>81</sup> This is consistent even when comparing user volumes. While such a comparison between XD and Figma Design is not straightforward (given their different business models and capabilities), Figma is significantly ahead of XD on usage-based metrics and growing at a much faster rate. Figma Design’s global MAUs (including both free and paid users) have grown exponentially by nearly [REDACTED] over the span of five years compared to XD’s global MAUs which grew by less than [REDACTED] in comparison, during the same period.

<sup>82</sup> See <<https://venturebeat.com/ai/ai-powered-design-platform-uizard-picks-up-15m/>>.

<sup>83</sup> [REDACTED].

#### Figure 4: XD Standalone Net New ARR (in USD)

[REDACTED]

Source: [REDACTED].

[REDACTED].

##### (i) *Usage figures show decline*

- 3.22 The P1D states usage for XD as a single app [REDACTED] in 2021 and 2022 and the absolute number of subscribers for the CC All Apps bundle who had XD as their primary product [REDACTED].<sup>84</sup>
- 3.23 However, as explained in section B.3.d above, XD was [REDACTED] at the time of Adobe's decision to put it in the maintenance mode in February 2022 despite the [REDACTED] to which the P1D refers. This should not be surprising given that XD MAUs peaked at [REDACTED] - XD's MAU declined by around [30–40]%, [REDACTED] **Figure 5** [REDACTED]. This also shows that paid MAUs, (capturing active users with either paid standalone subscriptions or paid subscriptions through a CC All Apps offering) [REDACTED].

#### Figure 5: Adobe XD desktop paid and free MAU

[REDACTED]

Source: Adobe usage data.

##### (ii) *Contemporaneous internal documents reflect the poor performance of XD*

- 3.24 Throughout 2019 and 2020, Adobe senior executives, including its CEO, questioned XD's performance.
- 3.25 [REDACTED].<sup>85</sup>
- 3.26 [REDACTED] Adobe actually began removing resources from XD as early as [REDACTED].<sup>86</sup>
- 3.27 [REDACTED]. However, as shown above, XD failed to gain material commercial traction<sup>87</sup> [REDACTED].<sup>88</sup>
- 3.28 [REDACTED].<sup>89</sup>

---

<sup>84</sup> P1D, ¶141(b).

<sup>85</sup> See [REDACTED] [Adobe internal document].

<sup>86</sup> [REDACTED] [DOJ deposition of Adobe's Senior Vice President & General Manager, Creative Cloud and Document Cloud].

<sup>87</sup> [REDACTED] [Adobe internal document].

<sup>88</sup> [REDACTED] [Adobe internal document].

<sup>89</sup> [REDACTED] [Adobe internal document].

(f) ***In a innovative and dynamic market XD cannot be considered a “material” competitor to Figma Design***

3.29 The P1D states XD still “retains a material position in screen design” (P1D ¶141). In support of this view, the P1D notes that XD is available to customers, has growing MAUs, new releases and allocated resources. XD “remains a relevant product in the screen design segment.” (P1D ¶142).

(i) ***XD is disinvested and has no material resources or innovation roadmap***

3.30 However, an evaluation of the evidence shows that XD does not compete on any parameter. XD is neither developed [§<]. The product is in “maintenance mode” and on the path to “end of life” (EOL). [§<]. Adobe continues to support existing customers’ needs (for example, by prioritising bug fixes). However, engineering resources and investment for significant new feature development are no longer allocated to the product.<sup>90</sup>

3.31 The P1D accepts that Adobe had “miss[ed] growth opportunities” in relation to Adobe XD (P1D ¶110), “placed Adobe XD in maintenance mode” and is “no longer seeking to actively develop new features for Adobe XD or increase its market position” (P1D, ¶140.) It refers to a third party analyst report stating “Adobe’s XD product failed” and that “Adobe has completely missed this key growth vector [for UI/UX].”<sup>91</sup>

3.32 XD has [§<] or merchandising page. As publicly stated, XD is no longer available for purchase as a single application but will continue to be supported for existing users.<sup>92</sup> Adobe continues to honour All Apps subscribers entitlement to XD, consistent with its policy not to remove products in which its customers have invested.<sup>93</sup>

3.33 However, Adobe since March 2022 actively discourages use of XD [§<].<sup>94</sup> Since then, Adobe [§<] Adobe will continue to support XD by, for example, prioritising bug fixes and addressing small customer pain points.<sup>95</sup>

---

<sup>90</sup> FMN ¶¶493-496.

<sup>91</sup> Adobe-VS-000416, titled “Adobe Systems Inc. The Street is Too Negative on the Figma Deal”, dated 12 October, 2022, p.3. The document is relied on by P1D, ¶110, fn. 103, albeit wrongly characterising the document as an internal Adobe document. It was authored by UBS.

<sup>92</sup> XD no longer has a single app merchandising page from Adobe.com, and is not been marketed by Adobe as a standalone product. The product is available as a single app through renewal of existing subscriptions and through Enterprise customer seat expansion (i.e., Enterprise customers can still add more seats within an existing single app agreement). See <https://community.adobe.com/t5/adobe-xd-discussions/has-adobe-xd-been-discontinued/t5/p/13829739#:~:text=Adobe%20XD%20is%20no%20longer.support%20existing%20Adobe%20XD%20customers>

<sup>93</sup> See for more details the Parties’ response to Question 9 of the CMA Follow-up Questions following Issues Meeting (dated 16 June 2023).

<sup>94</sup> [§<] [Adobe internal document].

<sup>95</sup> FMN ¶¶497, 513-17.

- 3.34 Users of XD have been aware of the reduced investment in XD given the lack of new features and updates.<sup>96</sup> That this disinvestment is more widely understood is also evident from reports in December 2022 on Adobe forums that there was no longer a product page for XD on Adobe's website and that there was no longer promotion of XD.<sup>97</sup>
- 3.35 In addition to the communications to customers in line with its internal guidance, as described above, Adobe executives have stated publicly that XD is in maintenance mode.<sup>98</sup>

(ii) ***XD has minimal resources and is no longer being developed***

- 3.36 The P1D is incorrect to say "*Adobe continues to allocate resources to Adobe XD*" (P1D, ¶141(c)). In February 2022, only approximately 18 employees were allocated to XD. This team [X]. The team working on XD provides product support rather than significant investment or development.<sup>99</sup> This number has since been further reduced to [X]. This compares to the nearly [X] engineers allocated to XD before

<sup>96</sup> FMN ¶498. <https://community.adobe.com/t5/adobe-xd-discussions/will-there-be-any-future-for-xd-any-updates/td-p/13139803>.

<sup>97</sup> See, for example, <https://community.adobe.com/t5/adobe-xd-discussions/goodbye-xd-for-good-it-seems/td-p/13452384>.

<sup>98</sup> Several references have been made to XD being in maintenance mode. In a Business Insider profile of Scott Belsky in September 2022, it was reported that Adobe "*had deprioritized the XD business and wound down the team. The company continues to support existing XD users, but in the longer term, Belsky hopes they'll switch to Figma, given its better features.*" See <https://www.businessinsider.com/adobe-product-chief-on-why-its-figma-competitor-failed-2022-9>. In a Q&A with Constellation research, filed with the SEC in September 2022, Ashley Still, Senior Vice President & General Manager, Creative Cloud and Document Cloud, noted that "*Efforts that we made to bring collaboration to a desktop application really were not successful. And Adobe XD is really in maintenance mode today for... And we continue, of course, to support customers that are using that product, but mostly they're doing offline just design work. And so it's really not a meaningful competitor. As I said before, the core of Adobe's business is really in image editing, photography, illustration, video. And all of that's complementary. Those are all really important media types that are incredibly complementary to the design kind of layout platform that Figma has built.*" See [https://www.sec.gov/Archives/edgar/data/796343/000114036122035491/ny20005310x11\\_425.htm](https://www.sec.gov/Archives/edgar/data/796343/000114036122035491/ny20005310x11_425.htm). In an Axios interview in September 2022, Dana Rao, Executive Vice President, General Counsel, and Chief Trust Officer was reported to have said that "*Adobe has essentially put XD on ice, assigning just 20 employees to the product in what it sees as 'maintenance mode'.*" See here <https://www.axios.com/2022/09/23/adobe-defends-figma-deal>. In an interview with the Futurum Group, Ashley Still, Senior Vice President & General Manager, said "*We did have, you mentioned Adobe XD. That was a product that we did enter the market with in (sic) the product design space, but a completely different product approach. Desktop application, really focusing on the design part, versus really where Figma pioneered is the collaboration . . . And Adobe XD does not have that capability. Efforts that we made to bring collaboration to a desktop application really were not successful. And Adobe XD is really in maintenance mode today for . . . And we continue, of course, to support customers that are using that product, but mostly they're doing offline just design work.*" See here <https://futurumgroup.com/insights/a-deep-dive-into-adobes-acquisition-of-figma-futurum-tech-webcast-interview-series/>. See also <https://www.theinformation.com/articles/adobes-20-billion-deal-for-figma-is-more-than-50-times-the-startups-revenue?rc=c48ukx>, and Adobe-VS-000416, titled "Adobe Systems Inc. The Street is Too Negative on the Figma Deal", dated 12 October, 2022.

<sup>99</sup> FMN ¶475. [X] [DOJ deposition of Adobe Senior Vice President & General Manager, Creative Cloud and Document Cloud].

it was disinvested in October 2021 and the nearly [X] engineers currently allocated to developing Adobe Express.

- 3.37 The lack of investment is evidenced by the fact that, since February 2022, XD had only minor updates in October 2022, January 2023 and June 2023, relating to bug fixes and slight improvements, *i.e.*, minor pain points [X].<sup>100</sup> This compares to six substantive releases relating to Figma Design over the same period, including the introduction of its Dev Mode, a major new development providing a new space for developers to translate designs to code faster and variables advanced prototyping, consistent with Figma’s product development strategy to target developers (see further section 6 below). In the same timeframe, Sketch had 29 new releases/versions of its mac app and several new releases of its web app, introducing tens of new features (as well as bug fixes/improvements) over the same period, including offering annotations (commenting) directly in its mac app and improvements to its Workspace.<sup>101</sup>

**Table 3 - Version releases and new features in Adobe XD since February 2022**

Feature	Summary	Adobe XD version
<b>Collapse or expand items in Layers and Libraries panels</b>	Collapse or expand all items at once within the <b>Layers</b> and <b>Libraries</b> panels.	57.0 (June 2023)
<b>Edit padding in Character styles in the Document Assets panel</b>	Edit Character styles directly from the <b>Edit</b> menu in the <b>Document Assets</b> panel (rather than manually selecting the text and canvas and editing in Property Inspector).	57.0 (June 2023)

<sup>100</sup> Contrary to P1D, ¶141(c) these minor releases concerned minor maintenance and quality of life fixes. They are not evidence of Adobe’s “*continu[ing] to allocate resources to Adobe XD.*” Please see a list of product versions/releases of XD on Adobe’s website: <https://www.adobe.com/uk/products/xd/features/whats-new.html>.

<sup>101</sup> <https://www.sketch.com/updates/>.

<b>Identify components in the Property Inspector</b>	When you select a component, you can view its name in the Property Inspector. You can also rename a component.	56.0 (January 2023)
<b>Navigate easily with components</b>	Return to the instance that you were working on after editing the main component on a complex canvas.	56.0 (January 2023)
<b>Improved document versioning</b>	Add descriptions to your document versions to easily identify them. Search for saved versions using names and descriptions, or timestamp and bookmark filters.	55.0 (October 2022)
<b>Accessibility enhancements</b>	XD provides the following accessibility enhancements: (i) to rename layer easily; and (ii) to minimise unintentional sharing.	55.0 (October 2022)
<b>Use group paths for asset organization</b>	Quickly organise asset groups and subgroups in the Document Assets panel path view using forward slashes (/).  Also, you can now rename main	50.0 (April)

	components and group them in the Layers panel. When you update a component name or group it in the Layers panel, it is reflected in the Document Assets panel.	
<b>Fix broken library links easily</b>	If any Creative Cloud library links to your document assets panel are broken, when you click them, you get a summary of the underlying reasons for the broken links along with instructions to resolve them.	50.0 (April)

(iii) ***Usage and revenue figures are continuing to decline***

3.38 Mere use by customers of XD is not a reflection of the on-going competitiveness of the product. In fact, as noted in para 3.22 above, [REDACTED] (see **Figure 4** above) [REDACTED].<sup>102</sup> This means that XD has been losing its paid customer base, which is not consistent with XD being a strong competitive force. Quite to the contrary, XD has started contracting as a result of Adobe's decision to no longer actively support XD's development.

3.39 Further, Adobe's history of maintenance mode products shows XD is not coming back. As [REDACTED] [Adobe's Senior Vice President & General Manager, Creative Cloud and Document Cloud] testified in her deposition before the DoJ, this shift in resources in the fall of 2021 was a [REDACTED] and that [REDACTED].<sup>103</sup>

(iv) ***XD has not been and is not driving innovation in the market***

3.40 The P1D recognises innovation is a key driver of competition in this sector, described as "efforts or investments aimed at protecting or expanding a firm's market position and profits in the future" (P1D ¶¶109, 122). The P1D accepts XD is not doing this.

<sup>102</sup> [REDACTED].

<sup>103</sup> [REDACTED] [DOJ deposition of Adobe Senior Vice President & General Manager, Creative Cloud and Document Cloud].



XD is “no longer seeking to actively develop new features for Adobe XD or increase its market position” (P1D, ¶140). As a failed product, XD did not drive market innovation but tried to catch the market and has ceased to make “efforts or investments” since its disinvestment. This will continue to be the case on a forward looking basis, given the lack of investment in XD and the innovations of other interactive product design tools.

- 3.41 The CMA relies on the UX Design Tools Survey to demonstrate that XD and Figma are close competitors. The same survey also asked what tools designers were most excited to try in 2023 and Adobe XD ranked 13th, well behind Figma, ProtoPie, Framer, PenPot, Webflow, and a number of others. Indeed, **Table 4** below shows that XD has rapidly declined on this metric showing that it has not been driving innovation in this space for several years. This underlines that static metrics such as shares of supply are not a good indicator of XD’s position in the market as it does not reflect innovation capacity or future dynamics in this space.<sup>104</sup> As above, this survey needs to be suitably caveated given its lack of representativeness.<sup>105</sup> To the extent the CMA considers this survey to be useful evidence it should take into account the full picture in the survey.

**Table 4: XD has fallen dramatically down UX Tool’s list of “What tools are you most excited to try in [next year]”**

2017 [for 2018]	2018 [for 2019]	2019 [for 2020]	2020 [for 2021]	2021 [for 2022]	2022 [for 2023]
1. InVision Studio	1. Figma	1. Figma	1. Figma	1. Figma	1. Figma
2. Framer	2. InVision Studio	2. Framer	2. Sketch	2. Framer	2. ProtoPie
3. Sketch	3. FramerX	3. Sketch	3. Framer	3. FigJam	3. Framer
4. Figma	4. Sketch	4. Adobe XD	4. Adobe XD	4. ProtoPie	4. Penpot
5. Adobe XD	5. Abstract	5. InVision	5. ProtoPie	5. Webflow	5. Webflow
				6. Adobe XD	13. Adobe XD

*Source: <uxtools.co>*

- 3.42 This is also the case from Figma’s perspective. Figma’s innovation efforts are not driven by XD (see **Sections B.2 and B.6**). [3<].<sup>106</sup> [3<]. Please refer to **Figure 21**

<sup>104</sup> Cited by the P1D in ¶131.

<sup>105</sup> P1D ¶131 acknowledges that this data is self-reported and not based on a representative random sample. Indeed, as the Parties noted in Annex 6 to the IL response ¶1.22.

<sup>106</sup> Competitive Landscape paper ¶63.

below showing that references to and relevance of XD in Figma documents was diminishing over time.<sup>107</sup>

(g) **Conclusion**

- 3.43 We invite the Panel to revisit the inconsistency in the P1D that finds an innovation theory of harm based on static criteria. That XD simply exists, while neither developed or marketed, makes it a competitive irrelevance. It does not support a theory of harm based on dynamic competition in an innovative market.

4. **Adobe will not compete with or become a close competitor to Figma in the future in interactive product design**

(a) **Summary**

- 4.1 The P1D reaches a view that there is a loss of competition in product development in terms of Adobe's incentives to invest and innovate in "screen design" in competition with Figma and because Adobe's efforts to expand into "screen design" impose a "significant" competitive constraint on Figma to which it has an incentive to respond (P1D, ¶176, ¶177).
- 4.2 We invite the Panel to consider further at Phase 2 whether the evidence supports a finding that Adobe could and would be likely to re-enter interactive product design absent the Transaction. Adobe's efforts to develop XD are [X]. Project Spice was a separate project focussed on Adobe's flagship assets, ideation and, aspirationally, marketing design. Cancelling Project Spice, just as shuttering XD, was a rational business decision to deploy finite resources where they would best generate returns for Adobe. [X].
- 4.3 As we explain below: (i) Project Spice was not an effort to compete with Figma; (ii) it failed for technical and commercial reasons; (iii) had Project Spice succeeded, an ideation or potentially marketing design tool would not offer a meaningful constraint on Figma; and (iii) Figma's innovation roadmap is not driven by Adobe's innovation plans.

(b) **Adobe did not have the capabilities to develop a commercially viable product in the interactive product design space within the relevant period**

- 4.4 The P1D acknowledges that Project Spice faced technical challenges. It concludes nonetheless that Adobe would have continued its efforts because of (i) Adobe's "commitment" to bring Project Spice to market; and (ii) Adobe being a global company well resourced and well positioned to invest in new products (P1D, ¶156).
- 4.5 The question of whether Adobe would or could develop a new, web-based and collaborative interactive product design tool is not determined by assessing how much such a development would hypothetically cost. Rather, the key factors are whether Adobe could expect to gain access to the right *know-how*, the *prospects* of it successfully building a sufficiently attractive product that would gain traction with users, whether it could develop a product in sufficient *time* to be competitively relevant, and whether moving in this direction would be commercially attractive given other competing opportunities.

---

<sup>107</sup> See [X].

- 4.6 [X]<sup>108</sup> [X].<sup>109</sup>
- 4.7 On access to know-how and the associated prospects of success, Adobe does not have [X] to develop a [X] product design tool from scratch that would be successful commercially and technically. [X].<sup>110</sup>
- 4.8 On timing, Adobe is conscious that building something as complex as a web-based and collaborative interactive product design tool from scratch is a time-consuming process. When asked how long it would take a team of engineers, assuming Adobe had full staffing for it, to build a competitor to Figma, [X].<sup>111</sup> (Emphasis added)
- 4.9 In addition, [X].<sup>112</sup> (Emphasis added)
- 4.10 In practice, by the time Adobe might conceivably release a web-based product with live co-editing features at parity with those of competitors such as Figma Design today (assuming it could do so), competitors would have innovated further and Adobe's product would struggle to find commercial relevance. The interactive product design market is highly dynamic. Since 2016, there has been a tremendous leap in the degree of sophistication (for designers and developers) in interactive product design tools. It is a highly innovative market. In order to remain relevant, companies must constantly evolve and innovate - something that Adobe has failed to do over the years but which a number of other market participants are doing aggressively.
- 4.11 This is reflected in [X] testimony: [X].<sup>113</sup> Similarly, [X] testified: [X].<sup>114</sup>
- 4.12 As [X] [Adobe's President of Digital Media] stated to the CMA in a meeting on 27 April 2023 [X]. He considers Adobe has lost the market and has no interest or plausible technical route to developing a successful interactive product design offering in a viable timeframe.
- (c) **Project Spice was beset [X]**
- 4.13 The PID states that Adobe had a multi-year strategy to enter "screen design", consider Project Spice as part of that effort, and indicates Project Spice was showing signs of success before it was cancelled (PID ¶157).
- 4.14 The Parties invite the Panel to reassess the evidence which shows a different picture when considered fully. Project Spice was in fact a separate project to XD. It was a [X] internal Adobe project to develop a [X], the project was cancelled in the autumn

---

<sup>108</sup> *Ibid.*, p. 54, lines 5-9.

<sup>109</sup> *Ibid.*, p. 80, lines 13-18.

<sup>110</sup> *Ibid.*, p. 197, lines 1-9. *See also* p. 16, lines 15-23.

<sup>111</sup> [X].

<sup>112</sup> [X].

<sup>113</sup> [X].

<sup>114</sup> [X].

of 2022. The key milestones and delays were presented to the CMA in the Issues Meeting (**Figure 6**).<sup>115</sup>

**Figure 6:** [REDACTED]

[REDACTED]

[REDACTED]

*Source: Issues Meeting deck, slides 17 and 18, presented to the CMA on 6 June 2023*

(d) ***Project Spice was originally envisioned as a collaborative web-based [REDACTED], not as a replacement for XD***

- 4.15 The P1D considers that Adobe’s decisions around Project Spice were “interconnected” with Adobe XD. It states this confirms Adobe’s intentions to develop Project Spice into a “next-generation screen design product” (P1D ¶160) and is an expression of Adobe’s commitment to be active in “screen design” (P1D ¶161). The P1D states “*from conception, Project Spice was envisioned as a web-based product, which would bring Adobe’s screen design offering closer to Figma Design in terms of functionality*” (P1D ¶166).
- 4.16 Project Spice was originally conceived of as a web based format bringing together Adobe’s flagship assets for ease of access and sharing, as well as potentially adding some features of these asset creation tools directly onto the canvas. Project Spice was not trying to be like Figma. Instead, Adobe made the conscious decision to focus on delivering value expansion for existing customers of its creative tools. The focus was not on web and app designers but rather the creative professionals that use Creative Cloud, *i.e.*, Adobe’s existing customer base that is entirely different from Figma’s user base (*see Section C.3* below).
- 4.17 [REDACTED].<sup>116</sup> [REDACTED].<sup>117-118</sup>
- 4.18 Indeed, Adobe had started considering whether they could develop “XD Web” (*i.e.*, XD on a web browser), but ultimately concluded that XD Web was not commercially interesting for the following reasons: [REDACTED].
- 4.19 The focus on bringing together flagship assets is reflected in the internal strategy documents prepared at the time in relation to Project Spice. For example, the go-to-market (GTM) document from March 2021 prepared by the project team noted: “[REDACTED].”<sup>119</sup>

---

<sup>115</sup> See further the Project Spice Timeline provided in **Annex 3** to the ILR.

<sup>116</sup> [REDACTED].

<sup>117</sup> [REDACTED].

<sup>118</sup> See Parties’ response to Question 8(c) of the CMA’s RFI1 dated 2 December 2022 (“[REDACTED].”). See also the Parties’ response to Question 4 of the CMA’s RFI3 dated 7 February 2023, which refers to a meeting held in July 2021 during which the Adobe team presented XD Web to the executive team only “for consideration,” and the executive team decided against pursuing this proposition (“[REDACTED].”).

<sup>119</sup> See, *e.g.*, [REDACTED] [Adobe internal document].

- 4.20 This was also clear from the vision demo for Project Spice announced by Scott Belsky, Adobe's then Chief Product Officer, at the end of October 2021, at Adobe's annual customer showcase Adobe MAX 2021. Project Spice is described as the future of "organisation for creativity." *"Whether there is a big campaign, a new publication, or the end to end of a new product experience, how well your team is organised and aligned will determine your impact. In the old world of creativity, teams got organised using a printer and gallons of ink on a wall. Teams printed out all the latest iteration of their work and posted it all up. And of course, these versions were outdated from the moment they were printed. Creative teams got aligned by walking around together with red pens and post-it notes. But the world has changed. Now creative teams are frequently spread around the globe. There may be a handful of people working simultaneously on a single asset. And everyone from the c-suite to legal may want to review a project. Organisation for creativity is in need of an upgrade. So we have spent the last few years imagining a better way. A way that brings all of the content and people involved together with a shared context. And all without leaving your creative tools. We call these features "creative clouds, spaces and canvases"."*<sup>120</sup> (Emphasis added)
- 4.21 There is no discussion of interactive product design as part of Project Spice.<sup>121</sup>
- (i) ***Product design in the context of Project Spice was a [X] pursued or approved by the Adobe decision makers***
- 4.22 After XD was disinvested in October 2021 and resources transferred to Project Spice, the idea of including XD features in Project Spice was [X], but was ultimately [X] who were the decision makers. Given the focus of the PID and the IS on these strategic decisions we provide below further detail by reference to contemporaneous documents.
- 4.23 First, we note that the mere transfer of resources from XD to Project Spice is not a basis to consider that Project Spice was intended to become XD. As noted in **Section B.3**, [X].<sup>122</sup> [X].
- 4.24 However, the shift in resources impacted the way the product team thought about the roadmap for Project Spice. The Panel will have seen references in Adobe's documents from early 2022 that describe three sequential waves of development: 1) ideation; 2) marketing design; and 3) [X]. These were the aspirations of [X]. For example, the [X]<sup>123</sup> sets out the Project Spice roadmap [X].
- 4.25 Of the three, it was only in the third wave that Project Spice might potentially develop any app or website design capabilities to attract product designers:

---

<sup>120</sup> See <<https://www.adobe.com/max/2021/sessions/na-adobe-max-keynote-create-tomorrow-together-mb100.htm>> at 25:50.

<sup>121</sup> [X] complex interactive product design tooling and directed the Project Spice team to focus on [X] ideation and potentially marketing design. [X].

<sup>122</sup> [X].

<sup>123</sup> [X] [Adobe internal document].

- a) Ideation (wave 1): in Wave 1 the project aimed to deliver functionality for ideation and [REDACTED] rather than any functionality specific to interactive product design. [REDACTED].<sup>124</sup> [REDACTED].<sup>125</sup>
  - b) Marketing design (wave 2): in Wave 2 Project Spice [REDACTED] the following features, suitable also for use by “Creative Cloud customers” (creative professionals) and “Students”: [REDACTED].<sup>126</sup> [REDACTED].<sup>127</sup>
  - c) [REDACTED] (wave 3): page 8 of the Canvas Annual Product Strategy makes clear that it is only in Wave 3 [REDACTED] which aimed to deliver [REDACTED] that Project Spice might be able to target the larger product design teams (*i.e.*, enterprise teams) that make up Figma’s core user base. [REDACTED].
- 4.26 However, [REDACTED] was never pursued or realised and Project Spice stalled before Wave 1 was adequately completed. As discussed at the site visit on 2 August 2023 (and will be further explained by reference to internal documents in the [REDACTED] in February 2022, [REDACTED].<sup>128</sup>
- 4.27 [REDACTED].<sup>129</sup> [emphasis added]
- 4.28 [REDACTED]<sup>130-131</sup>. [REDACTED].<sup>132</sup>
- 4.29 [REDACTED].<sup>133</sup>
- 4.30 After [REDACTED] [Adobe’s President of Digital Media]’s direction to the Project Spice team to focus its efforts on what might [REDACTED], ideation and marketing design became the focus. [REDACTED]<sup>134</sup>; [REDACTED]<sup>135</sup> [REDACTED].

---

<sup>124</sup> [REDACTED] [Adobe internal document].

<sup>125</sup> [REDACTED] [Adobe internal document].

<sup>126</sup> [REDACTED] [Adobe internal document].

<sup>127</sup> See **Evidence Paper Annex 1** (Adobe) - Adobe’s Contextual Background to ME.7021.22000003589.

<sup>128</sup> See [REDACTED] [Adobe internal document].

<sup>129</sup> *Id.*

<sup>130</sup> [REDACTED] [Adobe internal document].

<sup>131</sup> [REDACTED] [Adobe internal document].

<sup>132</sup> [REDACTED] [Adobe internal document].

<sup>133</sup> Annex s109(2)-1.b.2 to the response to s109(2) dated 2 March 2023.

<sup>134</sup> [REDACTED] [Adobe internal document].

<sup>135</sup> [REDACTED] [Adobe internal document].

- 4.31 This focus on ideation and marketing design is confirmed [REDACTED].<sup>136</sup> [REDACTED].<sup>137</sup> [REDACTED].<sup>138</sup> [REDACTED].<sup>139</sup> [REDACTED].<sup>140</sup> [REDACTED].<sup>141</sup> [REDACTED].<sup>142</sup>
- 4.32 [REDACTED] also reflected the focus on trying to achieve ideation and then potentially marketing design.<sup>143</sup> [REDACTED].<sup>144</sup>
- 4.33 That product design was firmly [REDACTED] for Project Spice is reiterated in communications during 2022. [REDACTED].<sup>145</sup>
- 4.34 In another example, an email to Katie Gregorio from [REDACTED] (emphasis in the original).<sup>146</sup> [Emphasis added] [REDACTED].<sup>147</sup>
- 4.35 Adobe [REDACTED] of Project Spice in the private beta also [REDACTED].<sup>148</sup>
- 4.36 [REDACTED].<sup>149</sup>
- 4.37 The above evidence thus shows that in 2022, Project Spice was focused on developing ideation and – at best – a marketing design offer (although marketing design never extended beyond an uncoded concept). Importantly, this corporate intent is reflected in the fact that no resources were allocated to developing these features - it was internally acknowledged that Adobe had missed the market for product design.
- 4.38 PID ¶¶166 and 167 also misinterpret certain Adobe internal documents to support a conclusion that "*Spice was, at least in part, a direct response to competition from Figma, even if these same documents acknowledge that developing the functionality to compete with Figma would take time*" (PID ¶167). The documents show that Project Spice did not pose a threat to Figma nor did Adobe have "*plans for Spice to challenge Figma's market leading position*" (PID ¶167). Spice was not conceived as a challenge to Figma. Adobe specifically chose *not* to create an "XD Web." It was intended to bring Adobe flagship functionality to an infinite ideation canvas. The PID refers to documents from the [REDACTED] when product design tooling was [REDACTED] with Project Spice's roadmap. Those plans were never realised [REDACTED].

---

<sup>136</sup> [REDACTED] [Adobe internal document].

<sup>137</sup> [REDACTED] [Adobe internal document].

<sup>138</sup> [REDACTED] [Adobe internal document].

<sup>139</sup> [REDACTED] [Adobe internal document].

<sup>140</sup> [REDACTED] [Adobe internal document].

<sup>141</sup> [REDACTED] [Adobe internal document].

<sup>142</sup> [REDACTED] [Adobe internal document].

<sup>143</sup> [REDACTED] [Adobe internal document].

<sup>144</sup> [REDACTED] [Adobe internal document].

<sup>145</sup> [REDACTED] [Adobe internal document].

<sup>146</sup> [REDACTED] [Adobe internal document].

<sup>147</sup> [REDACTED] [Adobe internal document].

<sup>148</sup> [REDACTED] [Adobe internal document].

<sup>149</sup> [REDACTED].

(e) *At its height, Project Spice had developed only a [redacted] ideation tool which received poor beta feedback*

4.39 The P1D notes that “Spice was an ambitious product with multiple envisioned features that could cut across several different types of existing software tools” (P1D, ¶168). However, by Spring 2022, after three years of development, Adobe had only managed to create a very basic ideation functionality for Project Spice. This was not a competitive product and, as noted in **Section B.2**, ideation and marketing design are not closely related and Figma is not materially constrained by providers of these products.

4.40 [redacted].

**Figure 7:** [redacted]

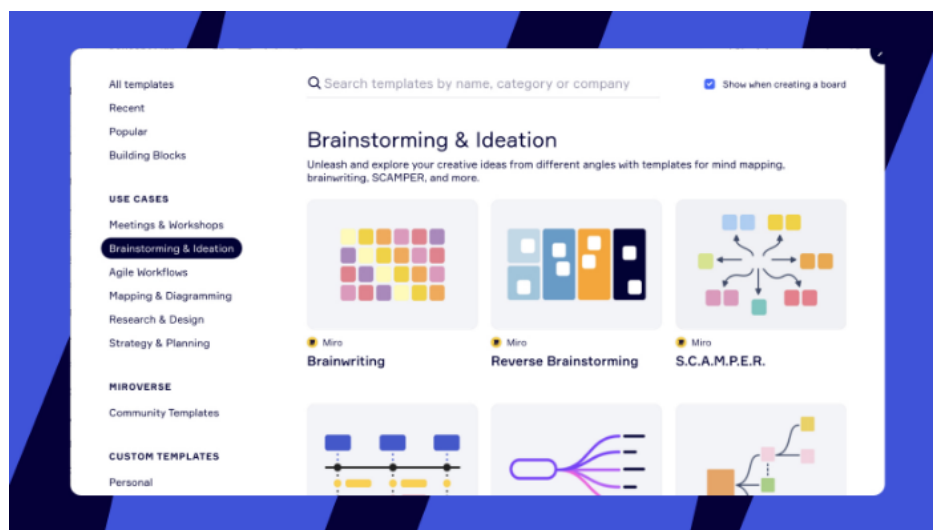
[redacted]

[redacted].

4.41 This was even more so when compared to competitors’ ideation tools that customers were using at the time.

4.42 For example, on Miro’s ideation page (see **Figure 8** below) the user experience is much more dense and complex, yet it is easy to use. [redacted].<sup>150</sup>

**Figure 8: Miro Ideation workflow**



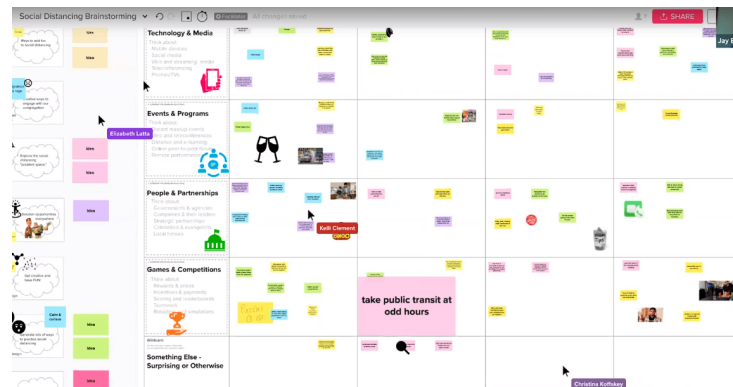
Source: <<https://miro.com/templates/ideation-and-brainstorming/>>.

4.43 Similarly, Mural’s ideation page (see **Figure 9** below) is equally sophisticated and certainly much more advanced than what [redacted].

<sup>150</sup> See [redacted] [Adobe internal document].



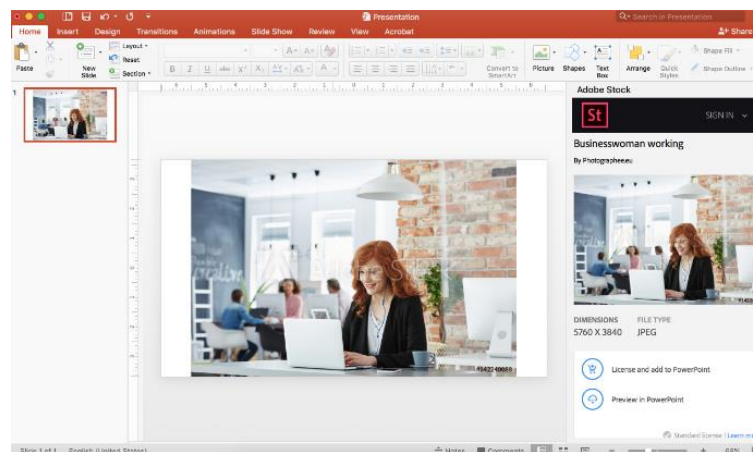
**Figure 9: Mural Ideation workflow**



Source: <<https://www.mural.co/templates>>.

- 4.44 Similarly workhorses like PowerPoint and Google Slides have feature rich, powerful co-editing capabilities. Microsoft PowerPoint is a powerful and versatile tool to create campaign designs and other design workflows. It has a wide range of pre-designed themes, templates, animations to add visual flair and supports videos, images and audio. It also has an easy-to-slide master for consistent design and the Designer functionality helps the user automate layouts in seconds. Moreover, PowerPoint seamlessly integrates with other third-party tools, including Adobe Libraries as part of the Adobe Creative Cloud. The integration with Adobe Libraries allows users to import assets from Adobe Photoshop or Illustrator in real-time. Adobe Libraries and PowerPoint directly sync the asset, so any external changes using Adobe flagship products are also shown in PowerPoint to update the campaign.

**Figure 10: Microsoft Power Point**



- 4.45 Subsequently, [36]. A private beta is crucial for obtaining customer feedback, both technical and commercial, to adjust features and optimise the value proposition of the product. On the technical side, users provide feedback on bugs and how the user experience can be improved. On the commercial side, customer feedback offers a sense of market fit: whether the product fills an unmet need, has an edge over other solutions and whether the product is something users will pay for. The feedback [36]. Ultimately, given the preliminary stage of the product, a private beta is not released

to a large external user base and offers a more limited set of features than either a public beta or a full commercial version 1.0. There may be several private betas before a product becomes public, each one building on feedback from the previous private beta and adding more users.

- 4.46 As described in detail below, the June 2022 Project Spice private beta was limited to only basic whiteboarding features, including ability to create and share a canvas. [REDACTED] functionality. The Project Spice beta feature set was [REDACTED] and focused on ideation use cases [REDACTED].<sup>151</sup>
- 4.47 Very few external users participated in the beta and none [REDACTED] as was an option during the private beta. By week two of the beta launch, the number of weekly users had declined [20-30]% [REDACTED] over week 1 with [REDACTED] external users, which is a further sign that the beta was failing to find customer engagement.<sup>152</sup>
- 4.48 While some customers may have had interest in a vision for Project Spice, [REDACTED]<sup>153</sup> [REDACTED].

**Figure 11: Summary of customer feedback on the Project Spice beta**

[REDACTED]

[REDACTED].

- 4.49 The CMA cites at para 157(b) P1D a video from 24 August 2022 reporting on customer feedback on the Beta noting that [REDACTED].

**Figure 12: Project Spice Demo**

[REDACTED]

[REDACTED].

- 4.50 As noted above, this beta was limited to ideation features, such as whiteboarding and sticky notes. It did not offer functionality beyond that. [REDACTED].<sup>154</sup>
- a) [REDACTED].
  - b) [REDACTED].
  - c) [REDACTED].
  - d) [REDACTED].
  - e) [REDACTED].
  - f) [REDACTED].

---

<sup>151</sup> [REDACTED] [Adobe internal document]

<sup>152</sup> [REDACTED] [Adobe internal document].

<sup>153</sup> [REDACTED].

<sup>154</sup> It is unclear whether the customer referenced in P1D ¶159 stating that Project Spice was "very concrete" was one of the Project Spice beta participants. [REDACTED].

4.51 [REDACTED].<sup>155</sup>

(f) ***The future state of “marketing design” was never achieved***

4.52 For completeness, as described to the CMA in the Site Visit of 2 August 2023, even the functionality that had been considered (even if only theoretically) for the next stage of the project, developing a marketing design focused product, was limited compared to the competition.

4.53 [REDACTED].

**Figure 13:** [REDACTED]

[REDACTED]

[REDACTED] [Adobe internal document]

4.54 [REDACTED].

**Figure 14:** [REDACTED]

[REDACTED]

[REDACTED]

**Figure 15:** [REDACTED]

[REDACTED]

[REDACTED]

4.55 In any event, Adobe never developed these features.

(g) ***Project Spice faced significant technical challenges that made its execution commercially unfeasible***

4.56 Even if it had been intended as an interactive product design tool (which it was not), Project Spice failed. The Project Spice team’s efforts to develop even a [REDACTED] product fell short.<sup>156</sup> [REDACTED]. It never fully developed ideation features (realising only a private beta product with basic whiteboarding features) nor did it meaningfully begin developing marketing design features.<sup>157</sup>

4.57 The P1D did not meaningfully address these technical challenges. Yet they are an essential part of understanding Adobe’s lack of ability and changing incentives in relation to Project Spice, leading to its cancellation (contrary to P1D ¶162). The team’s conclusions on Adobe’s ability to deliver were candid: it missed; its efforts had taken too long and might never get there: “[REDACTED].”<sup>158</sup>

---

<sup>155</sup> [REDACTED].

<sup>156</sup> [REDACTED] [Adobe internal document], [DOJ deposition of Adobe’s Senior Vice President & General Manager, Creative Cloud and Document Cloud].

<sup>157</sup> [REDACTED] [Adobe internal document].

<sup>158</sup> [REDACTED] [Adobe internal document].

- 4.58 Executing Project Spice’s vision of bringing its flagship desktop apps to the web-based infinite canvas [REDACTED]:
- a) **Codebase** - [REDACTED].
  - b) **Memory constraints** - Project Spice was negatively impacted by memory constraints of browsers [REDACTED].
  - c) [REDACTED].
- 4.59 In addition, the success of Project Spice was dependent upon the completion of other ongoing projects, [REDACTED]<sup>159</sup> [REDACTED].<sup>160</sup> [REDACTED].<sup>161</sup> [REDACTED]:
- 4.60 [REDACTED].<sup>162</sup> [REDACTED].
- 4.61 [REDACTED].<sup>163</sup> For example, [REDACTED] *on ESM [Enterprise Storage Model]*”.<sup>164</sup> This proved to be a barrier to customer adoption in the Spaces private beta.<sup>165</sup>
- 4.62 Adobe’s Creative Cloud Assets and Collaboration (“CCAC”) engineering team who were building Spaces also had competing and [REDACTED]. At the time there were several other significant projects including the development of Adobe Express [REDACTED].<sup>166</sup>
- 4.63 **Horizon:** Project Spice was dependent on [REDACTED] (see further **Section B.5** below)
- 4.64 These issues resulted in a number of delays to the Project Spice timeline. [REDACTED].<sup>167</sup>
- 4.65 **Table 5** below provides an overview of delays to Project Spice resulting from these technical challenges.

**Table 5:** [REDACTED]

Period	Event
[REDACTED]	[REDACTED]. <sup>168</sup> [REDACTED]. <sup>169</sup>

<sup>159</sup> [REDACTED].

<sup>160</sup> Project Spice Follow Up, ¶¶40-42.

<sup>161</sup> [REDACTED].

<sup>162</sup> [REDACTED].

<sup>163</sup> [REDACTED].

<sup>164</sup> [REDACTED].

<sup>165</sup> See [REDACTED] [Adobe internal document]. See further [REDACTED] [DOJ deposition of Adobe Senior Director, Strategic Development, Design].

<sup>166</sup> *Id.*

<sup>167</sup> [REDACTED] [Adobe internal document].

<sup>168</sup> [REDACTED] [Adobe internal document].

<sup>169</sup> [REDACTED] [Adobe internal document].

Period	Event
[REDACTED]	[REDACTED] <sup>170</sup> [REDACTED]. <sup>171</sup>
[REDACTED]	[REDACTED].
[REDACTED]	[REDACTED].
[REDACTED]	[REDACTED]. <sup>172</sup> [REDACTED]. <sup>173</sup>
[REDACTED]	[REDACTED].
[REDACTED]	[REDACTED]. <sup>174</sup>

<sup>170</sup> [REDACTED] [Adobe internal document].

<sup>171</sup> [REDACTED] [Adobe internal document]; [REDACTED] [Adobe internal document]; [REDACTED] [Adobe internal document].

<sup>172</sup> [REDACTED] [Adobe internal document].

<sup>173</sup> [REDACTED] [Adobe internal document].

<sup>174</sup> [REDACTED] [Adobe internal document].

Period	Event
[X]	[X]. <sup>175</sup>

4.66 These delays were significant in light of the overall delays to the Project Spice timeline (which was already a year late), the significant resources being devoted to the project [X].

(i) ***Project Spice would have exerted little or no pressure in interactive product design***

4.67 The P1D claims that even if Project Spice were only focussed on ideation and marketing design that it would still exert a competitive constraint on Figma (P1D ¶170) on the basis that the products are closely linked.

4.68 Project Spice would have exerted no pressure in interactive product design, given its differentiated core user base and its focus on ideation. Project Spice did not offer what interactive product designers need or use in a tool. Contrary to P1D ¶161, Adobe did not identify interactive product design as a growing market in which it would invest through Project Spice in response to Figma.<sup>176</sup> Nor is it correct that “*Spice was, at least in part, a direct response to competition from Figma.*” Nor did Adobe have “*plans for Spice to challenge Figma’s market leading position*” (P1D ¶¶166-167).<sup>177</sup> The evidence shows Adobe did not intend Project Spice to become a threat to Figma.

4.69 No matter whether Project Spice was pursued or not or whether it succeeded or failed, it would make no difference on innovation or competition in this sector. In addition, Miro and Mural have wireframe and prototyping templates for apps and websites. Users can quickly see how an app or website might look. As explained in the demo videos shown to the CMA during the site visit of 2 August 2023, both allow the user to easily populate wireframe templates with a variety of assets to visualise the final design and offer prototyping tools to customise connections across the entire website or app and quickly visualise those flows.<sup>178</sup>

(h) ***The decision to cancel Project Spice was made for reasons unrelated to the Transaction***

4.70 The P1D claims that the Parties have not provided evidence of any specific trigger or decision that would have led to the decision to cancel Project Spice in September

<sup>175</sup> [X] [Adobe internal document].

<sup>176</sup> The CMA cites at P1D ¶161 Adobe Confidential 10-012 (of November 2020) to show that Adobe identified that the screen design market was growing. This is incorrect on multiple accounts (*see* Evidence Paper).

<sup>177</sup> *See* Evidence Paper.

<sup>178</sup> *See* 5:32 of the Miro demo and 3.55 of the Mural demo (submitted with the site visit materials to the CMA on 4 August 2023).

2022 that is unrelated to the Transaction (P1D, ¶162(b)). The P1D also does not place weight on the fact that the product lead for Project Spice ([REDACTED] [Adobe's Senior Vice President & General Manager, Creative Cloud and Document Cloud]) [REDACTED] to move resources without knowledge of the Transaction on the basis that this was not considered to be permanent and the decision makers were aware of the Transaction (P1D, ¶162(c)).

- 4.71 In fact the decision to cancel Project Spice was entirely logical when considered in its context. Delays in making progress, poor [REDACTED], competing priorities in the company and the need to allocate scarce engineering resources to higher priority projects, [REDACTED], resulted in the decision to cancel Project Spice and reallocate the engineering team to working on Adobe Express. In particular:
- 4.72 **Adobe had low confidence in delivering Project Spice.** Contrary to the views expressed in the P1D that Adobe was “*confident*” about Project Spice at the time it was shuttered, there were substantial concerns around delivery of Project Spice in the period up to its cancellation in 2022. [REDACTED]:<sup>179</sup>
- a) [REDACTED].
  - b) [REDACTED].
  - c) [REDACTED].
  - d) [REDACTED].
  - e) [REDACTED].
  - f) [REDACTED].
- 4.73 Performance issues continue to be reflected in later documents. For example, [REDACTED].<sup>180</sup>
- 4.74 The assessment in August 2022 remained the same in each key area. The team did not have confidence that Project Spice would deliver: [REDACTED].<sup>181</sup>
- 4.75 [REDACTED].<sup>182</sup> [REDACTED].<sup>183</sup> [REDACTED].
- 4.76 [REDACTED].<sup>184</sup> [REDACTED].
- 4.77 [REDACTED].<sup>185</sup>
- 4.78 As [REDACTED] [Adobe's President of Digital Media] testified before the DOJ, Adobe had missed the market for Project Spice and it was time to move on: “[REDACTED].”<sup>186</sup>

---

<sup>179</sup> Project Spice Follow Up, ¶24. [REDACTED] [Adobe internal document].

<sup>180</sup> [REDACTED] [Adobe internal document].

<sup>181</sup> [REDACTED] [Adobe internal document]. P1D ¶157 stated that this document showed a high level of confidence [REDACTED].

<sup>182</sup> P1D, ¶157.

<sup>183</sup> [REDACTED] [Adobe internal document].

<sup>184</sup> [REDACTED] [Adobe internal document].

<sup>185</sup> [REDACTED] [Adobe internal document].

<sup>186</sup> [REDACTED] [DOJ deposition of Adobe's President of Digital Media].

- 4.79 **Adobe Express offered a better product development opportunity:** Adobe was rebuilding Adobe Express (which is already available as a web-based product) [§].<sup>187</sup> Although Adobe Express will have some collaboration features, it will serve the creative needs of communicators and non-pro audiences, whereas Project Spice was a web-based tool intended to serve the needs of creative professionals.<sup>188</sup> As further explained in Section B part 5, Adobe Express offered a huge commercial opportunity [§].
- 4.80 **Adobe was resource constrained:** [§].
- 4.81 It was crucial to reallocate scarce web engineering resources to Adobe Express. [§].<sup>189</sup> [§].<sup>190</sup>
- 4.82 [§], on 31 August 2022, [§] [Adobe’s Senior Vice President & General Manager, Creative Cloud and Document Cloud] [§] to move resources from Project Spice to Adobe Express.<sup>191</sup> [§]: “[§].”<sup>192</sup>
- 4.83 There was thus a compelling commercial logic to cancelling Project Spice which was unrelated to the Transaction, as supported by contemporaneous evidence.
- 5. Adobe Express offered a better commercial opportunity than Project Spice**
- (a) **Summary**
- 5.1 The P1D states that “*the Parties have not pointed to evidence of any specific trigger or decision that would have led to the decision to cancel Spice in September 2022 that is unrelated to the Merger*” (P1D ¶162(b)). As explained in **Section 4** above, in August 2022 Adobe’s leadership took the decision to transfer [§] away from Project Spice to prioritise delivery of Adobe Express [§] from the Project Spice product lead ([§] [Adobe’s Senior Vice President & General Manager, Creative Cloud and Document Cloud]).
- 5.2 Express offered a compelling market opportunity for Adobe to enter the prosumer space both gaining traction with a new customer base and tapping into a large market; by mid-2022, the Adobe Express product team was targeting reaching [§] and ARR of almost [§]. The project team [§]. Given the [§], it was the logical choice, given the poor performance of Project Spice, for Adobe to put Project Spice resources behind Adobe Express. This is further explained below.

---

<sup>187</sup> [§].

<sup>188</sup> See, for example, [§] [Adobe internal document]

<sup>189</sup> Project Spice Follow Up, ¶22; [§] [Adobe internal document].

<sup>190</sup> [§] [Adobe internal document].

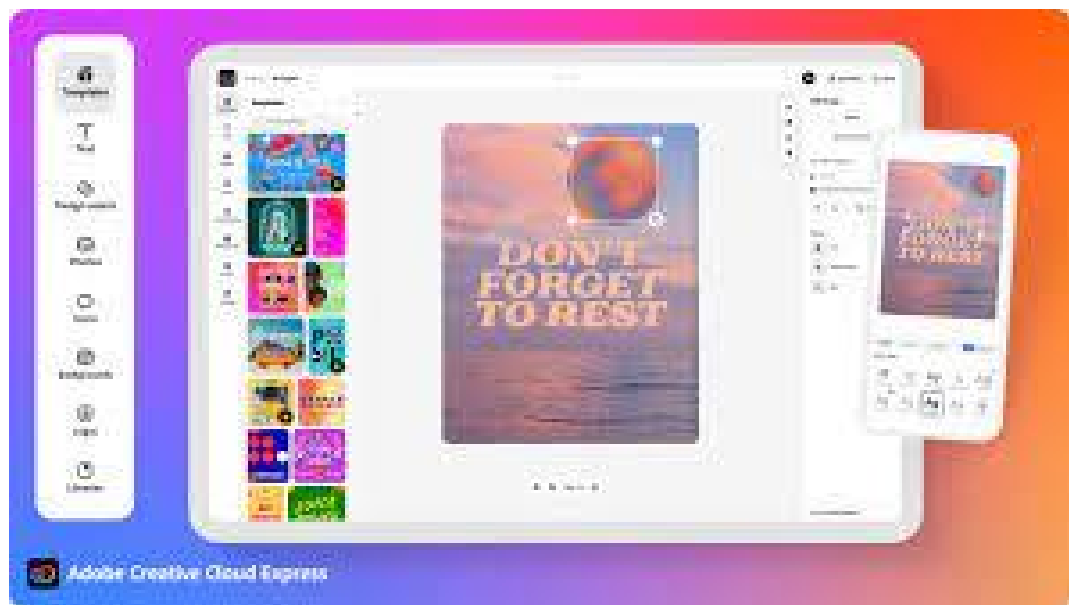
<sup>191</sup> [§] [Adobe internal document].

<sup>192</sup> See [§].



- (b) *Adobe Express is a future growth engine and a major commercial opportunity for Adobe to enter the prosumers space* [X]
- 5.3 Considering the total addressable market and Adobe’s likelihood of success, Adobe Express is a huge commercial opportunity for Adobe and one which has substantial management focus, investment and resources.
- 5.4 **Adobe Express offers a very significant commercial opportunity for Adobe to enter the prosumer space**, to build “[X]”<sup>193</sup> and to be “[X]”.<sup>194</sup> In contrast to XD and Project Spice, Adobe Express has shown [X] (see **Figure 19** below)<sup>195</sup> (substantially more than the [X] had at its peak). In his deposition to the US DOJ, [X].<sup>196</sup>
- 5.5 Adobe Express is a new template-based content creation app aimed at consumers and communicators. It makes it easy for non-professionals to design marketing content, such as flyers, banners and social media posts. It aims to satisfy the need for short-term projects where the speed of creation and publication onto various platforms is key. It has a straightforward and intuitive interface; users have simple edit, drag and drop and import functions with links enabling download of stock or third party creative assets such as photos, videos and images.

**Figure 16 - Screenshot of Adobe Express from Adobe.com**



*Source: Adobe.com*

- 5.6 With the rise in importance of visual communication, the development of simple and easy to use creative tools for prosumers is a significant disruptive trend in the broader creative space (see **Section C4** below). Competitors such as Canva and Picsart

<sup>193</sup> [X] [Adobe internal document].

<sup>194</sup> [X] [Adobe internal document].

<sup>195</sup> Based on [X] usage data. Only includes logged in (“authorised”) users.

<sup>196</sup> [X].

already offer prosumer design tools with a mission to “empower a whole world to design.” Canva reportedly has over 130 million monthly users.<sup>197</sup>

- 5.7 As such, Adobe Express presents a major opportunity for Adobe – traditionally a provider of desktop based tools to sophisticated creative professionals – to reach this new market of prosumers. Adobe estimates that there are around [REDACTED].<sup>198</sup> Adobe Express targets prosumers and aims to differentiate by leveraging its strength in asset creation to offer a design tool which includes, *inter alia*, video and motion design features, real time collaboration and AI based tools.<sup>199</sup> As noted by Adobe in its public communications:

*“That is why we’re so excited about the latest version of Adobe Express – it’s truly revolutionizing the way anyone with an idea can make stunning videos, design and documents faster than ever before...we’re bringing the power and precision of Adobe’s leading photo, design, video, document and generative AI tools into a new all-in-one editor, making it fast easy and fun to design and share standout social media posts, video content and images, enhance PDFs to create visually stunning documents, animate characters through audio and more. It’s now possible for anyone to produce the highest quality content that you expect from Adobe’s products.”*<sup>200</sup>

- 5.8 The market opportunity available to Adobe is set out in internal documents from the time. In 2021, the Adobe Express project team identified [REDACTED].<sup>201</sup> By July 2022, Adobe’s aspirations as set out in its [REDACTED] were for Adobe Express to reach [REDACTED] and [REDACTED] by end-FY2025 [REDACTED]<sup>202</sup> and USD 15 million ARR at the end of FY2021<sup>203</sup>). By contrast, [REDACTED]. This is reflected in the screenshot from Adobe’s group wide and Adobe Express specific strategy plans below.

**Figure 17: Screenshot from document Adobe Express Strat Financial Plan Summary**

[REDACTED]

Source: [REDACTED]

**Figure 18: Screenshot from Overview of FY23-25 Strat Plan (July 2022)**

[REDACTED]

Source: [REDACTED]

- 5.9 **Adobe Express was showing every indication of having strong product and market fit.** Adobe Express was an in market product launched in December 2021 [REDACTED].

---

<sup>197</sup> <https://www.canva.com/about/>.

<sup>198</sup> [REDACTED] [Adobe internal document].

<sup>199</sup> [REDACTED] [Adobe internal document].

<sup>200</sup> <https://blog.adobe.com/en/publish/2023/06/08/adobe-express-june-2023-release-uk>.

<sup>201</sup> See [REDACTED] [Adobe internal document]. [REDACTED].

<sup>202</sup> [REDACTED] [Adobe internal document]. [REDACTED] See also **Confidential Annex 2** [REDACTED] [Adobe internal document].

<sup>203</sup> See [REDACTED] [Adobe internal document]. [REDACTED].

- 5.10 In March 2022, Adobe noted [REDACTED].<sup>204</sup> By around May 2022, Adobe Express had achieved [REDACTED].<sup>205</sup> In particular, [REDACTED].

**Figure 19:**

[REDACTED]

[REDACTED]

- 5.11 Adobe Express is [REDACTED]. As can be seen in the chart above, [REDACTED]. This already reflects around [REDACTED] times the peak user base achieved by XD ([REDACTED]).
- 5.12 The Adobe Express public Beta which was launched in June 2023 has been [REDACTED]. After one month, [REDACTED].<sup>206</sup> [REDACTED].<sup>207</sup> Adobe has also embedded its AI tool Firefly directly into Adobe Express to allow users to generate AI based content. Adobe has already generated [REDACTED].
- 5.13 In contrast, [REDACTED]. Project Spice was originally conceived as a web-based canvas, [REDACTED]. It was later downgraded to ideation and marketing design, and ultimately achieved no more than [REDACTED]. For a [REDACTED] product design was also contemplated. The lack of [REDACTED].
- 5.14 As noted by [REDACTED] [Adobe's President of Digital Media] in his deposition before the DOJ, software products that find "product market fit" can achieve an inflection point in user or revenue growth. [REDACTED].<sup>208</sup>
- 5.15 **Project X is a product that is deliverable within a commercially acceptable timeframe taking into account Adobe's technical capabilities.** [REDACTED]. By focussing on Adobe Express, Adobe could avoid this complexity.
- 5.16 Moreover, [REDACTED].
- 5.17 [REDACTED], this is a huge commercial opportunity for Adobe.
- (c) *Adobe Express faced a number of challenges in 2022, in terms of resourcing and technical delays*
- (i) *Adobe had ambitious plans to launch a new version of Adobe Express*
- 5.18 [REDACTED].
- 5.19 Adobe Express was originally launched in December 2021 as a web based prosumer tool and is currently in-market. Subsequently, Adobe decided to rebuild Adobe Express [REDACTED].<sup>209</sup> This project was internally codenamed "**Project X**". The intention was that the rebuild on Horizon would bring several valuable new features to the

---

<sup>204</sup> See **Confidential Annex 3**, [REDACTED] [Adobe internal document].

<sup>205</sup> See **Confidential Annex 4**, [REDACTED] [Adobe internal document].

<sup>206</sup> See **Confidential Annex 4**, [REDACTED] [Adobe internal document].

<sup>207</sup> See **Confidential Annex 4**, [REDACTED] [Adobe internal document].

<sup>208</sup> By comparison, [REDACTED].

<sup>209</sup> [REDACTED].

existing in-market Adobe Express product notably motion and video editing, collaboration and AI-driven features.

- 5.20 The intention was to build and launch the new product [REDACTED] - a significant undertaking. In 2022, [REDACTED].<sup>210</sup> [REDACTED].<sup>211</sup>

**Figure 20: Screenshot from document titled [REDACTED]**

[REDACTED]

- 5.21 The plan [REDACTED].<sup>212</sup>, [REDACTED].
- 5.22 The [REDACTED].
- 5.23 For technical and resourcing reasons the Adobe Express faced significant delays. [REDACTED]. As reflected in Mr. Mases' deposition before the DoJ, Adobe Express was [REDACTED].<sup>213</sup>
- 5.24 As late as December 2022 (after Project Spice resources were transferred to Adobe Express), the Adobe Express team noted that there was [REDACTED].<sup>214</sup> The business noted that there was [REDACTED].
- 5.25 [REDACTED], the Adobe Express public beta was ultimately [REDACTED] and released (successfully) in June 2023.

(ii) ***Adobe Express required additional resources to deliver on time***

- 5.26 Building [REDACTED]. Relevant resources at Adobe were finite and inevitably Adobe was required to make decisions around where to focus efforts. This was particularly so after the introduction of the company-wide [REDACTED] in mid 2022.
- 5.27 As noted by [REDACTED] in his deposition before the DOJ: "[REDACTED]."
- 5.28 Adobe had resources committed across a number of projects in 2022. In particular, Project Spice was ramping up resources [REDACTED]. In order to deliver its roadmap in 2022, Adobe Express required additional resources, [REDACTED]. Even prior to the [REDACTED] Adobe typically [REDACTED].
- 5.29 This issue was recognised in internal documents at the time.
- a) In a conversation between [REDACTED].<sup>215</sup>
- b) Later, in March 2022, at its presentation for [REDACTED].<sup>216</sup>

---

<sup>210</sup> [REDACTED] [Adobe internal document].

<sup>211</sup> [REDACTED] [Adobe internal document].

<sup>212</sup> [REDACTED] [Adobe internal document].

<sup>213</sup> [REDACTED] [DOJ deposition of Adobe's Senior Vice President & General Manager, Creative Cloud and Document Cloud].

<sup>214</sup> See **Confidential Annex 4**, [REDACTED] [Adobe internal document].

<sup>215</sup> [REDACTED] [Adobe internal document].

<sup>216</sup> [REDACTED] [Adobe internal document].

- c) Resourcing continued to be an issue: in July 2022, discussing [REDACTED].<sup>217</sup> [REDACTED].<sup>218</sup>  
[Emphasis added]
- 5.30 [REDACTED].<sup>219</sup> [REDACTED].
- 5.31 [REDACTED].<sup>220</sup>
- (iii) ***Coding both Adobe Express and Project Spice [REDACTED] resulted in technical trade offs delaying product development***
- 5.32 Adobe was facing time delays by building both Adobe Express (Project X) and Project Spice [REDACTED] due to [REDACTED].
- 5.33 [REDACTED].
- 5.34 [REDACTED].
- 5.35 This issue was recognised by the business at the time: in March 2022, [REDACTED].<sup>221</sup> The project team identified that development of features was [REDACTED].<sup>222</sup>
- (iv) ***Project Spice and Adobe Express shared co-dependencies which drove [REDACTED]***
- 5.36 As for Project Spice, the success of [REDACTED] was dependent [REDACTED].<sup>223</sup> [REDACTED] (§5.17 *et seq.* above). Adobe was required to make decisions around prioritising development [REDACTED]. [REDACTED].
- 5.37 Taking into account the significant opportunity presented by Adobe Express and the challenges outlined above in building Project Spice and Adobe Express at the same time, it was logical for Adobe to [REDACTED].
- (d) ***Adobe [REDACTED] to enter the product design space organically absent the Transaction***
- 5.38 For completeness, we note that there is no prospect of Adobe reviving Project Spice or any interactive product design tool. Adobe’s failure to develop a commercially viable product design offering, despite eight years of investment in XD, is [REDACTED].
- 5.39 **Adobe is not well placed to re-enter product design from [REDACTED].**
- 5.40 **Adobe would also not have the incentive to [REDACTED] more important priorities.** As set out in further detail in Section C below Adobe has a range of important commercial priorities including development of Adobe Express and Firefly. The GA (General Availability) release of Project X is planned for 16 August 2023 and [REDACTED].

<sup>217</sup> [REDACTED] [Adobe internal document].

<sup>218</sup> See **Confidential Annex 2**, Adobe internal document [REDACTED].

<sup>219</sup> See **Confidential Annex 6**, [REDACTED].

<sup>220</sup> [REDACTED] [Adobe internal document].

<sup>221</sup> [REDACTED] [Adobe internal document].

<sup>222</sup> [REDACTED] [Adobe internal document]. See **Figure 20** above.

<sup>223</sup> [REDACTED].

- 5.41 **Finally, even if entry were technically feasible Adobe has missed the market and could not impose [X] on Figma.** The market for product design is dynamic and innovative and continues to move to areas [X] such as targeting developers and developer hand-off (see Section B.6 above).
- 5.42 **Adobe's position in [X] does not grant it the ability to re-enter. [X].**
- 5.43 Finally, we note that the P1D seems to take the view that, because Adobe has tried to enter interactive product design in the past, it will inevitably continue to do so in the future.<sup>224</sup> This is not a coherent way to predict the behaviour of a rational business. Adobe has tried to enter interactive product design in the past with XD and has failed. But for the transaction its rational economic incentives [X]. It is inconsistent with: (i) Adobe's failure with XD and its decision to cease developing it; [X].
- (i) ***There is no evidence of Figma reacting to Adobe's product development efforts***
- 5.44 The P1D states that Figma improving asset creation functionality would allow Figma to compete with Project Spice.<sup>225</sup> It states Figma would have an incentive to respond to the threat of competition from Adobe in the supply of "***all-in-one screen design***" software.
- 5.45 Adobe is not a competitive pressure for Figma. Nor is Figma expanding into asset creation software (**Section C** below). Furthermore, the documents cited in P1D<sup>226</sup> do not say otherwise. Nor do they support the conclusion that Figma has responded to Adobe's innovation plans in the past. Please refer to **Section C.3** below.
- 5.46 In conclusion, there is no evidence of Figma responding to Adobe's product development efforts in the past.
- 6. Figma operates and will continue to operate in a competitive interactive product design and development landscape**
- 6.1 Before discussing the current competitive landscape for interactive product design and development tools, it is important to recognise the background to this market which in turn explains the direction of travel, sources of innovation and the breadth of different market participants that operate in this wider space and that are well placed to disrupt it. Less than five years ago, Figma was a new market participant and disruptor, with little-to-no revenue, but it adopted a new approach that would see it rapidly succeed in the market.

---

<sup>224</sup> P1D ¶163. "*The CMA notes that Adobe has invested significantly in developing a screen design offering since 2014 (when Adobe commenced Project Sparkler, an early project code name that would eventually become Adobe XD).<sup>198</sup> From that time and up until 2022, Adobe made substantial investments in the development of its screen design offering with large teams of employees working on XD and then on Spice. The CMA considers that this history of commitment to developing a screen design offering, and investment in developing such an offering, is relevant to the CMA's assessment as to whether Adobe would have been likely to continue its activities in this segment absent the Merger.*"

<sup>225</sup> P1D, ¶¶173-174.

<sup>226</sup> P1D, ¶172.

(a) *A brief history of the evolution of interactive product design and development tools*

- 6.2 Prior to the launch of dedicated interactive product design tools in c. 2010, non-purpose built tools, like Microsoft PowerPoint were used by “web designers” to ideate, conceptualise and sketch out design for websites and apps. These designs in turn were then directly implemented in code to deliver the end product, *i.e.*, a functioning website. “Web designers” used traditional platform specific code-based design tools such as XCode, Apple’s IDE for macOS, or wrote in coding language such as HTML and CSS, to build functioning websites and apps. However, these were fundamentally coding environments that in years past did not have intuitive, visual design functionality (although, as explained below, this has changed in more recent times).
- 6.3 In 2010, Sketch pioneered interactive product design tooling.<sup>227</sup> Sketch recognised white space for a dedicated interactive product design tool. Its success was predicated on offering an efficient, streamlined, dedicated UI and UX design tool by stripping away complexity and non-core functionality (for instance, deeper creative tooling focussed functionality). Sketch still retains significant strengths. It has a large library of templates and extensions, and an industry standard file format (“JSON”). It has continued to introduce a long line of new features over the years, including a number of releases in recent years, that have compelled a response by Figma.
- 6.4 Figma was then founded in 2012, with Figma Design’s general release occurring in 2016. At the time, Sketch and InVision<sup>228</sup> were the main players providing a solution that was targeted to UI/UX designers. Website and app design tools were otherwise scarce. This was a new market whose creation was being fuelled by the advent of the digital economy. Figma’s innovation was facilitating wide-scale collaboration, on the web, between the different stakeholders involved in designing and building websites and apps including, for example, UI/UX designers, creative designers, product managers, marketing teams, and developers that code the final product. Designing and building digital products involves a team of diverse collaborators, so real-time live coediting is fundamental to an effective product design and development tool, given the sophisticated, ongoing, and composite nature of the products (*i.e.*, websites and apps) being created, which require input and buy-in from a wide range of stakeholders. Figma realised this before most in the product design and development landscape, and built a web-based interface to make this a reality. This ensures a single source of truth for the product being collaborated on, avoiding a single point of failure (*e.g.*, due to accidental deletion of files, or leavers making files inaccessible). It

---

<sup>227</sup> Launched in 2010, see here: <https://web.archive.org/web/20110711125106/http://www.bohemiancoding.com/about/blog/sketch-1-0-finally-released/>.

<sup>228</sup> Launched in 2011, see [https://techcrunch.com/2018/02/06/invision-launches-studio-platform-challenging-adobe-with-an-open-ecosystem/?guce\\_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce\\_referrer\\_sig=AQAAAFQ2x4DTlFxx0L7OW60b6-wNRekKzKZLeOd8IsauWbm-Ylt7tVxjzVHymYCPfFp3PqKfZ-9XhjT2Drf\\_4sz49nZ2B\\_FEx4RNFm9v6SJjWP8kgAnBRmh19zELOAxP8OGx9R6kd1OniusJAL38lzvgFrLAbjGh6c8mTrXEmt39cg0&guccounter=2](https://techcrunch.com/2018/02/06/invision-launches-studio-platform-challenging-adobe-with-an-open-ecosystem/?guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAFQ2x4DTlFxx0L7OW60b6-wNRekKzKZLeOd8IsauWbm-Ylt7tVxjzVHymYCPfFp3PqKfZ-9XhjT2Drf_4sz49nZ2B_FEx4RNFm9v6SJjWP8kgAnBRmh19zELOAxP8OGx9R6kd1OniusJAL38lzvgFrLAbjGh6c8mTrXEmt39cg0&guccounter=2). InVision has since deprecated some of its functionality in January 2023.

ensures that everyone is always working on the same version of the software, prevents incompatibilities and crashes, and facilitates easy and quick sharing of content using weblinks. This is the key reason for Figma's current commercial success and is made possible by Figma's web-based architecture. But this path also meant trade-offs. Figma needed to accept [X].

- 6.5 Adobe XD was also launched in 2016 but unlike Figma, it continued down the path of being a desktop based tool that provided little collaboration capabilities. As a result, it failed to find the right product market fit - in recent years, it exerted weak and diminishing competitive constraint on Figma or indeed other innovative product design and development solutions, which is also reflected in Figma documents.

**Figure 21:**

**Adobe XD as a fading threat in Figma documents**

[X]

- (b) ***Direction of travel - sources of competitive pressure and innovation in this space are multiplying as design and development converge***

- 6.6 Since 2016, it is increasingly apparent that not all workflows for digital product creation look the same. This reflects:

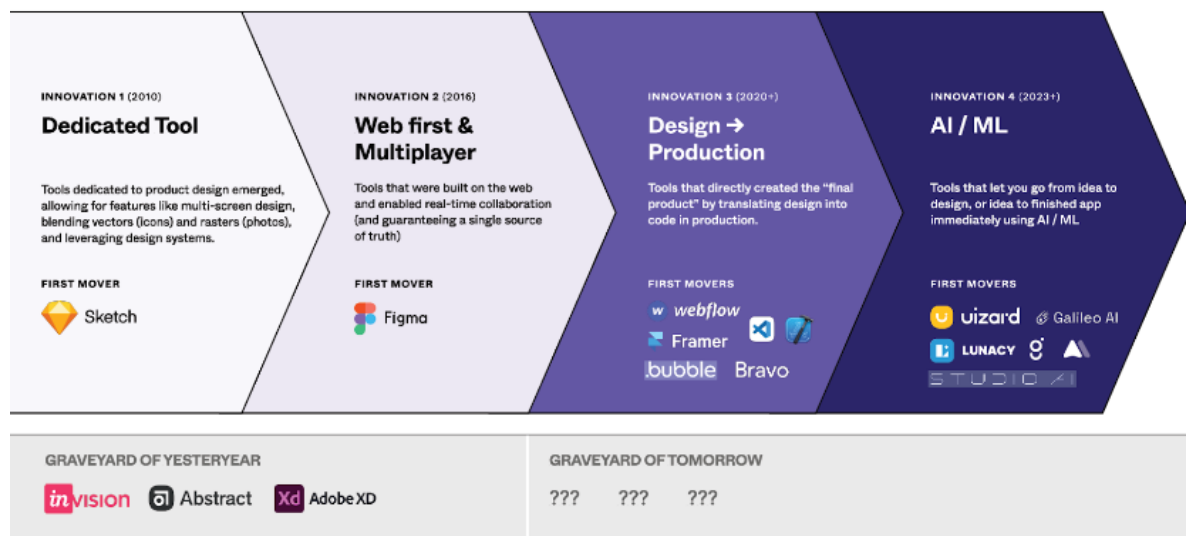
- a) The nature of the central product design and development problem that product teams are solving for. The problem to be solved is the creation of software. It is not about just designing a UI (or "a screen") - it is fundamentally about building a commercially deployable, interactive digital product written in code. Product designers are part of this solution, but they need to work hand-in-hand with the whole product team, which will include product managers and developers, to deliver the end product. Product managers are guiding the design, sharing concepts with stakeholders and user research participants, and ultimately writing specifications for how the product works. Developers are similarly giving feedback and ultimately accountable for writing the code that translates the design into software that is deployed to produce the final product. If these different groups are not working closely together, the product delivery will be more expensive, and the end user experience will be suboptimal. This is why Figma builds for the whole product team (not just product designers) and approximately only 1/3rd of its active users identify as product designers.
- b) New waves of innovation. These technological advances cater to or indeed catalyse new and more efficient solutions to the product development problem. There has been a tremendous leap in the degree of sophistication in product design and development tools, including the emergence of sophisticated design-to-production capabilities and artificial intelligence.

**Figure 22**

**Waves of innovation in interactive product design and development tools**



## Product design tools are evolving rapidly



6.7 As a result, product teams can today go about solving the product development problem in various ways, adopting different pathways that span the design and development spectrum. In fact, tools with historic centres of gravity in the coding or design parts of the workflow are increasingly converging. Alternative solutions include:

- Mixing-and-matching point tools.** Some product teams adopt a mix-and-match approach, often using a suite of tools and choosing what is state-of-the-art for each step of the design and development process. For example, users may wireframe in Figma Design but then switch to ProtoPie, Zeplin for prototyping or handoff. These tools typically look to develop into other parts of the workflow, if they are able to catch a foothold in the lifecycle with a competitive solution for discrete tasks - this was how Figma expanded from mockups and prototyping to get closer to the final product, most recently with Dev Mode.<sup>229</sup>
- Integrated design-to-production, or low code and no code tools.** These tools allow the customer to go straight from design to final product. At the moment, this is focused on websites rather than apps but they will likely soon be able to deliver the latter. Framer and Webflow are at the cutting edge.
- Visual interface builders / IDEs.** In simple terms, these are developer-centric design tools. These companies focus on the teams and users who spend most of their time in coding environments called IDEs. In the past, coding environments have been just for developers, but the ability to visually assemble interfaces

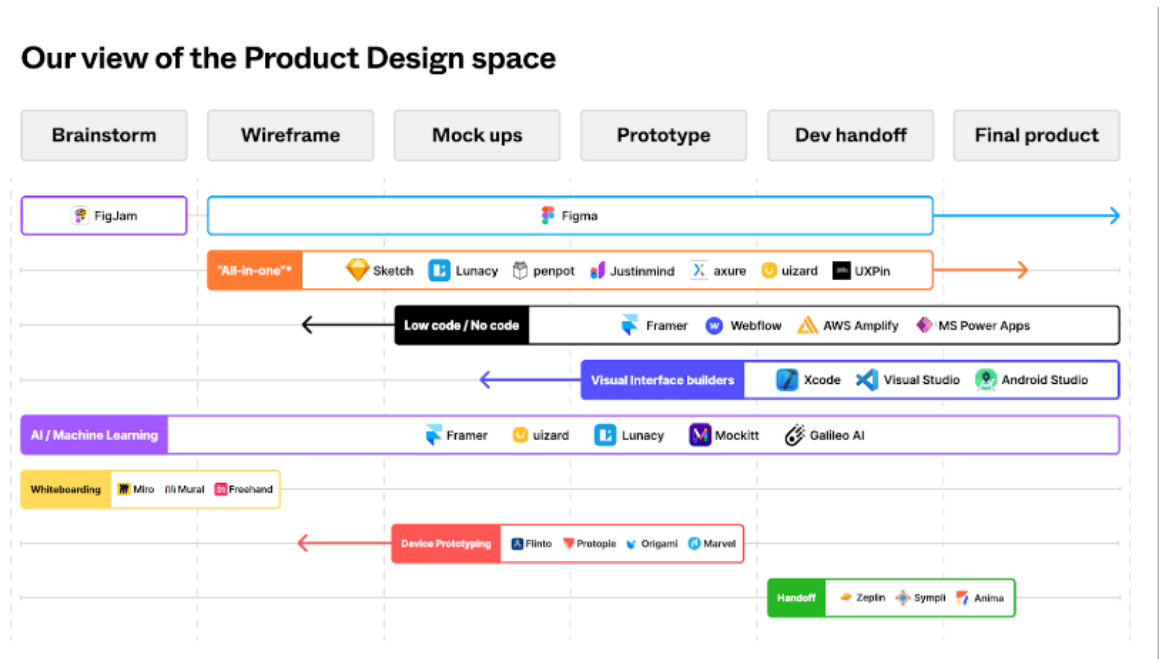
<sup>229</sup> There is a proven track record of interactive product design and development tools with point functionality gradually building out functionality and adapting to customer needs. Figma and Sketch did not have prototyping capabilities when they first launched. In 2017, both companies added prototyping capabilities and continued to expand their capabilities to offer more comprehensive offerings. Figma continues to invest in capturing additional parts of the workflow in, for example, hand-off and coding functionality. Therefore, success in discrete parts of the workflow, such as advanced prototyping, may well lead to expansion by tools like ProtoPie and PenPot into other design and production tasks.

directly inside the IDEs has been a game-changer, as it allows those developers to show the other members of their product teams what their work product looks like (instead of showing them the coding language). Microsoft and Apple have been working hard in this space for decades with multiple evolutions of tools like Interface Builder / Swift UI on the Apple side and Visual XAML Designer / Blend on the Microsoft side. These tools let users place elements visually, wire up behaviours, apply constraints, add images.

- d) **Artificial intelligence.** Finally, AI represents a technology that is both a competitive threat to Figma as well as an opportunity. The optimistic case for AI in product design and development is that it will be the idea that matters most, with AI taking care of the rest. Competitors experimenting with AI-driven solutions include Lunacy, Uizard, and Framer.

**Figure 23**

**Product design and development landscape**



(c) **Drivers of Figma feature development**

- 6.8 The MAGs<sup>230</sup> indicate that the CMA's assessment is generally forward-looking and accounts for the future evolution of competitive conditions, including constraints from rival entry or expansion. The PID also states that a key parameter of competition in product design is product development and innovation: *"The evidence the CMA has reviewed indicates that constant innovation is a key driver of competition. The evidence shows that this innovation involves significant product development, with firms continuously improving their products in anticipation of users' needs and in reaction to competitors"*.<sup>231</sup> The Parties agree.

<sup>230</sup> MAGs, ¶4.16.

<sup>231</sup> PID, ¶109.

- 6.9 Less than five years ago, Figma was a new market participant and disruptor, with a web-based approach that would see it rapidly succeed in the market. Since then, the product design and development space continues to witness rapid innovation alongside new entry and expansion. Given the commercial opportunities in this space, there is ample incentive for innovative competitors to keep expanding their capabilities and exposure in this space.<sup>232</sup>
- 6.10 This dynamic and rapidly changing landscape means that in order to remain relevant, companies must constantly innovate. This was something that Adobe has failed to do in product design over the years but which a number of other market participants are doing aggressively (as outlined above at ¶4.10). Less than five years ago, it would have been easy to dismiss Figma as a true competitor to Sketch. Indeed, Sketch shows that leading market positions can be quickly eroded if initiative is surrendered to others. The P1D also notes that “*InVision has withdrawn its all-in-one screen design software and is now focusing on whiteboarding*”<sup>233</sup>. Figma cannot let itself be disrupted by “the next Figma”.
- 6.11 This dynamic landscape is further evidenced by the number of new feature releases in design and development that Figma has launched or commenced work on between 2018 and 2023. As set out in **Table 6** below, these new features have been released (or are anticipated to be released) in response to similar releases by competitors including [X] amongst others. [X]. **Table 6** below also clearly shows that any innovation from Adobe XD has diminished over time and that Figma’s more recent and anticipated product developments have been made in response to other competitors - [X].

**Table 6**

**Overview of new Figma Design/FigJam features released or anticipated to be released in response to competitors 2018 - 2023**

Year	Description of Figma feature release	Feature in response to
2018 Total: 5	[X]	[X]
	[X]	[X]
	[X]	[X]
	[X]	[X]
	[X]	[X]

<sup>232</sup> The estimated total addressable market (TAM) for developers is [X] and the estimated TAM for UX/UI designers is c. USD [X].

<sup>233</sup> P1D, ¶195.

2019 Total: 4	[✂]	[✂]
	[✂]	[✂]
	[✂]	[✂]
	[✂]	[✂]
2020 Total: 4	[✂]	[✂]
	[✂]	[✂]
	[✂]	[✂]
	[✂]	[✂]
2021 Total: 4	[✂]	[✂]
	[✂]	[✂]
	[✂]	[✂]
	[✂]	[✂]
2022 Total: 13	[✂]	[✂]
	[✂]	[✂]
	[✂]	[✂]
	[✂]	[✂]
	[✂]	[✂]
	[✂]	[✂]
	[✂]	[✂]
	[✂]	[✂]
	[✂]	[✂]
2023 (anticipated)	[✂]	[✂]
	[✂]	[✂]

Total: [X]	[X]	[X]
	[X]	[X]
	[X]	[X]
	[X]	[X]
	[X]	[X]
	[X]	[X]
	[X]	[X]
	[X]	[X]
	[X]	[X]
	[X]	[X]

(d) *Examples of innovative competitors*

6.12 Although the competitive landscape is diverse with a range of competitive pathways to building digital products (as explained in ¶B above), we set below a brief overview of some of Figma’s most innovative competitors as currently viewed by Figma [X] and the key feature innovations released [X]:

- a) **Framer.** Framer<sup>234</sup>, a design tool for apps and websites, offers a desktop app and web browser version, and real-time multiplayer co-editing functionality. Framer’s web version is considered a strong Figma competitor.<sup>235</sup> Framer matches several of Figma’s features, for example in (i) the core editing experience - including batch editing,<sup>236</sup> faster tool switching, keyboard shortcuts, “quick action” and “resource picker” features, and individual strokes; and (ii) design systems - including shared and default team libraries of components and styles, and creating and handling variations in components based on different states and interactions. However, Framer has focused on advancing its high-fidelity prototyping and website publication functionalities as key distinguishing elements of its customer proposition. Framer’s current generation of software is “a mix of a design tool and a web builder where you can start from scratch or

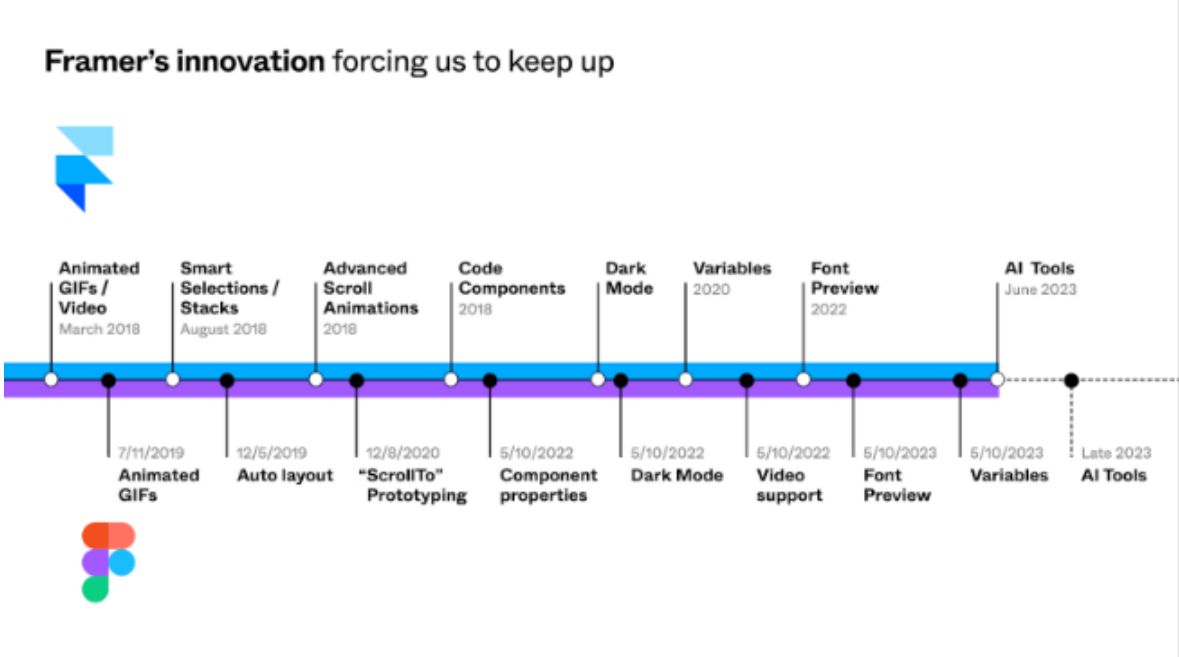
<sup>234</sup> See <<https://www.framer.com/webflow-vs-framer/>>.

<sup>235</sup> One review stated that Framer was “here to Kill Figma”. See <<https://blog.prototypr.io/framer-for-web-is-here-65b7376a583d>>.

<sup>236</sup> Framer’s batch editing functionality allows designers to edit the same content across different frames simultaneously. With Framer’s “breakpoints,” a representation of what the design looks like on different device screen sizes appears on different sized frames (e.g., desktop, tablet, different types of iPhones), which can be edited all at once rather than manually. See <<https://www.framer.com/learn/breakpoints/>>.

import your Figma or Sketch projects directly”.<sup>237</sup> Its additional, advanced prototyping features enable a higher degree of realism for the prototype through a richer user experience than is available in Figma, helping to improve the quality and accuracy of user testing. Framer has also very recently, in June 2023, introduced an AI-driven text-to-design generator, that allows users to skip large parts of the product design and development workflow, moving from an idea to a publishable digital product in a matter of seconds.

**Figure 24**  
**Framer innovations**



Companies such as Framer<sup>238</sup> (and Webflow<sup>239</sup>) are offering increasingly mature design-to-production capabilities, which automatise the process of turning designs into code, for example by using code-backed building blocks like components in the design process. This has the potential to significantly reduce the cost and time required to publish digital product designs. Indeed, Figma hears from an increasing number of customers that they are switching to tools such as [X]. This is well documented, for example, in many social media posts, a selection of which are footnoted below.<sup>240</sup> Framer is expected to grow ARR between 600% and 1200% in 2023 (from a base of USD USD 1 - 2 million ARR). While these are not large numbers yet, [X].

<sup>237</sup> See <<https://www.framer.com/learn/what-is-framer/>>.

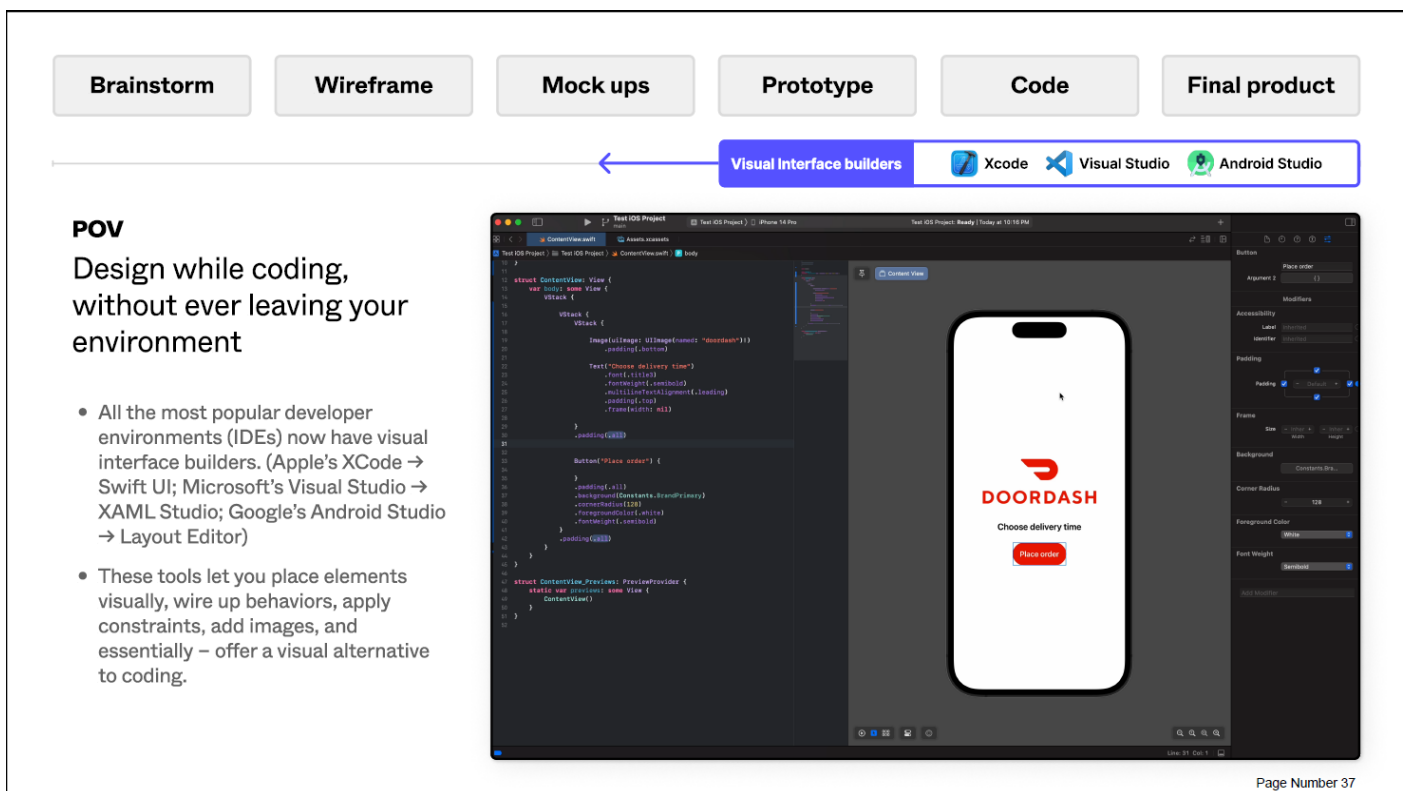
<sup>238</sup> See <<https://www.framer.com/>>.

<sup>239</sup> See <<https://webflow.com/?r=0>>.

<sup>240</sup> [X].

- b) **Visual interface builders or IDEs from Apple, Microsoft, Google etc.** [38].<sup>241</sup> Indeed, the competitive threat to Figma from IDEs such as Android Studio, Google's IDE for Android OS, is more than theoretical, and only likely to escalate, as these begin to offer increasingly intuitive, visual, and user-friendly design experiences, all while allowing developers to remain in their familiar coding environments. Therefore, while tools such as Framer (and Figma) are moving from a centre of gravity in design towards coding, IDEs are doing the opposite.

**Figure 25**  
**Designing in IDEs**



Page Number 37

- c) **PenPot.** PenPot is a recently launched web-based open-source tool. PenPot's layout and features were based mainly on Figma's but also other competitors such as Sketch and Webflow.<sup>242</sup> Since its launch in February 2021 (and exit from beta testing in January 2023), by June 2023, PenPot had reportedly grown its

<sup>241</sup> [38]. The quick evolution of the competitive landscape further underscores the dynamic nature of competition in this market.

<sup>242</sup> "It is true that we are using known patterns to ease the learning curve, this is part of PenPot's strategy. Given that, we could say that "familiar" is included in our definition of success, but this might be for a different, also interesting, conversation. We do not hide that we have kept an eye not only on Figma but also on many other "usual suspects" (Sketch, Adobe XD, Inkscape, Webflow, Blender ...) to study common patterns." See <<https://help.penpot.app/faqs/>>.

community by 66% to 400,000 users.<sup>243</sup> Although PenPot does not have production component integration (*i.e.*, production quality components), PenPot offers designers wide optionality in code-related properties in the editing tool, enabling generated code to be more precise. PenPot is differentiated from other players in that its open source nature enables companies to adapt it completely to their specific handoff requirements. PenPot also has more advanced “auto layout” features.<sup>244</sup>

- d) **ProtoPie.** ProtoPie allows users to create and collaborate on very realistic, production-like prototypes of digital products, and also offers voice prototyping speech-to-text capabilities.<sup>245</sup> Users can create everything from basic click-throughs to high-fidelity prototypes. ProtoPie in particular allows the creation of dynamic, high-fidelity prototypes for multi-state scenarios,<sup>246</sup> with animation capabilities and conditional logic that enables users to enter data into form fields and take actions that are conditional based on various user inputs, [⌘]. ProtoPie has developed a particular focus on building effective integrations between software and hardware prototyping, to meet the needs of hardware and car manufacturers. This requires software prototyping functionality that can integrate with hardware user interfaces such as physical buttons, knobs and dials.<sup>247</sup> Figma does not offer such features.
- e) **Zeplin.** Zeplin is a specialist handoff tool. It automates the entire process of handing off a finished design to developers who will code the design and create a working product. Importing into Zeplin automatically generates all the resources that developers need such as assets, specs, and code snippets.<sup>248</sup> Further, Zeplin’s advanced user interface helps improve the efficiency of developer workflows, for example by: (i) listing the screens the developer has to build in order, removing the need for the developer to have to manually search through a large design file with potentially hundreds of screens; and (ii) improved workflow tracking showing the status of each screen (*e.g.*, ready for implementation; not yet started *etc.*).<sup>249</sup> [⌘]. Figma Design currently does not offer such features.

---

<sup>243</sup> See <[An update on Penpot's growth: 400k strong, self-hosting doubles, and much more - Events and Announcements - Penpot Community](#)>.

<sup>244</sup> See <<https://community.penpot.app/t/what-are-penpot-plans-for-autolayout/112>>.

<sup>245</sup> See <<https://www.protopie.io/https://www.protopie.io/blog/protopie-vs-framer#what-is-framerhttps://blog.protopie.io/protopie-for-teams-collaborate-more-efficiently-prototype-better-together-176be696351e>>.

<sup>246</sup> Figma is linear - building a prototype requires the user to manually link every screen. ProtoPie is dynamic – it permits the user to select a type of (coded) trigger that dynamically sets the prototyping response, allowing for conditional and cause-and-effect interactions. See <<https://www.protopie.io/blog/protopie-vs-figma>>.

<sup>247</sup> See <<https://www.protopie.io/blog/software-hardware-prototyping>>.

<sup>248</sup> See <<https://support.zeplin.io/en/articles/6579140-what-is-zeplin>>.

<sup>249</sup> See <<https://support.zeplin.io/en/collections/3666108-projects-screens>>.



- f) Companies like *Framer*,<sup>250</sup> *Uizard*,<sup>251</sup> *Lunacy*,<sup>252</sup> and *Galileo*<sup>253</sup> are experimenting with AI applications for product design and development, and are experiencing very significant growth in the market. These disruptive new technologies using AI and ML have the potential to entirely reshape how digital products are designed and built:
- i) For example, it could create digital product designs, prototypes, and finished digital products, on the basis of text prompts, cutting out some or all stages of the traditional design and development workflow in the process.
  - ii) Alternatively, AI-based assistant tools could offer suggestions, variations, automations for designers and other design stakeholders as they work through the design and production lifecycles. [REDACTED].<sup>254</sup> [REDACTED].
- 6.13 In summary, the pressure to innovate and develop Figma's product does not come from Adobe, but instead from innovative tools delivering advanced functionality or improving efficiency in the product design and development workflow, through a wide variety of competitive pathways to designing and building digital products.
- (e) ***These competitive threats are also reflected in Figma's internal documents***
- 6.14 Figma operates as [REDACTED] in a rapidly evolving environment, so does not have [REDACTED]. Further, those internal documents that are produced necessarily reflect a backward-looking snapshot in time, of historic perspectives of competitors. Therefore, these do not present a complete picture of emerging threats and current innovation drivers, especially where they were produced more than 6-12 months ago - a very long time in tech.
- 6.15 In any case, Figma's documents show that it tracks a much wider set of competitors than just Adobe XD and Sketch. The documents also show that Figma's focus is on continuously adding new features and capabilities in response to this wider set of competitors and to anticipate the needs of its users:
- a) [REDACTED].<sup>255</sup>
  - b) [REDACTED].<sup>256</sup>
  - c) [REDACTED].<sup>257</sup>

<sup>250</sup> See <<https://www.framer.com/?via=index>>.

<sup>251</sup> See <<https://uizard.io/>>; Uizard had more than 190,000 accounts created within six months of being launched out of beta in February 2021. In June 2023, Uizard tweeted that “there are now officially over 1 million users creating magical projects with Uizard, and there are 50,000 new projects created every single week.”

<sup>252</sup> See <<https://icons8.com/lunacy>>.

<sup>253</sup> See <<https://www.usegalileo.ai/>>.

<sup>254</sup> [REDACTED].

<sup>255</sup> See [REDACTED] Figma internal document, [REDACTED].

<sup>256</sup> See [REDACTED]– Figma internal document, [REDACTED].

<sup>257</sup> See [REDACTED]– Figma internal document, [REDACTED].

- d) [REDACTED].<sup>258</sup> [REDACTED].<sup>259</sup>
- e) [REDACTED].<sup>260</sup> [REDACTED].<sup>261</sup>
- f) [REDACTED].<sup>262</sup>
- g) [REDACTED].<sup>263</sup>
- h) [REDACTED].<sup>264</sup>
- i) [REDACTED].<sup>265</sup>
- j) [REDACTED].<sup>266</sup>
- k) [REDACTED].<sup>267</sup>
- l) [REDACTED].<sup>268</sup>
- m) [REDACTED].<sup>269</sup>
- n) [REDACTED].<sup>270</sup>
- o) [REDACTED].<sup>271</sup>
- p) [REDACTED].<sup>272</sup>
- q) [REDACTED].<sup>273</sup>

6.16 The above documents clearly indicate that Figma considers a much wider range of design and development competitors than simply Adobe and Sketch.

---

<sup>258</sup> See [REDACTED]– Figma internal document, [REDACTED].

<sup>259</sup> See [REDACTED]– Figma internal document, [REDACTED].

<sup>260</sup> See [REDACTED]– Figma internal document, [REDACTED].

<sup>261</sup> *Ibid.* [REDACTED]– Figma internal document.

<sup>262</sup> See [REDACTED]– Figma internal document, [REDACTED].

<sup>263</sup> See [REDACTED]– Figma internal document.

<sup>264</sup> See [REDACTED]– Figma internal document, [REDACTED].

<sup>265</sup> See [REDACTED]– Figma internal document, [REDACTED].

<sup>266</sup> See [REDACTED]– Figma internal document, [REDACTED].

<sup>267</sup> See [REDACTED]– Figma internal document, [REDACTED].

<sup>268</sup> See [REDACTED]– Figma internal document, [REDACTED].

<sup>269</sup> See [REDACTED]– Figma internal document, [REDACTED].

<sup>270</sup> See [REDACTED]– Figma internal document, [REDACTED].

<sup>271</sup> See [REDACTED]– Figma internal document, [REDACTED].

<sup>272</sup> See [REDACTED]– Figma internal document.

<sup>273</sup> See [REDACTED]– Figma internal document, [REDACTED].

(f) ***An assessment of the competitive landscape in this space should be forward looking***

- 6.17 The product design and development market is clearly characterised by rapid innovation and new entry and expansion. It would therefore be incorrect to discount the constraints posed by dynamic competitors by excluding them from an unnecessarily narrowly defined frame of reference, or relying on a backward looking static snapshot of market shares or dated internal documents in an innovative space.
- 6.18 The P1D states that “*the CMA has not seen any evidence that suggests any of these providers [Axure, Justinmind, Framer, PenPot, and UXPin] pose a significant competitive constraint on either Party.*”<sup>274</sup> However, this does not recognise fundamental developments that are shaping product design and development today and into the foreseeable future, including advanced prototyping, design-to-production and AI/ML, and which several of these suppliers are heavily embedded into. It also takes an overly narrow view of the different pathways to solving the product development problem, especially of solutions expanding from a centre of gravity in coding and development to increasingly offering intuitive design workflows.
- 6.19 The Parties would urge the Panel to revisit and further investigate in Phase 2 the competitive pressure exerted by a range of market players (not just focus on Sketch and XD) particularly from the lens of driving innovation in the market.

(g) ***Conclusions***

- 6.20 The dynamic theories of harm set out in the P1D are predicated on there being good evidence that Adobe is likely to pursue entry into the product design and development space and Figma will respond in terms of its own innovation roadmap. The evidence shows that Adobe has attempted to enter interactive product design with XD (and this one of the quickly-abandoned temporary aspirations for Project Spice). But it does not have the ability to bring a competitive product to market in a commercially acceptable time-frame. Given the challenges it has faced and the far more compelling opportunities available to it, Adobe has no incentive to do so. Figma’s documents confirm this. It does not consider Adobe to be a threat. Its focus in terms of future innovation is influenced by a range of other competitors. On that basis, a dynamic theory of harm is not made out based on the evidence.

**C. TOH 2: The Transaction raises no competition concerns in the supply of vector editing, raster editing, video editing or motion design software**

**1. There is no plausible basis to find dynamic competition concerns in the supply of asset creation software**

- 1.1 The P1D’s second theory of harm also examines a potential loss of dynamic competition. It considers whether: (a) Figma is incentivised and has sought to enter into the “creative design” software space; and (b) Adobe is incentivised to react to this putative threat from Figma through innovation in its own products.

---

<sup>274</sup> P1D, ¶¶198-199.

- 1.2 We invite the Panel to reconsider the evidence and reasoning for this theory of harm. In particular:
- a) Innovation in asset creation software - in the Parties' parlance digital asset creation tools (see **Section C ¶2.1** below) - does not take place by reference to "screen design use cases". This is far too narrow a focus for the CMA's competitive assessment and, consequently, misses the key drivers of innovation in asset creation tools (**Section C.2**);
  - b) Figma will not compete with – let alone become a close competitor to – Adobe for asset creation software in the future. Figma's rudimentary asset creation functionality means Figma would require a step change to become a competitive constraint on Adobe and its competitors. Figma has no incentives, plans nor technical abilities to do so (**Section C.3**);
  - c) Adobe's innovation and product development efforts in asset creation software are driven by a range of effective competitors for each type of asset creation software and key disruptive trends (**Section C.4**);
  - d) Adobe does not consider Figma to be a material current or dynamic competitive threat to Adobe's CC flagship apps (**Section C.5**), and
  - e) Neither Adobe nor Figma are innovating to create a "next generation" product integrating "screen design" and asset creation (**Section C.6**).
- 2. Innovation in asset creation software does not take place by reference to "screen design use cases"**
- 2.1 The Parties understand that the reference to "*creative design software*" in the IS relates to what the Parties refer to as "*asset creation tools*": these are tools used to generate and edit creative assets (such as videos, photos and logos) for a range of different use cases.
- 2.2 The Parties agree with the IS's segmentation of the market for asset creation software into each of vector editing, raster editing, video editing and motion design.<sup>275</sup> Within these markets, the Parties encourage the Panel to consider how innovation takes place in reality – and, in particular, whether the P1D's focus on simpler "screen design use cases" is a suitable basis on which to conduct the competitive assessment of TOH 2. The Parties are of the view that the P1D's narrow focus of the competitive assessment on "screen design use cases" is artificial, unsubstantiated, and contrary to the CMA's own guidelines.
- (a) ***An assessment of asset creation software by reference to "screen design use cases" is not a plausible way to assess innovation or dynamic competition***
- 2.3 The IS notes that the CMA intends to investigate the "*loss of competition in product development in creative design software for screen design use cases*".<sup>276</sup> When assessing this type of dynamic competition, the MAGs indicate that this can be in relation to "*entry and expansion in relation to specific products*" or "*a broader pattern of dynamic competition in which the specific overlaps may not be identified*"

---

<sup>275</sup> P1D, ¶103; IS, ¶43.

<sup>276</sup> IS, ¶43.

easily at the point in time of the CMA's assessment".<sup>277</sup> Assessing dynamic competition in relation to a narrow and artificial "screen design" use case would be contrary to the approach set out in the MAGs, for the following reasons.

- 2.4 There is no "specific" asset creation software product for "screen design use cases": as recognised by the PID, digital assets created using asset creation software can be used for a wide variety of purposes.<sup>278</sup> This means asset creation tools have a wider range of use cases<sup>279</sup> and are not limited to or targeted specifically towards "screen design" uses. Adobe and its competitors cater to a far broader audience - for example, in response to customers' needs, Photoshop is built for (among other things) image editing (e.g., adjusting and retouching photos, and compositing multiple images), designing other graphics, icons and/or logos; whilst Illustrator is built for logos, icons and brand graphics and/or digital illustration. Asset creation software is therefore developed in order to meet the broad-based needs of these customers.
- 2.5 A putative "creative design software market for screen design use cases" does not therefore represent a "specific product" in a manner which reflects market reality nor an appropriate frame against which to conduct a competitive assessment. There is nothing unique about "screen design use cases" compared to the many other use cases that asset creation software is used for: digital images are used across all types of media, whether they are being used as inputs into apps, websites or otherwise. This is reflected by evidence relating to customer demand, price differentiation, and Adobe's own innovation and product development activities (see **Section C ¶4.29-4.30** below). Further, even for a "screen design use case", creative assets such as illustrations or logos will be created and edited by creative professionals prior to being uploaded as inputs into websites or ads. These creative professionals would want to have access to the full range of capabilities that professional tools such as Affinity or Illustrator afford - there is no reason to think that "screen design" would require asset creation tools of any lesser quality, or fewer features than any other use case.
- 2.6 There is also no "broader pattern of dynamic competition" related to "screen design use cases": competition in asset creation software, in particular product development and innovation, does not take place on a narrow "screen design use cases" basis. To the contrary, product development efforts by Adobe and its asset creation competitors are focused on introducing new and improved features that enhance the overall functionalities of asset creation software for all types of user rather than for specific use cases (see **Section C.4** below), and are in no way a "direct response" to any alleged threat from Figma (see **Section C.5** below and **Section B.4** above).<sup>280</sup>
- 2.7 Similarly, product development efforts by Figma and its product design competitors are focused on introducing product design functionalities or adjacencies - in this regard, Figma has no plans to expand into asset creation software, whether for screen design or otherwise (see **Section C.3** below). Therefore, any alleged threat from

---

<sup>277</sup> MAGs, ¶5.21.

<sup>278</sup> PID, ¶210.

<sup>279</sup> PID ¶210.

<sup>280</sup> MAGs, ¶5.22.

Figma should be assessed within the “*broader pattern of dynamic competition*”<sup>281</sup> for the asset creation software market (generally and within each of its four separate product markets of raster editing, vector editing, video editing and motion design) and the broad-based use cases in each, as against the limited creative software functionalities within Figma Design.

(b) *There is no evidentiary basis for basing a competitive assessment on “screen design use cases”*

- 2.8 The IS notes that, similar to the approach in the P1D, the CMA intends to investigate in Phase 2 whether there is a loss of competition in product development in asset creation software for “*screen design use cases*”. The Parties would welcome the Panel’s re-consideration of this narrow and artificial assessment.
- 2.9 As a starting point, the P1D does not provide any evidentiary basis for adopting such a specific focus. The P1D simply states that some customers use both product design and asset creation software in their workflows.<sup>282</sup> It then jumps to a conclusion that there is a body of users for whom both types of software are substitutable. The P1D does not provide an evidential basis for this conclusion. No reference is made to quantitative or qualitative evidence to support this position on demand side substitutability – whether from the Parties (*e.g.*, in the form of usage data), competitors or, most importantly, customers. And indeed, the body of evidence available to the CMA – covering, *inter alia*, product characteristics and intended use, market feedback, internal documents, and usage data – shows that the limited functional similarities between Figma’s interactive design software and Adobe’s creative tools do not give rise to demand-side substitutability. Rather, the Parties’ offerings are complementary. The Parties would therefore encourage the CMA to undertake a proper assessment of demand-side and supply-side substitutability before progressing with a narrow focus on “screen design use cases”.
- 2.10 It appears that the P1D’s focus on asset creation software for “screen design use cases” as a product offering stems from a misunderstanding of the foundational parameter, namely the functionalities and usage of, asset creation software on the one hand and product design software on the other:
- a) Digital products (including websites and apps) made with product design software use underlying “**UI elements**” (*e.g.*, sketches, wireframes, mockups, or design system components such as icons, buttons and spot illustrations) as constituent elements or “building blocks” of their designs, in support of communicating the design to developers, and producing a final product built in code. These components do not have standalone value outside this overarching purpose. They are not versatile creative assets which are deployed using industry standard file formats (rather than being built and edited in code), and used across a wide range of digital and non-digital use cases. As explained in **Section C.3** below, Figma’s limited vector, raster, video editing, and motion design functionalities are auxiliary capabilities that only serve these product design use cases; they are not at all relevant to asset creation tools. Indeed, Figma’s competitors in product

---

<sup>281</sup> MAGs, ¶5.21.

<sup>282</sup> P1D, ¶79.

design, as well as a wide range of other players in the broader design and productivity space, also typically carry these same, or superior features, as a necessary part of their proposition. These building blocks represent basic functionalities built into interactive product design tools to deliver product design functionalities and do not have standalone value beyond this overarching purpose.

- b) By contrast, “*creative assets*” that are made in asset creation software (such as Photoshop and Illustrator): (i) have a much wider and richer array of graphics functionalities on entirely different media than interactive product design tools, reflecting very significant supply-side differences with interactive product design tools; (ii) cater to a different and far broader audience (including graphic designers, photographers, animators, and videographers); and (iii) serve a wide variety of commercial and artistic use cases (such as visual art, motion pictures, cartoons and printed magazines), reflecting very significant demand-side differences with asset creation functionalities in the basic interactive product design tools. Therefore, while creative assets may be used as inputs into interactive digital products assembled by product design engineers (*e.g.*, pictures of groceries embedded in a supermarket online delivery app), the software used to create these assets does not constitute software for “screen design purposes” given those digital assets also have a wide variety of standalone creative use cases beyond product design (*e.g.*, in print and digital advertising, as visual art, in print and digital media like newspapers and magazines, on restaurant menu cards, *etc.*).

- 2.11 In addition, the P1D posits that creative assets generated by asset creation software for “simpler use cases” such as screen design can be created either by professional product designers or creative professionals.<sup>283</sup> The reality is, however, that modern product designers and creative professionals are two distinct groups of people with different skill sets – product designers only carry out simple editing or modification of digital assets in a manner, and using tools, which are ancillary to the product design purpose (such as those already available in Figma Design), while creative professionals require more complex asset creation functionalities in order to create those digital assets (such as those available in Adobe’s flagship products).
- 2.12 The P1D does not establish that this is a meaningful product offering which could develop into a next generation product. The empirical evidence does not support the notion that there is demand for a tool which delivers “creative design software” specifically for “screen design purposes”.
- 2.13 Indeed, product design use cases consistently make up a very small percentage of all use cases of asset creation tools, which also underscores the fundamental differences between product design and asset creation tools. This is evidenced by survey results included in Adobe board materials when contemplating the Transaction which show that:<sup>284</sup>

---

<sup>283</sup> P1D, ¶210.

<sup>284</sup> [§<].

- a) [§<]<sup>285</sup>); and
  - b) [§<].<sup>286287</sup>
- 2.14 Even when creative assets are used as an input during the design process for a website or app, they only serve an auxiliary, practical purpose – as a temporary visual aid to make a prototype feel “real”. This is to simulate (pre-production) how the final interactive product might work and feel to use, and to allow for valuable user testing and feedback. However, any creative assets that are exported into product design software to breathe life into a prototype are very likely to be swapped out at the production stage.<sup>288</sup>
- (c) ***A consistent approach should be taken when assessing the asset creation software space***
- 2.15 In its Phase 2 assessment, the Parties urge the Panel to assess the asset creation space in a consistent manner.
- 2.16 On its face, there are a number of starting propositions in the P1D’s framework for analysis that appear inherently contradictory:
- a) On the one hand, for the purposes of its competitive assessment, the P1D considers that there are four separate segments (raster editing, vector editing, video editing, and motion design software), with different functionalities.<sup>289</sup> On the other hand, it states that “*where relevant*” (without any further detail), it considers “*creative design software more broadly rather than focusing on individual specific frames of reference.*”<sup>290</sup>
  - b) On the one hand, the P1D acknowledges that each type of asset creation software is used by a wide range of users for a wide range of purposes.<sup>291</sup> On the other hand, it defines a frame of reference that is based on “*screen design use cases.*”<sup>292</sup>
- 2.17 This leads to further inconsistency in the P1D when addressing the Parties’ respective positions in the asset creation software space:
- a) Despite Figma’s lack of asset creation tools (as the P1D acknowledges)<sup>293</sup>, the P1D concludes that Figma is a sufficiently strong dynamic competitor because “*Figma does not need to match the full functionality of Adobe’s products to target*

<sup>285</sup> See CRA, Adobe/Figma, Economic analysis of conglomerate effects Annex 001 to the FMN, FN14 for more details.

<sup>286</sup> See CRA, Adobe/Figma, Economic analysis of conglomerate effects Annex 001 to the FMN, FN15 for more details.

<sup>287</sup> [§<].

<sup>288</sup> For example, any photos on a fashion retailer website would continuously be updated following the initial conception of the website within interactive product design software.

<sup>289</sup> P1D ¶103.

<sup>290</sup> P1D ¶104.

<sup>291</sup> P1D ¶¶54, 78 and 210.

<sup>292</sup> P1D ¶79.

<sup>293</sup> P1D ¶85.



*simpler use cases such as screen design*".<sup>294</sup> Yet the P1D goes on to exclude the competitive constraint exerted by other competitors in asset creation software (such as Affinity, GIMP, Pixlr) on the basis that customers have stated that they are not as strong as Adobe in asset creation software<sup>295</sup> (notwithstanding that Figma too would not be considered a strong competitor by any of these metrics). It also does not explain why a putative product designer who wishes to engage in asset creation would not want "*full functionality*" or whether there is (i) an identifiable group of product designers who want (ii) an identifiable common group of less performant features in an asset creation tool.<sup>296</sup>

- b) Despite the P1D "*focusing on simpler screen design use cases*", the decision then assesses Adobe's existing position in each of raster, vector, video editing and motion design software markets on the basis of its full offering (covering sophisticated use cases as well) and relies on market shares for this full offering whilst excluding the long list of players that have asset creation capabilities that could cater to "simpler use cases". As explained at **Section C.4(c)** below, there are many other players in asset creation software, as well as other non-creative design players that have more advanced asset creation capabilities than Figma (such as Microsoft Paint and PowerPoint, Canva, Instagram, Webflow, etc). Properly assessed within the CMA's proposed parameter of simpler screen design use cases, Adobe's shares of supply would be overstated and the finding that Adobe "has a very strong market position" cannot be sustained.

2.18 This inconsistency in the P1D also underpins the assessment of the Parties' respective innovation efforts and product development in asset creation software:

- a) The P1D speculates about Figma's future conduct and the impact this has on Adobe's innovation efforts, whilst disregarding the current and future competitive constraint exerted by many effective rivals in asset creation software.<sup>297</sup> This is particularly problematic given that (as explained at **Section C ¶3.23** below) Figma has no current resources allocated to entry into asset creation tools and, as recognised by the CMA, Figma is far behind these other players in terms of asset creation functionality.<sup>298</sup>

---

<sup>294</sup> P1D ¶247.

<sup>295</sup> P1D ¶¶284-292.

<sup>296</sup> P1D ¶247 refers to two statements from two internal employees in April 2021, neither of which identify specific raster or vector features, whether there would be broader demand for such features, whether they were envisaging such features would assist with product design or creative digital asset creation (two very different use cases) or whether, if the latter, they would forgo the richer feature set of professional asset creation tools. These were introductory interviews held with Figma's employees for a research plan that was never completed due to a lack of interest from Dylan Field. It is apparent that there was no interest from Figma in pursuing this project.

<sup>297</sup> The P1D does not consider rivals' plans in asset creation software beyond merely stating that they are "not aware" of any such plans (¶295).

<sup>298</sup> P1D ¶¶3 and 227.

- b) Any assessment of the loss of competition in product development under this theory of harm must consider the plans of Adobe’s competitors (who are currently much closer competitors to Adobe than Figma as the empirical evidence shows) and the impact these players have on Adobe’s innovation efforts, including in areas beyond “simple [screen design] use cases”. The Parties therefore welcome the recognition in the IS that the CMA will consider “*the existence and strength of any competitive constraints on the Parties in product development, including [...] third party product development plans*”.<sup>299</sup> The CMA should also have regard to potential future entrants and the significant disruptive trends in the asset creation software space, which are likely to have an outsized impact on Adobe’s innovation efforts in the longer-term (see further **Section C.4** below).
- 2.19 As explained in further detail below, a consistent approach to assessing the asset creation software space leads to the inevitable conclusion that Figma does not drive Adobe’s innovation efforts. On the one hand, if the competitive assessment focuses on a narrow “screen design use case” then: (i) this is [X]; (ii) there is a plethora of players that offer asset creation software for “simpler” use cases, many of whom offer significantly more sophisticated functionalities than Figma and are therefore closer competitors to Adobe in a hypothetical “creative design software” frame focussing on “screen design use cases” and (iii) Adobe does not have a strong market position in this segment given the many other players offering the required functionalities for “simpler” use cases and, in any event, these players would exert a sufficient competitive constraint on the Parties following the Transaction. On the other hand, if the competitive assessment focuses on asset creation software more broadly, it is clear that Figma has no incentive nor intention to enter and compete effectively as a provider of standalone asset creation tools, nor would any hypothetical entry by Figma have any significant impact on competition in this space.
- 3. Figma will not compete or become a close competitor to Adobe for asset creation software in the future**
- (a) *Figma’s current graphics capabilities are simply the “nuts and bolts” needed for product design, and are sufficient for these purposes - there is no material demand for adding creative tooling functionalities*
- 3.1 The P1D and IS find that “*the Parties impose[...] limited competitive constraints on each other [in creative design markets], based on their **current** respective offerings*”<sup>300</sup>. In these circumstances, where Figma is a negligible competitive constraint and there are multiple more effective competitors to Adobe (see Section 4 below), it would take a substantial and implausible step change in Figma’s capabilities for it to become a credible threat in the future.
- 3.2 Before addressing why Figma also does not have the incentive or intention to expand into asset creation in the **foreseeable future** (Section C.3(b) below), the Parties will briefly explain some of the foundational parameters that underpin the lack of both current and future competition between the Parties in asset creation software.

---

<sup>299</sup> IS ¶43(e).

<sup>300</sup> IS, ¶39 (emphasis added); see also P1D, ¶¶221 and 227.

- a) **Graphics functionalities - specifically, vector editing capabilities - available within Figma Design are limited to supporting only a narrow set of product design and development use cases, *i.e.*, the creation of UI elements. They cannot meet asset creation use cases [✂].**
- 3.3 [✂].
- 3.4 **Figure 26** below - which sets out vector editing capabilities of product design and development vs asset creation software - shows that, unlike asset creation software, Figma only allows users to create UI elements (such as wireframes and basic icons) by enabling them to draw basic vector shapes, undertake boolean operations (which allows the combination of basic shapes like circles to make composite shapes) and make use of pen or arrow tools (which allow manipulation of curves).
- 3.5 This is in contrast to asset creation software (such as Adobe Illustrator, Affinity Designer, Procreate, Corel, Marq and Inkscape), which allow users to generate creative assets (such as digital display ads and brand art) through additional features such as programmatic repetition, advanced path manipulation, custom vector brushes and 3D vector manipulation.
- a) General presentation software (*e.g.*, Microsoft PowerPoint in the productivity space) also has features allowing the representation of shapes, but these applications are not interchangeable - each one uses fundamental shapes as simple building blocks for entirely different audiences and use cases (*e.g.*, as visual communication artefacts in slides).

**Figure 26**

**Vector editing capabilities of product design and development vs creative design software**

[✂]

- 3.6 **Figure 27** below - which sets out raster editing capabilities (product design and development software vs asset creation software vs other tools/software) - shows that Figma only allows users to make basic adjustments to images such as cropping, and applying effects such as changing the contrast, *etc.* - in terms of use cases, these features are required to arrange images in UI layouts. These are not true raster editing capabilities, as they do not allow pixel manipulation. This is in contrast to:
- a) *Other software/tools* (*e.g.*, Microsoft Paint and PowerPoint, Canva and Instagram) allow users to undertake basic image manipulation (*e.g.*, select pixels) and apply artistic effects (*e.g.*, filters). In terms of use cases, these capabilities allow users to apply artistic effects on images.
  - b) *Asset creation software* (*e.g.*, Photoshop, Canva, Affinity, Picsart, Capture One, GIMP, Pixelmator and PicMonkey), additionally allow users to undertake advanced image effects (*e.g.*, diffuse, noise, lens blur), advanced image manipulation (*e.g.*, distort and liquify) and content-aware generative fills. In terms of use cases, these capabilities allow users to create advanced image content.

**Figure 27**

**Raster editing capabilities (product design software vs creative design software vs other tools/software)**

[✂]

3.7 **Figure 28** below sets out video editing capabilities (product design and development software vs asset creation software vs other tools/software). It shows that Figma only allows users to export videos (from an external source) into the software, crop them and play them back for prototyping purposes, without however being able to make any edits to the video. These are therefore also not true video editing functionalities - there is in fact no ability to edit video. This is in contrast to:

- a) *Other software/tools* (e.g., Canva and Instagram), which additionally allow users to - for example, splice / trim videos together and to add custom video effects. In terms of use cases, these capabilities allow users to undertake light video editing (e.g., for social media purposes).
- b) *Asset creation software* (e.g., Adobe Premiere Pro, DaVinci Resolve 18, Apple iMovie, Microsoft ClipChamp and Video Editor, CapCut, Vegas Pro), which additionally allow users to change the speed of a video and to manipulate the video. In terms of use cases, these capabilities support professional video editing (e.g., making a movie).

**Figure 28**

**Video editing capabilities (product design and development software vs creative design software vs other tools/software)**

[✂]

3.8 **Figure 29** below sets out motion design capabilities (product design and development software vs asset creation software vs other tools/software). It shows that Figma only allows users to make simple transitions and custom animation timing between screens as part of the prototyping process. Users cannot, however, make or export motion design assets. Figma does not have true motion design capabilities. In terms of use cases, the capabilities allow users to design transitions between screens for digital products. This is in contrast to:

- a) *Other design software/tools* (e.g., Microsoft PowerPoint and Webflow), additionally allow users to animate elements at different speeds between screens and to animate along a custom path. In terms of use cases, these additional capabilities allow users to add animated elements to presentations and websites.
- b) *Asset creation software* (e.g., Adobe After Effects, DaVinci Resolve 18, Apple Motion and Autodesk Maya), additionally allow users to make custom animations, save presets and animating elements with a timeline. In terms of use cases, these capabilities support the adding of animations to a website or creating custom animated elements.

**Figure 29**

**Motion design capabilities (product design and development software vs creative design software vs other tools/software)**

[REDACTED]

- 3.9 Beyond the “nuts and bolts” capabilities that are available today, there is no material customer demand for additional asset creation functionalities that would cater to asset creation use cases - in particular, more advanced vector editing functionality - within Figma:
- a) As reflected in Figma’s periodic Voice of Customer (“VOC”) reports<sup>301</sup> and Figma’s community support forum,<sup>302</sup> there is no material customer demand for more sophisticated native vector-, raster-, video-editing or motion-design functionalities.<sup>303</sup> [REDACTED].<sup>304</sup> [REDACTED].<sup>305</sup> [REDACTED]. In other words, there is no material demand among Figma’s customers for developing raster or video editing, or motion design capabilities.
  - b) This is further reflected in Figma’s limited graphics functionality releases to date, for example, when looking at improvements made by Figma to its basic vector editing functionality, which, in the CMA’s view, is the “most advanced”<sup>306</sup> of Figma’s - extremely limited - graphics functionalities (**Section A ¶1.25** above). Since its general release in 2016, Figma has focused on fixing bugs and has added only the most basic functionality.<sup>307</sup> The most important vector editing improvements made since launch (set out in **Table 7** below), all: (i) are aimed at product design and development use cases such as the creation of UI elements (e.g., icons and spot illustrations) - i.e., involve only rudimentary vector functionality (see also **Figure 26** above) to support the product design and development process; (ii) involved limited modifications to existing vector editing functionality; and (iii) are available in a plethora of other interactive product design and development tools as well as non-creative design software (as illustrated above at **Section C, ¶3.6** and **Figure 27**).
  - c) This is also reflected in Figma’s marketing materials which, in response to users asking whether they should use Figma when using Photoshop, state: “*Don’t stop! We believe you should use the best tool for the job. If you’re photo-editing, choose Adobe Photoshop. If you’re doing detailed illustrations, Adobe Illustrator is a no-brainer. But if you’re looking for the best tool for UX design, Figma is here*”

<sup>301</sup> The VOC program, [REDACTED], collects and routes customer feedback submitted by Figma customer facing teams. [REDACTED], Figma summarises the feedback into high level themes to serve as an input into the product planning process. The goal is to recap what Figma has heard from customers [REDACTED].

<sup>302</sup> See <[Latest Share an idea topics - Figma Community Forum](#)>; see also Figma Potential Competition Paper, ¶3.3(c)(ii) for further detail.

<sup>303</sup> See Figma Potential Competition Paper, ¶¶2.2 and 3.3(c)(i) for further detail.

<sup>304</sup> [REDACTED], Figma internal document, [REDACTED].

<sup>305</sup> [REDACTED].

<sup>306</sup> P1D, ¶222.

<sup>307</sup> See further ILR, ¶5.25.

*for you. Plus you can easily import images and SVG code into Figma and have your cake and eat it (too).”*

**Table 7**

**Notable Figma Design releases regarding vector editing functionality**

Date	Release
20 October 2016	Vector Networks: Figma introduces vector networks where deleting and healing would preserve the characteristics of regions where the vector networks are found. <sup>308</sup>
19 October 2017	Flattening tool and outline stroke: Figma introduces a flattening tool for Boolean ops <sup>309</sup> and an outlining stroke on objects to result in fewer vector points. An example of this would be taking one shape derived from manipulating several shapes and “flattening” it so it presents as one single shape.
25 January 2018	Flattening with Boolean groups: Figma releases a tool to flatten objects within Boolean groups. For example, this function would be like taking two edited shapes that overlap and flattening those shapes into one shape that the user can manipulate without editing the component circles any longer.
15 August 2018	SVG export improvements. These make Figma SVGs simpler, more compact and compatible with more third-party tools, <i>e.g.</i> , to promote better interoperability with external (vector editing) functionality
10 May 2022	Updated outlines: Showing outlines now reveals hidden objects, bounding boxes, and allows selection of nodes from behind.

3.10 The releases described above were mainly completed several years ago, and in any event are not advanced features targeted at artists or graphic designers doing sophisticated illustration work. The Parties also note that none of the releases compare to the wrapping, meshing, blending, warping and numerous other advanced

<sup>308</sup> Figma’s vector networks allow users to create and edit lines and curves that connect two or more points, using basic path shape tools (*e.g.*, rectangle, ellipses, or polygons) or Figma’s pen tool. This remains a relatively rudimentary functionality in Figma that cannot match the sophistication of vector editing features in other tools, including Adobe Illustrator. *See* ¶259(a) of the Parties response to EC RFI4 for more information.

<sup>309</sup> Figma’s boolean operations combine shape layers using one of four basic formulas - union, subtract, intersect and exclude. Figma’s Boolean operations are much less efficient, sophisticated and user-friendly than, *e.g.*, Adobe Illustrator’s Shape Builder, and have been [§<] for a number of years. *See* ¶259(b) of the Parties response to EC RFI4 for more information.

capabilities that Adobe Illustrator, Corel Draw, Canva, LucidPress (now Marq), Clip Studio, Procreate, Ceros, VistaCreate (Crello) and QuarkXpress offer for artists and graphic designers.

- 3.11 As is clear from the above, there is no material customer demand for additional graphics functionalities within Figma Design, beyond what is available today. Put differently, if there was customer demand for such additional functionalities, there would have been evidence of Figma having invested in developing such capabilities. In fact, what vector editing functionality Figma Design needs for product design and development use cases is already built into the product - as explained below, there is no roadmap for any further development.
- 3.12 This is illustrated by the two internal Figma interviews on which the P1D<sup>310</sup> relies as evidence that [X],<sup>311</sup> [X].<sup>312</sup>
- 3.13 This also means that any multi-homing, or switching from Adobe creative tools to Figma Design for limited graphics workflows (in particular, vector editing), is already reflected in current market dynamics, such that there is no prospect for any incremental dynamic competition between Figma and Adobe in the future. Put another way, there is no incremental functionality that could be built into Figma Design that would cause any material level of customer switching from Adobe's asset creation products (*i.e.*, cancel or not renew their existing subscriptions) and use Figma Design instead - any such switching has already happened.
- b) For completeness, any incremental graphics functionality provided by plugins (which are little programs or applications typically created by Figma users (not Figma)), is limited to auxiliary product design and development use cases only, and is developed independently of Figma.**
- 3.14 Plugins typically only accelerate work flows that are manually possible in Figma today (*e.g.*, embedding screenshots of maps into a food delivery platform), including by allowing easier or more efficient access to functionality or objects living in external apps (*e.g.*, Google Maps) through a floating window within Figma. However, objects brought into Figma from external environments and not natively supported within Figma (including raster images, videos, animations) cannot be edited once on the Figma canvas. Plugins also cannot leverage Figma's infrastructure - they run in a limited "sandbox" for security, performance, and UI/UX optimisation purposes. Any developer seeking to build substantial functionality that is not available in Figma is therefore incentivised to do so on external, independent software, to avoid these performance limitations, and to retain R&D and commercial autonomy. If desired, linkages between third-party software and Figma can then be built via extension windows.
- 3.15 In any case, Figma plugins with features akin to creative tooling functionality are limited and tailored to product design and development use cases. For example, RemoveBG is the only plugin in the [X] most popular Figma plugins that has

---

<sup>310</sup> P1D, ¶247.

<sup>311</sup> *Ibid*

<sup>312</sup> Figma's internal document, [X].

anything akin to creative functionality - it allows users to remove backgrounds from images to allow for better alignment with the UI/UX design. However, this generates crude rather than precise solutions – see **Figure 30** below – so is not a credible alternative to professional-grade tools. In any case, Microsoft PowerPoint offers the same functionality as RemoveBG, as do a host of other design and non-design tools.

**Figure 30**

[REDACTED]

[REDACTED]

- 3.16 Therefore, plugins do not bring Figma into competition with Adobe’s asset creation software, which is also supported by customer feedback received by the CMA: “*even with extensions, Figma’s offering would not be comparable to those of Adobe products.*”<sup>313</sup> In any event, extension developers will continue to be able to build software with or without the transaction, independently of Figma, as they do today.

**c) The empirical evidence shows that Figma does not compete with Adobe's asset creation tools:**

- 3.17 Adobe's 2022 "Canceller Study" surveys show [REDACTED] from Adobe creative applications to Figma. These surveys are conducted by Adobe in the ordinary course of business on users who recently cancelled their subscription. [REDACTED]. Therefore, Figma is not only a rare switching destination in general, but Adobe data also indicates that it does not serve as a sole alternative for Photoshop and Illustrator. This is consistent with limited substitutability.
- 3.18 The evidence also shows that only a negligible proportion of users who stopped using Photoshop/Illustrator started using Figma around the same time. In fact, in any given month, the number of users who become inactive in Photoshop/Illustrator during the following 12 months and who are also recent Figma users is never higher than [REDACTED] users, which represents less than [0–5]% [REDACTED] of the active user base of these products. This indicates that Figma is not a material competitive constraint on Photoshop or Illustrator. Adobe users who matched with the Figma data (*i.e.*, were also Figma users) also did not become inactive in Adobe tools at a higher rate than users who did not match with the Figma data.
- 3.19 When the same matched email analysis as above is used to look at individual users' usage of Photoshop and Illustrator in the period before and after they first edited or viewed a Figma Design file (*i.e.*, whether the individual user used these Adobe tools more or less than before), the data shows no decrease in the use of Photoshop and Illustrator upon commencing use of Figma. On average, there is actually a slight increase in the use of Photoshop and Illustrator upon commencing use of Figma.
- 3.20 Usage aggregated at the organization level paints a similar picture. When matching the top 50 Figma customers globally with Adobe's data, there is no evidence to suggest that increased usage of Figma at an organization might result in a reduction in usage of Photoshop or Illustrator. Indeed, none of these organizations materially

---

<sup>313</sup> P1D, ¶256.



reduced their usage of Photoshop and Illustrator over the period since they first started using Figma.

3.21 Fifth, as was shown in submissions made at Phase 1 these findings are robust to a formal econometric analysis. For example, the result that using Figma is not associated with a reduction in usage of Adobe applications continues to hold in a “nearest neighbour differences in differences regression” in which usage by Adobe users who started using Figma are benchmarked to users with similar characteristics who did not start using Figma.

3.22 Critically, these observations do not really appear to be in dispute: the P1D acknowledges that Figma is not a meaningful constraint on Adobe today. But, in these circumstances any dynamic theory of harm needs to show that Figma has the ability and incentive to implement a step change in its capabilities and it should have a firm evidential basis to do so. This is not the case.

(b) ***Figma does not have any incentive nor intention to expand into asset creation tools in the foreseeable future, whether by materially developing its limited existing vector editing functionality to take this beyond product design and development use cases, or by offering dedicated tools***

3.23 The indicia for “potential entry” that the CMA considers when assessing “whether a merger involving a potential entrant leads to a loss of future competition” and exercises a dynamic competitive constraint on existing market participants under the MAGs are not present in this case. Figma does not have any “well-developed plans” or “incentive to enter” the asset creation software space in the foreseeable future, whether by way of development of Figma Design’s limited vector editing capability, or by offering new tools. Figma has not “taken [any] significant steps towards entry,” and has no “past history of entry into related markets.”<sup>314</sup> In the absence of any evidence of Figma “making investments”<sup>315</sup> or applying any “efforts to enter or expand”<sup>316</sup> into the asset creation space, and of any incentive to start doing so in the foreseeable future, Figma is also not a “dynamic competitor” to Adobe in these markets. We explain further below that Figma has:

a) **No incentive:**

- i) Developing Figma Design’s existing, limited vector editing functionality would create a bloated, inefficient tool that would go against the grain of a decade of industry developments, and would be ill-suited to Figma’s user persona.
- ii) Figma would face significant technological challenges if trying to pivot to pixel-based creative tooling solutions, which would require a fundamental reassessment of its delivery and operational models.
- iii) Figma’s product roadmap is instead focused on its core product design and development audience and close adjacencies (e.g., slides), which hold

---

<sup>314</sup> MAGs, ¶5.10.

<sup>315</sup> MAGs, ¶5.18

<sup>316</sup> *Ibid.*

significant untapped financial opportunities, with significantly less cost and uncertainty than the creative tooling space. Figma's longer-term horizon is focused on leveraging its corporate customer relationships and functionality in its existing tools to address knowledge workers, by streamlining this existing functionality to tailor to productivity use cases.

- b) **No plans nor intention:** Figma has not allocated any resource to offering (organically or by way of acquisition) a creative asset creation tooling product.
- 3.24 First, there are significant **business reasons** why developing Figma Design's existing (limited) vector editing functionality (purpose-built to serve the needs of product teams building digital products) to incorporate any substantial asset creation tooling feature set does not make sense for Figma, as [REDACTED].
- a) It would create a [REDACTED] that would fly in the face of a decade-long trend to move away from using general purpose productivity software (*e.g.*, Microsoft PowerPoint), or tools built for other specialised use cases (*e.g.*, creative tools like Adobe Photoshop or Illustrator) for product design and development tasks, and instead tailor and optimise dedicated tools for these purposes. This is why:
    - i) [REDACTED].<sup>317</sup>
    - ii) [REDACTED]3.11 [REDACTED].
    - iii) [REDACTED]<sup>318</sup> [REDACTED].
  - b) For example, there is no business case for Figma to bring [REDACTED] to the creative tooling space. This would generate problems - for example, [REDACTED]. There has been no indication in customer feedback that Figma's customers want Figma to solve this problem, [REDACTED].
  - c) Similarly, Figma's product design-specific optimisations are valuable for its user base in product teams, but some of these detract from effective creative tooling functionality. For example, [REDACTED]<sup>319</sup> [REDACTED].
  - d) More fundamentally, creative tools and interactive product design and development tools generate fundamentally different outputs. The latter are used to design digital products (*i.e.*, **software**) that are eventually built in code. As such, even simple vector images like icons or spot illustrations drawn within a design tool, or basic effects applied to embedded raster images within the tool to ensure compatibility with the design (*e.g.*, changing exposure to ensure readability of text font placed in the foreground), are translated into code. By contrast, asset creation tools create and edit creative assets that are physical artefacts (*i.e.*, not software) exported from these tools using industry standard file formats (*e.g.*, jpg or bmp which are made up of data like pixels, not code), and imported or embedded as placeholders into designs and code-based digital products, without the physical artefacts having to be built and edited in code. This

<sup>317</sup> Please see the section on the product design competitive landscape above for further detail.

<sup>318</sup> These plugins are [REDACTED] developed independently by third parties, and typically automate tasks that are possible within Figma, but require significant, inefficient manual work.

<sup>319</sup> See <<https://help.figma.com/hc/en-us/articles/360040450213-Vector-networks>>.

means that the vector editing functionality in a design tool (unlike in a dedicated creative tool) is necessarily limited by the complexity of having to translate every edit to a vector image into code - it is not efficient or practical to introduce sophisticated or deep editing functionality into this environment.

- e) In broad terms, product design and asset creation tools (including vector editing tools) typically serve different audiences and user personas. Product design and development tools are used by product teams - *i.e.*, designers working closely with developers and engineers, and are fundamentally concerned with the software - *i.e.*, code-based output. Asset creation tools engage a diverse user base of photographers, videographers, visual artists, graphic designers, who are driven by aesthetic and visual considerations, and are not concerned with how their work translates into code. The premise in the PID for assessing there might be a substantial overlap in user bases of [redacted] [redacted] [redacted] [redacted] is incorrect. [redacted] [redacted].<sup>320</sup> [redacted],<sup>321</sup> [redacted].
- 3.25 Second, pivoting specifically towards professional grade pixel-based functionality or tools (in raster and video editing) is [redacted] in Figma's current [redacted]. Manipulating professional creative assets involves working with much larger file sizes<sup>322</sup> and more robust colour spaces<sup>323</sup> than typical interactive digital product design files. This presents numerous **technical challenges** [redacted]. By way of non-exhaustive example:
- a) Browser memory limits. [redacted].
  - b) Network bandwidth constraints. [redacted]<sup>324</sup> [redacted].
  - c) Colour spaces. [redacted].
- 3.26 Currently, Figma relies heavily on [redacted],<sup>325</sup> but these [redacted] and [redacted] limitations mean that creative asset editing tasks (in raster and video editing) would require [redacted]
- a) Figma does not have [redacted].

<sup>320</sup> See the response to CMA RF16 Q2 dated 26 May 2023 and ¶5.32(c) of the ILR.

<sup>321</sup> See [redacted]. This is also well documented in Figma's internal materials. [redacted].

<sup>322</sup> Raster data, especially raw photos, cannot be represented concisely - each pixel must be stored individually, upwards of 48 megapixels per layer. This means that high resolution images can reach sizes of more than ~48MB, [redacted].

<sup>323</sup> Figma [redacted] supports [redacted] colour modes that are specific to digital experiences on-screen. By contrast, creative tools typically require wide support for a wider spectrum of colour modes, for example to support printing use cases. For example, Adobe Illustrator supports print-specific standard colour profiles such as CMYK (cyan, magenta, yellow, black) and spot colour systems (such as RAL or Pantone). Spot colours are solid colours created using a specific premixed ink, usually based on Pantone Matching System (PMS) colours. Pantone colours are standardised, and each one is assigned an individual number and name, which designers and printers in different locations can use to easily identify the same exact colour. See further <<https://www.adobe.com/creativecloud/design/discover/spot-vs-process-color.html>>.

<sup>324</sup> [redacted].

<sup>325</sup> [redacted].

- b) Figma’s particular approach to its web-based architecture (C++) means that any changes to its model are [REDACTED].<sup>326</sup>
- 3.27 Addressing these technical challenges by [REDACTED] would take at least [REDACTED], including a requirement to hire significant new engineering resources, [REDACTED].<sup>327</sup> It would also require a fundamental reassessment of [REDACTED].

**Figure 31**

**[REDACTED] challenges of entry into creative design**

[REDACTED]

- 3.28 Third, the opportunity cost of any asset creation tooling project (whether in vector editing or in product areas based on pixel manipulation) would be very significant for Figma. [REDACTED],<sup>328</sup> [REDACTED].

**Figure 32**

**Overview of Figma’s core audience and “new product” efforts**

[REDACTED]

- 3.29 Indeed, Figma’s finite product, design, and engineering resources are deployed to reflect these business priorities, which are also communicated broadly to the company, and executed by Figma managers - see **Figure 33** below.

**Figure 33**

**Overview of Figma’s company priorities 2019 to 2023<sup>329</sup>**

[REDACTED]

- 3.30 Beyond these current efforts, Figma has, over the last two years, been laying the groundwork for the next stage in its roadmap: [REDACTED]. This longer-term vision is focused on [REDACTED].
- a) FigJam,<sup>330</sup> for example, was intentionally built in a way that would make it very easy to use and would not require any technical expertise. While FigJam can be used for the earliest, ideation stages of product development, it can also unlock entirely new ways of working more broadly (including through key features such as Figma’s collaborative canvas which enables real-time co-editing and is multiplayer). Having built a tool that is “for everyone”, FigJam’s use cases stretch beyond the product design and development space to serve entire organisations. Visual collaboration - working together in a canvas where it is easy to brainstorm,

---

<sup>326</sup> ILR, ¶5.67(c).

<sup>327</sup> [REDACTED].

<sup>328</sup> Figma Potential Competition Paper, ¶2 and ¶5.70 of the Parties’ Issues Letter response, page 126.

<sup>329</sup> Please refer to the following Figma internal documents: [REDACTED].

<sup>330</sup> [REDACTED].

visualise, organise, and engage everyone in an organisation - can be an accelerant for workplace productivity.

b) [X]<sup>331</sup> [X].

- 3.31 At their core, Figma’s productivity efforts (including, for example, its FigJam and [X] tools) are built on [X]. Given Adobe’s footprint in the productivity space (e.g., Acrobat), it also opens up opportunities for meaningful transaction synergies, premised on an entirely new vision for visual collaboration by knowledge workers.
- 3.32 We would invite the Panel to consider the facts of Figma’s resourcing decisions. The bottom line is that Figma has **not allocated** [X] to offering digital asset creation solutions. By contrast, it has allocated [X] to building features that make its products more attractive to the naturally-adjacent audience of engineers [X],<sup>332</sup> and to lay the groundwork for a longer-term ambition in [X].
- 3.33 This is important evidence that Figma does not have the intention to significantly alter its strategic direction to begin to compete with Adobe Creative Cloud’s vector, raster and video editing, and motion design tools within the next 5-10 years - so any future entry would fall outside the time horizon previously typically considered by the CMA to be “timely”, and therefore within scope of merger reviews. Guidance<sup>333</sup> from the CMA (and the European Commission) cite a ~2 year period for timeliness, and recent UK decisional practice similarly refers to “a short timeframe” and “the near future”<sup>334</sup> for this assessment.
- 3.34 This also means that Figma cannot on the balance of probabilities be exercising a dynamic constraint on players in the creative asset creation software space. Quite clearly, Figma is not (and has no incentives to start) making any investments or efforts<sup>335</sup> to move in this direction, such that there can be no reduction in dynamic competition between Adobe and Figma post-transaction. Figma simply does not register at all as a factor in creative asset creation markets.
- (c) ***The PID incorrectly asserts that Figma has “regularly looked” at or has “actively been exploring the possibility” of expanding into asset creation software***
- 3.35 Finally, the PID incorrectly asserts that Figma “regularly looked” at or has “actively been exploring the possibility” of expanding into asset creation software. Ordinary

<sup>331</sup> [X].

<sup>332</sup> Figma Potential Competition paper, ¶5.1,

<sup>333</sup> See, e.g., MAGs, ¶8.33 and ¶74 of the European Commission’s Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings.

<sup>334</sup> *Facebook, Inc (now Meta Platforms, Inc) / Giphy Inc*, Final Report (18 October 2022), ¶9.95. See also *NVIDIA / Arm*, (20 July 2021), footnote 376 – “typically entry or expansion [would be considered] effective within two years of an SLC arising”; *Tobii AB of Smartbox Assistive Technologies Limited / Sensory Software International Ltd*, Final Report (15 August 2019), ¶8.68 – “we therefore do not consider entry or expansion in the supply of AAC software to be likely within the next two years.”; *Meta v Competition and Markets Authority* [2022] CAT 26 ¶105 (“[W]e doubt very much ... if an impairment to dynamic competition that is not thought to manifest itself within five years at the outside can be considered to be an expectation. The world is simply not that predictable.”)

<sup>335</sup> MAGs, ¶5.23

course blue-sky thinking and horizon scanning activities by Figma (whether by execs or the Corporate Development team) are not probative of an intention to expand into asset creation tools, whether by buying or building.

(i) ***Figma will not buy***

3.36 **Figma’s [X] routinely interacts with a wide variety of companies in the wider software space as part of ordinary course, [X], and to execute its mandate to [X].**

a) Figma’s [X] casts a wide net in terms of who it interacts with and monitors. The technology industry is rapidly and constantly changing, and consistent with the ordinary course practice of many technology companies, Figma makes every effort to keep abreast of developments in the wider digital economy and the software-as-a-service space. [X].

b) [X].<sup>336</sup> [X].

3.37 The Figma Corporate Development has met with approximately [X] companies in a plethora of industries and software spread across [X].

3.38 The Figma Corporate Development function has led [X] acquisitions in its history. In every case, these companies were acquired for [X]. The largest of these companies had [X] people [X].

3.39 **Whilst Figma has spoken with a small number of [X] companies, it has not done so on any consistent or frequent basis, and has never [X].<sup>337</sup>**

a) [X]<sup>338</sup> [X].

b) [X]<sup>339</sup> [X].

c) [X]<sup>340</sup> [X],<sup>341</sup> [X].<sup>342</sup>

- [X].
- [X].<sup>343</sup> [X].
- [X].

3.40 Figma has only ever completed acquisitions to [X], not to enter creative asset creation tools. [X].

a) [X].

---

<sup>336</sup> [X].

<sup>337</sup> [X].

<sup>338</sup> [X].

<sup>339</sup> For a description of creative asset creation software companies with which Figma has discussed a potential corporate transaction, please refer to the Potential Competition Paper, ¶2.

<sup>340</sup> [X].

<sup>341</sup> P1D, ¶239(b).

<sup>342</sup> [X].

<sup>343</sup> [X].

- b) [REDACTED].<sup>344</sup>
- c) [REDACTED].<sup>345</sup>
- d) [REDACTED].<sup>346</sup>
- e) [REDACTED].<sup>347</sup>
- f) [REDACTED].<sup>348</sup> [REDACTED].<sup>349</sup>
- g) [REDACTED].
- h) [REDACTED].

3.41 **Figma is anyway not well-placed to [REDACTED].**

(ii) ***Figma will not build***

3.42 We invite the Panel to consider whether the P1D presents a rounded analysis of the evidence. The P1D identifies certain outdated Figma internal documents to present an uncontextualised view of Figma’s high-level historic consideration of building creative tools organically. For example:

- a) [REDACTED].
- b) [REDACTED].

3.43 [REDACTED]:

- a) [REDACTED]<sup>350</sup> [REDACTED].

#### **Figure 34**

[REDACTED]

[REDACTED]

- b) [REDACTED].

#### **Figures 35**

#### **Slack messages showing Figma interest in [REDACTED]**

[REDACTED]

[REDACTED]

<sup>344</sup> See [REDACTED] – Figma internal document, [REDACTED].

<sup>345</sup> See [REDACTED] – Figma internal document, [REDACTED].

<sup>346</sup> See <<https://www.linkedin.com/in/tmacwill/>>.

<sup>347</sup> See [REDACTED] – Figma internal document, [REDACTED].

<sup>348</sup> See [REDACTED] – Figma internal document, [REDACTED].

<sup>349</sup> [REDACTED].

<sup>350</sup> [REDACTED].

[REDACTED]

c) [REDACTED].

3.44 [REDACTED]. As such, Figma is neither a potential or dynamic competitor to Adobe in the asset creation space.

**Figure 36**  
**Figma did not meaningfully pursue creative tools**

[REDACTED]

**4. Adobe’s innovation and product developments efforts in asset creation software are driven by a strong set of competitors for each type of asset creation software and key disruptive trends**

4.1 As acknowledged by the P1D and IS, “an important aspect of competition in this case is in innovation”,<sup>351</sup> which is “an important competitive parameter in the markets for creative design software”.<sup>352</sup> In this context, Adobe’s innovation and product development efforts are driven by competition and key disruptive trends in asset creation tools more generally, and are thereby focused on areas unrelated to Figma and product design. Thus, contrary to the P1D,<sup>353</sup> Figma does not impose a significant competitive constraint on Adobe nor does it drive the direction of Adobe’s investment and innovation in asset creation software.

4.2 The competitive landscape for asset creation software reflects the wide range of users and use cases, as recognised in the P1D<sup>354</sup> – facilitated by widespread multi-homing and limited technical barriers (see **Section C.6** below).

(a) ***Adobe faces effective competition in asset creation tool software***

4.3 Adobe competes against: (a) many large companies offering a suite of asset creation tool software products (including Affinity, Canva, Picsart, Pixlr, and VSCO); and (b) a number of effective players that focus on a particular asset creation tool software product (including PicMonkey (now part of Shutterstock), GIMP, CapCut, Marq (formerly LucidPress), Clip Studio, Blackmagic DaVinci Resolve, Xara Designer Pro+, Apple, Microsoft and Autodesk Maya). Many players are acknowledged in the P1D as providing alternatives to Adobe’s products<sup>355</sup> and they may offer both paid and free entry tiers and/or freemium tools. The value-based shares for Photoshop, Illustrator, Premiere Pro, and After Effects set out in the P1D are highly conservative as they attribute zero revenues to a significant number of competitors operating a free

---

<sup>351</sup> P1D, ¶119.

<sup>352</sup> P1D, ¶211.

<sup>353</sup> P1D, ¶277.

<sup>354</sup> P1D, ¶210.

<sup>355</sup> P1D ¶¶288.



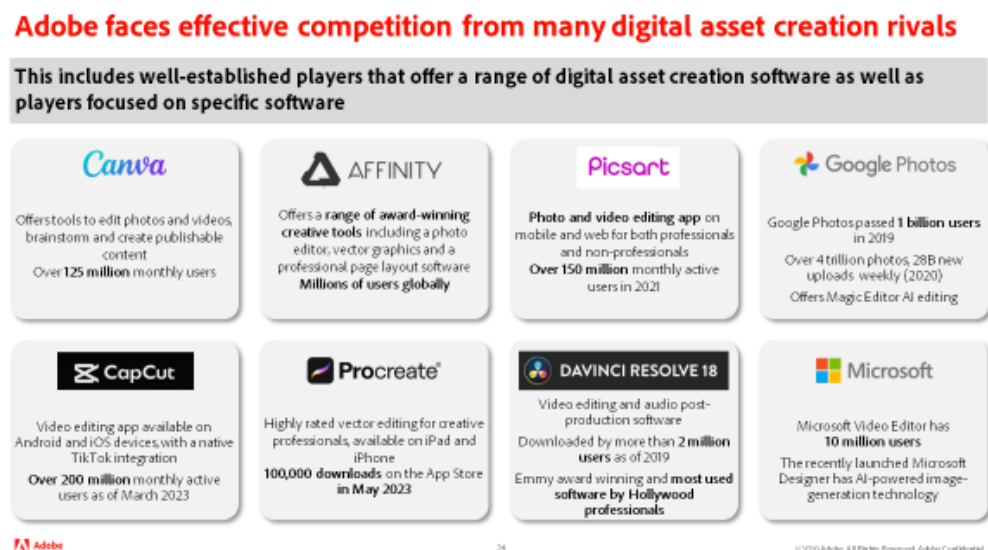
payment model (and, as above, they are not reflective of the competitive landscape for the “simpler” use cases which the CMA’s PID purports to focus on).<sup>356</sup>

- 4.4 These asset creation tool competitors (all of whom have far more sophisticated asset creation functionalities than what is available in interactive product design software, such as Figma’s) are constantly innovating and improving their features. It is the pressure to keep ahead in response to the competitive threat posed by these closer competitors that is a key driver of Adobe’s current and future innovation efforts in creative design, not Figma.

(b) *Adobe competes against a number of large, diversified companies in asset creation software*

- 4.5 There are many large, diversified companies offering a suite of different asset creation tools, including photo editing (raster editing), graphic design (vector editing), video editing and motion design tools. Customers can mix and match according to their preferences and can and do use the same tools across a range of different use cases (as explained in **Section C ¶¶2.4 and 2.5** above). This means that all types of customers, whether creative professionals or non-professionals, can choose from a range of effective products to cater for their asset creation needs.

**Figure 37: Adobe faces effective competition from many digital asset creation rivals**



- 4.6 As shown in **Figure 37**, there are several well-established rivals that offer a range of asset creation tools and are investing to improve and expand their asset creation

<sup>356</sup> See FMN ¶¶318 and footnote 144. For example, Krita, a competitor to Photoshop and Illustrator, was reported to have over 3 million monthly active Windows users in September 2021 (see <https://krita-artists.org/t/krita-usage-statistics/29184>); while Snapseed, a competitor to Photoshop, which has been downloaded over 100 million times from the Google Play Store to date (see <https://snapseed.online/>). Other examples include Vectrator, HitFilm Express and Blender, along with other competitors with free payment models for whom volume information is not available in the public domain (e.g., GIMP, Vectr, Apple iMovie, and Apple Photos).

functionalities. As such, these players constitute a greater competitive threat to Adobe than Figma does. These include Affinity, Canva, Corel, Picsart, Pixlr, and VSCO:<sup>357</sup>

- a) **Canva:** operates a platform allowing users to edit photos and videos and brainstorm and create publishable content via a simple drag-and-drop design. Canva's annualised revenue is USD 1.6 billion for 2023,<sup>358</sup> and it is used by over 125 million people each month,<sup>359</sup> including 85% of Fortune 500 companies.<sup>360</sup> Notwithstanding the PID's mischaracterisation of Canva as a tool that does not compete with Adobe's CC flagship products,<sup>361</sup> [§].<sup>362</sup> In particular, [§].<sup>363</sup> Even when considering the implausible narrower frame of reference (based on "*screen design use cases*"), there is no basis to exclude Canva as an alternative, in particular due to the PID's inclusion of marketing design within this segmentation.
- b) **Affinity:** offers a suite of desktop and iPad content creation apps aimed at creative professionals. Affinity products have been adopted by millions of users worldwide.<sup>364</sup> [§],<sup>365</sup> while the CMA's market investigation during its Phase 1 investigation also found that customers see Affinity Designer as an alternative to Adobe in relation to vector and raster editing.<sup>366</sup>
- c) **Corel:**<sup>367</sup> provides a professional graphics editor with a focus on technical illustrated images and video editing software via the Windows / Mac OS, web and mobile apps. Corel has over 100 million monthly active users in over 75

<sup>357</sup> See ILR, **Annex 3, Table 1** for further detail.

<sup>358</sup> See <<https://www.forbes.com/sites/alexkonrad/2023/03/23/canva-launches-magic-ai-tools-reaches-125-million-users/>>.

<sup>359</sup> See <<https://www.canva.com/newsroom/news/canva-create-brand-new-era-2023/>>.

<sup>360</sup> See <<https://fortune.com/2021/06/24/how-canva-became-an-unexpected-pandemic-winner-and-a-15-billion-business/>>.

<sup>361</sup> See PID ¶¶200, 201 and 296.

<sup>362</sup> See e.g., Case ME.7021.22001448269 – Adobe internal document [§], slide 9; Case ME.7021.22000043467 – Adobe internal document titled [§]; Case ME.7021.22000387257 – Adobe internal document [§]; and Case ME.7021.22001450670 – Adobe internal document [§].

<sup>363</sup> See ADB-2R-012078863 – Adobe's internal document [§].

<sup>364</sup> See <<https://affinity.serif.com/en-gb/>>.

<sup>365</sup> See ADB-2R-005613027 – Adobe internal document [§]. See also Case ME.7021.22001420886 – Adobe internal document [§]; Case ME.7021.22000043467 – Adobe internal document [§]; and ADB-2R-004661568 – Adobe internal document [§].

<sup>366</sup> PID ¶¶288 (**Table 3**) and 289.

<sup>367</sup> See <[https://www.coreldraw.com/en/product/coreldraw/?x-vehicle=ppc\\_brkws&utm\\_source=google&utm\\_medium=cpc&utm\\_campaign=cdgs-dd-all-adwordsppe&utm\\_content=144811561082&utm\\_term=coreldraw&utm\\_id=13192338709&gad=1&gclid=EAlaIqObChMlg\\_v5-uv6\\_gIVkQiLCh0I-gKPEAAAYASAAEgLLvD\\_BwE#prod-hero](https://www.coreldraw.com/en/product/coreldraw/?x-vehicle=ppc_brkws&utm_source=google&utm_medium=cpc&utm_campaign=cdgs-dd-all-adwordsppe&utm_content=144811561082&utm_term=coreldraw&utm_id=13192338709&gad=1&gclid=EAlaIqObChMlg_v5-uv6_gIVkQiLCh0I-gKPEAAAYASAAEgLLvD_BwE#prod-hero)>.

countries<sup>368</sup> and has approximately 1000 company employees.<sup>369</sup> Corel was reportedly valued over USD 1 billion in 2019 when it was acquired by KKR.<sup>370</sup> CorelDraw is referenced publicly as one of the “first alternatives” to Adobe Illustrator.<sup>371</sup>

- d) **Picsart:**<sup>372</sup> provides a photo and video editing app on mobile and web for both professionals and non-professionals, which includes a template library for marketing content and specific apps for painting, animation, art, video making and GIFs.<sup>373</sup> Picsart has an estimated revenue of USD 255.6m per year<sup>374</sup> and 150 million monthly active users in 2021 spanning 180 countries.<sup>375</sup> [§<].<sup>376</sup>
- e) **Pixlr:** offers a suite of photo editing and design tools and animation and video on desktop and mobile<sup>377</sup> for both professionals and non-professionals.<sup>378</sup> Across web and mobile, Pixlr has monthly traffic of over 16 million active users, monthly average page views of 185.9 million, and a monthly total of 82.6 million edited images.<sup>379</sup> According to SimilarWeb, Pixlr’s annual revenue is between USD 15 and 25 million.<sup>380</sup> [§<],<sup>381</sup> while the CMA’s market investigation during its Phase

---

<sup>368</sup> See [http://product.corel.com/help/CorelDRAW/540240626/Main/EN/Doc/wwhelp/wwhimpl/common/html/wwhelp.htm?context=CorelDRAW\\_Help&file=CorelDRAW-About-Corel-Corporation.html](http://product.corel.com/help/CorelDRAW/540240626/Main/EN/Doc/wwhelp/wwhimpl/common/html/wwhelp.htm?context=CorelDRAW_Help&file=CorelDRAW-About-Corel-Corporation.html).

<sup>369</sup> See <https://www.linkedin.com/company/corel-corporation/about/>.

<sup>370</sup> See <https://techcrunch.com/2019/07/03/kkr-corel-vector-parallels/>.

<sup>371</sup> See <https://graphicmama.com/blog/adobe-illustrator-vs-coreldraw/>.

<sup>372</sup> See <https://picsart.com/>.

<sup>373</sup> See <https://picsart.com/apps>.

<sup>374</sup> See <https://growjo.com/company/PicsArt>.

<sup>375</sup> See <https://www.reuters.com/article/us-picsart-funding-idUSKBN2FR1IU>.

<sup>376</sup> See Case ME.7021.22000043467 – Adobe internal document [§<]; and Case ME.7021.22000387257 – Adobe internal document [§<].

<sup>377</sup> See <https://pixlr.com/suite/>.

<sup>378</sup> See <https://pixlr.com/advertise/#:~:text=With%20our%20monthly%20traffic%20of,message%2C%20withi n%20a%20short%20time> > and <https://pixlr.com/advertise/#:~:text=With%20our%20monthly%20traffic%20of,message%2C%20withi n%20a%20short%20time>.

<sup>379</sup> See <https://pixlr.com/advertise/#:~:text=With%20our%20monthly%20traffic%20of,message%2C%20withi n%20a%20short%20time> > and <https://pixlr.com/advertise/#:~:text=With%20our%20monthly%20traffic%20of,message%2C%20withi n%20a%20short%20time>.

<sup>380</sup> See <https://www.similarweb.com/website/pixlr.com/#overview> and <https://www.similarweb.com/website/pixlr.com/#overview>.

<sup>381</sup> See Case ME.7021.22000540708 – Adobe internal document [§<].

1 investigation clearly shows that customers see Pixlr as an alternative to Adobe in relation to raster editing.<sup>382</sup>

- f) **VSCO**: offers a photo and video editing mobile platform containing a suite of products with a focus on providing premium presets for content. VSCO has an estimated USD 550million valuation.<sup>383</sup> VSCO reportedly had over 150 million Android and iPhone downloads between its launch in 2012 and July 2019<sup>384</sup> and accrued two million paid users in two years for its subscription model.<sup>385</sup> [§].<sup>386</sup>

(c) ***There are also many effective players and potential entrants focused on specific asset creation software***

- 4.7 Contrary to the CMA's Phase 1 customer feedback that "some customers... stated that there are no alternatives to Adobe Illustrator, Photoshop, and After Effects",<sup>387</sup> a significant number of players have developed products for vector, raster, video or motion effects editing. A selection of these players is set out in **Figure 38**.<sup>388</sup> The tools below can be used for digital asset creation for various use cases and competition takes place on this broader basis.
- 4.8 As regards video editing, the CMA's own customer feedback received in Phase 1 noted that "customers generally identified more or better alternatives to Adobe's products compared to other software products"<sup>389</sup>, with "a large number of customers [having] mentioned that there are strong competitors to Premiere Pro"<sup>390</sup> (emphasis added).

---

<sup>382</sup> P1D ¶288 (**Table 3**) and 289.

<sup>383</sup> See < <https://vscopress.co/>> and <<https://www.forbes.com/sites/hayleycuccinello/2019/07/24/vsco-makes-a-sophisticated-photo-app-the-500-million-startup-wants-to-be-more-than-that/>>.

<sup>384</sup> See <<https://www.forbes.com/sites/hayleycuccinello/2019/07/24/vsco-makes-a-sophisticated-photo-app-the-500-million-startup-wants-to-be-more-than-that/>>.

<sup>385</sup> See <<https://www.forbes.com/sites/hayleycuccinello/2019/07/24/vsco-makes-a-sophisticated-photo-app-the-500-million-startup-wants-to-be-more-than-that/>>.

<sup>386</sup> See Case ME.7021.22000043467– Adobe internal document [§]; and Case ME.7021.22001450670– Adobe internal document [§].








<sup>387</sup> P1D, ¶286.






<sup>388</sup> See ILR, **Annex 3, Table 1** for further detail.




<sup>389</sup> P1D, ¶287.

<sup>390</sup> *Ibid.*

**Figure 38: Selection of effective competitors that focus on a particular type of asset creation software**

Product	Company	Key points
Raster-based editing (Photoshop)	<b>Capture One</b> 	<ul style="list-style-type: none"><li>• <b>Functionality:</b> image editing software and tools for a photography workflow.</li><li>• <b>Target customers:</b> professionals and prosumers.</li><li>• <b>Key statistics:</b> community of over 260,000 photographers globally.</li><li>• Recent innovations include introducing AI to photo editing (e.g. Smart Adjustments) and building a mobile app (Capture One for iPhone).</li></ul>
	<b>Pixelmator*</b> 	<ul style="list-style-type: none"><li>• <b>Functionality:</b> image and video editing software. Its Smart Replace function includes AI-powered template editing.</li><li>• <b>Target customers:</b> professionals and prosumers.</li><li>• Recent developments include an AI-powered selective adjustment function.</li></ul>
	<b>PicMonkey</b> 	<ul style="list-style-type: none"><li>• <b>Functionality:</b> graphic design and image editing platform.</li><li>• <b>Target customers:</b> professional and prosumers.</li><li>• <b>Key statistics:</b> generated \$26 million in revenue in 2022 and has millions of users in more than 200 countries.</li></ul>
	<b>GIMP*</b> 	<ul style="list-style-type: none"><li>• <b>Functionality:</b> free image editor software available for a wide range of operating systems. Direct competitor to Photoshop.</li><li>• <b>Target customers:</b> professionals.</li></ul>
Vector-based editing (Illustrator)	<b>Marq</b> 	<ul style="list-style-type: none"><li>• <b>Functionality:</b> web-based desktop publishing software for vector-based content.</li><li>• <b>Key statistics:</b> used by 6 million professionals and over 800 brands globally.</li></ul>
	<b>Procreate</b> 	<ul style="list-style-type: none"><li>• <b>Functionality:</b> highly-rated digital art studio for creative professionals exclusively available on iPad and iPhone. Includes over 200 customisable brushes, 3D Model painting and intuitive touch screen functionality.</li></ul>
	<b>Inkscape</b> 	<ul style="list-style-type: none"><li>• <b>Functionality:</b> free and open-source vector graphics editor available on a wide range of operating systems.</li><li>• <b>Key statistics:</b> used by a prosumer community of 2,152 members.</li></ul>

Product	Company	Key points
Video editing (Premiere Pro)	<b>Apple*</b> 	<ul style="list-style-type: none"><li>• <u>Key statistics</u>: Market cap of \$2.7 trillion as of May 2023 and reported revenue of \$394.33 billion in 2022.</li><li>• <b>Final Cut Pro</b>: <u>Functionality</u>: sophisticated video-editing software for professionals available on Mac and (recently released on) iPad.</li><li>• <b>iMovie</b>: <u>Functionality</u>: entry level desktop video editing application.</li></ul>
	<b>Windows</b> 	<ul style="list-style-type: none"><li>• <u>Key statistics</u>: Revenue of \$24.761 billion in 2022. Acquired Clipchamp (a web-based video editing tool) in 2021 to expand its functionalities in video.</li><li>• <b>Video Editor</b>: <u>Functionality</u>: free basic editing software for consumers with 10 million users.</li><li>• <b>Video Editor PRO</b>: <u>Functionality</u>: provides additional advanced functionality.</li></ul>
	<b>Avid Media Composer*</b> 	<ul style="list-style-type: none"><li>• <u>Functionality</u>: Award-winning professional-grade film and video editing software application from Avid Technology.</li><li>• <u>Target customers</u>: 1 million creative users and thousands of enterprise clients.</li></ul>
	<b>Vegas Pro</b> 	<ul style="list-style-type: none"><li>• <u>Functionality</u>: Professional video editing software. Includes hardware accelerated AI to assist creativity and fast-editing.</li></ul>
	<b>Blackmagic DaVinci Resolve</b> 	<ul style="list-style-type: none"><li>• <u>Functionality</u>: Video-editing and audio postproduction software. Recent updates include new AI tools and audio and text automation.</li><li>• <u>Target customers</u>: Software is Emmy award winning and the most used software by Hollywood professionals.</li></ul>

Product	Company	Key points
Motion design (After Effects)	<div>Apple Motion*</div> <div></div> <div><ul style="list-style-type: none"><li>• <b>Functionality:</b> creating animated imaging effects in real time for a wide variety of video and film projects.</li><li>• <b>Integration:</b> motion graphics can be accessed and used directly in Apple's Final Cut Pro.</li></ul></div>	
	<div>Autodesk Maya</div> <div></div> <div><ul style="list-style-type: none"><li>• <b>Functionality:</b> 3D animation and visual effects software developed by Autodesk.</li><li>• <b>Key statistics:</b> reported revenue of \$91 million for year ending 31 Jan 2023 for Autodesk media and entertainment (includes Maya and Autodesk's 3ds Max software, which provides 3D modelling, animation, and rendering solutions).</li></ul></div>	
	<div>Blackmagic DaVinci Resolve*</div> <div></div> <div><ul style="list-style-type: none"><li>• <b>Functionality:</b> Video-editing and audio postproduction software. Recent updates include new AI tools and audio and text automation.</li><li>• <b>Target customers:</b> Software is Emmy award winning and the most used software by Hollywood professionals.</li></ul></div>	



(d) ***Adobe faces further competition from “Big Tech” players who are developing and offering innovative asset creation tool software solutions***

4.9 The largest tech companies, such as Apple, Google and Microsoft, are leveraging their large user bases and utilising their strong financial resources, talent pool and technical capabilities to offer new and innovative asset creation tools, further increasing the competitive pressure on asset creation software providers. As such, Figma is not better positioned than these resource-rich companies to expand into asset creation software solutions, and would in any case have to compete with such innovative products. For example, those companies’ new tools and functionalities include:<sup>391</sup>

- a) **Apple Photos:** an app developed by Apple with functionalities including accessing, organising, sharing and editing photos and videos. Apple editing tools include editing exposure, brilliance, highlight and shadows, as well as an automatic enhancement feature (which adjusts the colour and contrast of the photo or video automatically).<sup>392</sup> [§<].<sup>393</sup>
- b) **Google Photos:** an app developed by Google with functionalities that include easily saving and sharing photos, editing and applying smart filters, and printing.<sup>394</sup> Google Photos reached one billion users in 2019, only four years after its inception.<sup>395</sup> As above, [§<].<sup>396</sup> Google is also developing its AI capabilities for creative design, including its “Magic Editor” functionality available on Google Photos in addition to existing AI-powered “Magic Eraser” and “Photo Unblur” tools – these tools allow users to make complex edits without professional editing skills.<sup>397</sup>
- c) **Microsoft Video Editor:** a product with video editing functionalities, constituting: (i) **Clipchamp**,<sup>398</sup> a desktop and web-based video editing application for simple and complex editing, including green screen editing, overlays and AI voiceovers; (ii) **Legacy Video Editor**,<sup>399</sup> a free application

<sup>391</sup> This is supported by testimony from Scott Belsky: “There are [other competitors to Photoshop that offer professional-level tools] out there for sure that enable -- I mean, Google Photos and Apple Photos have become very powerful editing tools in their own right, as well as several others.” See Belsky Dep. 240:15-240:18.

<sup>392</sup> See <<https://support.apple.com/en-gb/guide/photos/pht304c2ace6/mac>>.

<sup>393</sup> See ADB-2R-009995295– Adobe internal document titled [§<]. See also [§<].

<sup>394</sup> See <[https://www.google.com/intl/en\\_uk/photos/about/](https://www.google.com/intl/en_uk/photos/about/)>.

<sup>395</sup> See <<https://www.theverge.com/2019/7/24/20708328/google-photos-users-gallery-go-1-billion>>.

<sup>396</sup> See Case ME.7021.22001460085 – Adobe internal document [§<]; and Case ME.7021.22000513067 – Adobe internal document [§<].

<sup>397</sup> See ADB-2R-009995295– Adobe internal document titled [§<]; and Case ME.7021.22000513067 – Adobe internal document [§<]. This is also supported by [§<].

<sup>398</sup> See <<https://support.microsoft.com/en-us/windows/create-films-with-a-video-editor-94e651f8-a5be-ae03-3c50-e49f013d47f6>>.

<sup>399</sup> See <[https://support.microsoft.com/en-us/windows/create-films-with-a-video-editor-94e651f8-a5be-ae03-3c50-e49f013d47f6#bkmk\\_legacyvideoeditor\\_w11](https://support.microsoft.com/en-us/windows/create-films-with-a-video-editor-94e651f8-a5be-ae03-3c50-e49f013d47f6#bkmk_legacyvideoeditor_w11)> and <

providing basic video editing functions and more advanced features such as image filters, transition effects and pan-zoom effects with 10 million users; and (iii) **Video Editor PRO**,<sup>400</sup> providing additional advanced features such as, among others, voice over, visual effects, video stabilisation, video overlay, green screen effects and transition effects.

4.10 [§<].<sup>401</sup>

**Figure 39:** [§<]<sup>402</sup>

[§<]

(e) *Adobe also faces significant competitive pressure from disruptive industry trends*

4.11 The competitive pressure from the numerous innovative competitors active in asset creation tool software is compounded by near-term and significant industry-wide disruptive trends. In particular:

a) **Prosumer tools:** Canva,<sup>403</sup> Picsart and other prosumer tools are designed to cater to a growing pool of non-professional users who demand professional-grade asset creation software tools. These users might lack a professional user's training and/or experience working with more complex tools, meaning that they require intuitive tools with functionalities which are simple to use yet still produce a sophisticated result. As non-professional customers are utilising asset creation tools at a rapidly increasing rate,<sup>404</sup> in order to remain competitive, Adobe must find innovative ways to cater to these customers' needs and respond to the competitive pressure imposed by companies such as Canva and Picsart, whilst also continuing to provide a strong and attractive offering for its core customer base of creative professionals.<sup>405</sup> Indeed, as explained in **Section B.5**, Adobe Express is an example of Adobe's efforts to innovate and target a wider customer pool.

---

<https://apps.microsoft.com/store/detail/movie-maker-video-editor/9MVFQ4LMZ6C9?hl=en-gb&gl=gb&rtc=1> >.

<sup>400</sup> See < <https://apps.microsoft.com/store/detail/movie-maker-video-editor-pro/9N9KBWP6HVQQ?hl=en-gb&gl=gb> >.

<sup>401</sup> [§<]. See also ADB-2R-002917330– Adobe internal document [§<].

<sup>402</sup> See ADB-2R-002917330 – Adobe internal document [§<].

<sup>403</sup> See ILR, ¶5.127.

<sup>404</sup> See Case ME.7021.22000683958– Internal document [§<].

<sup>405</sup> See P1D ¶296 which cites Adobe's internal document, Case ME.7021.22000537054, [§<] and Adobe's internal document, ME.7021.22001638522, [§<]. The P1D incorrectly cites these documents to suggest that Canva is not one of Adobe's core competitors, however this is simply not the case. Any rejection of Canva fails to take into account the full picture presented by the documentary evidence, as [§<]. See ADB-2R-009087402, [§<]. See also ADB-2R-006196223, [§<]. See also Case ME.7021.22000540012, [§<].

- b) **Mobile products:** several players, such as Picsart and CamScanner, have adopted an effective growth strategy of leveraging mobile technology to enter the asset creation software space. These players have used the mobile platform to build up a loyal user base and improve software functionality, whilst developing infrastructure in the background to eventually expand their product offering to desktop and web.<sup>406</sup>
  - c) **AI:** due to the significant value that AI has been shown to add to the user experience, AI is being developed and deployed extensively throughout the asset creation software space, in particular for digital asset generation and editing purposes. AI can be used to eliminate time-consuming aspects of the creative process (such as automating searches for an appropriate stock image or sorting through high volumes of information) and facilitate the generation of new content (e.g., by leveraging the recent ground-breaking developments in generative AI such as text-to-image technology). AI is also enabling suppliers of asset creation tool software to make professional-grade tools more intuitive, and therefore more accessible to a wider customer base, once again including non-professionals.
- 4.12 This dynamic landscape means that Adobe *and* rival asset creation players must continuously innovate in order to remain competitive, in particular as these disruptive trends are providing opportunities for entry and expansion of new rival suppliers of asset creation software. For example:
- a) Picsart (mentioned above) launched its all-in-one platform<sup>407</sup> on mobile in 2011 and has grown exponentially in a short space of time – ranking as the number one photo editing app by both downloads and consumer spend in 2023.<sup>408</sup>
  - b) CapCut, a video editing app developed by TikTok owner ByteDance, launched on mobile in April 2020 (enabling native linking to TikTok) and on desktop in August 2022.<sup>409</sup> CapCut offers easy editing features and templates<sup>410</sup> to users and has seen significant growth – becoming the seventh most downloaded mobile application worldwide in 2022,<sup>411</sup> with more than 200 million monthly active users, and generating USD 800,000 in revenue in January 2023.<sup>412</sup> The exponential growth of such a new entrant in the video editing software space puts significant pressure on Adobe to keep innovating in video editing - one of its core flagship offerings.

---

<sup>406</sup> See ILR, ¶5.128; see also [§<].

<sup>407</sup> See <<https://picsart.com/about-us>>.

<sup>408</sup> See <<https://www.data.ai/en/go/state-of-mobile-2023/>>.

<sup>409</sup> See <<https://www.makeuseof.com/capcut-app-for-windows-and-macos-no-emulator/>>.

<sup>410</sup> See <<https://filme.imyfone.com/video-editing-tips/capcut-full-review/>>.

<sup>411</sup> See <<https://www.data.ai/en/go/state-of-mobile-2023/>>.

<sup>412</sup> See <<https://www.tubefilter.com/2023/03/20/bytedance-capcut-200-million-users/>>.



(f) *Adobe's innovation efforts and product development are driven by the competitive pressure from its asset creation rivals and the disruptive trends impacting asset creation software*

- 4.13 Despite the P1D's dismissal of the effective competitors and disruptive trends set out above,<sup>413</sup> there is in fact a direct correlation between these competitive pressures and Adobe's strategic decision-making and future planning.
- 4.14 As explained during Adobe's site visit, innovation is essential to remain competitive. Adobe's current strong market position is a direct consequence of its constant drive to innovate, develop and enhance its asset creation software in response to major industry trends and to meet the demands of its key customer groups.
- 4.15 As noted in **Section B.3(b)**, Adobe's approach to innovation has resulted in many successes and failures - not least XD which failed after launch and Project Spice which never progressed past development. Similarly, as also noted in **Section B.3(b)** other companies in the digital space have also encountered failures when launching their products, such as Google's failed "Google Stadia" service and Microsoft's "Zune", as mentioned in **Section C ¶3.5** above.

(g) *Adobe's key strategic priorities for the future*

- 4.16 In the context of Adobe's focus on innovation and staying ahead of the curve, continued innovation by Adobe's asset creation rivals and the disruptive trends noted above have been key drivers of Adobe's future strategic priorities. Consequently, Adobe has focused on: (a) investing in Adobe Express to target the significant opportunity presented by meeting the needs of non-professional creative users; (b) making improvements to its flagship products, [REDACTED]; and (c) investing in new ways of utilising AI to improve its asset creation products. [REDACTED]<sup>414</sup> [REDACTED].
- 4.17 Determining Adobe's strategic priorities is a complex juggling exercise, requiring consideration of a plethora of factors, including resourcing, technical capabilities and the potential of products. Specifically, Adobe must consider the opportunity costs of its various innovation efforts and product development activities not least because there are material limitations to the number of opportunities it can pursue - for example, available resources [REDACTED] and [REDACTED]. Adobe has therefore decided to [REDACTED] set out below, as these are the areas where Adobe sees the greatest opportunities and can thus best utilise its technical capabilities and strengths.
- 4.18 In contrast, Adobe has [REDACTED] to enter the product design space again: (a) as explained in **Section B.3** above, Adobe has missed the market and [REDACTED].

(i) *Investing in Adobe Express*

- 4.19 As noted in **Section B.5** above, Adobe Express is one of Adobe's most recent products. It was specifically developed to cater to the needs of non-professionals – [REDACTED]:

---

<sup>413</sup> P1D ¶¶295 to 297.

<sup>414</sup> See Adobe's internal document Case ME.7021.22000800964 – [REDACTED].

- a) [REDACTED]<sup>415</sup> [REDACTED].
- b) New feature roll-outs and improvements: [REDACTED], an entirely new beta version which was launched in June 2023, [REDACTED].
- c) [REDACTED].

(ii) ***Improvements in Adobe's flagship products***

- 4.20 Adobe is continuously improving its flagship CC products to deliver performance improvements and new functionalities, both to address the needs of its core user base of creative professionals and also to provide tools that are easy-to-use for non-professionals.
- 4.21 Adobe's commitment to ongoing and future innovation in this area is demonstrated by:
- a) [REDACTED]<sup>416</sup> [REDACTED].
  - b) New feature roll-outs and improvements: [REDACTED]. Adobe has already introduced several innovative features to Photoshop in recent years.<sup>417</sup> For example, Adobe launched an expanded Content-Aware Fill workspace in 2018,<sup>418</sup> two new Refine Edge selections in 2020,<sup>419</sup> three AI-powered Neural Filters in 2021<sup>420</sup> and one-click "Delete and Fill" in 2022,<sup>421</sup> among many other new features. In the past 12 months, Adobe has, for example, launched an innovative new "Intertwine" feature in Illustrator, allowing users to intertwine overlapping vector objects,<sup>422</sup> and a remix tool on Premiere Pro which allows the user to shorten or lengthen music to the exact duration needed without manually needing to edit the sound.<sup>423</sup>
  - c) [REDACTED],<sup>424</sup> [REDACTED].<sup>425</sup> [REDACTED].
- 4.22 This innovation is necessary for Adobe to remain competitive as Adobe's customers expect improvements to its core asset creation offering. For example, in an Adobe survey of Photoshop and Illustrator users:

---

<sup>415</sup> [REDACTED]

<sup>416</sup> [REDACTED].

<sup>417</sup> See ILR, ¶5.135.

<sup>418</sup> See <[Adobe - Adobe Announces Next Generation of Creative Cloud at MAX 2018](#)>.

<sup>419</sup> See <[Adobe - Adobe MAX 2020: Enabling "Creativity for All" with Creative Cloud Innovation](#)> [REDACTED].

<sup>420</sup> See <[News from Adobe MAX 2021: What's New in Creative Cloud | CreativePro Network](#)> and <[Adobe - Adobe MAX 2021: Unleashing Creativity for All with the Next Generation of Creative Cloud](#)>.

<sup>421</sup> See <[What's new | Adobe Creative Cloud features 2023](#)>.

<sup>422</sup> See <<https://helpx.adobe.com/illustrator/using/intertwine-objects.html>>.

<sup>423</sup> See <<https://helpx.adobe.com/premiere-pro/using/remix-audio-in-premiere-pro.html>>.

<sup>424</sup> See ADB-2R-011344995, Adobe's internal document [REDACTED].

<sup>425</sup> See ADB-2R-011344995, Adobe's internal document [REDACTED].

- a) [REDACTED];<sup>426</sup> and
  - b) [REDACTED].<sup>427</sup>
- 4.23 Indeed, Adobe’s competitors in asset creation tool software are investing to release high quality and innovative solutions and Adobe must invest in its core apps to ensure that it does not get left behind. For example, and as explained at the site visit, the growth of rivals such as DaVinci Resolve, Google Photos, Affinity and CapCut (among others) [REDACTED].
- (iii) ***AI-driven creative tools and enhanced asset creation functionalities***
- 4.24 The importance of AI as a market trend (as explained at **Section C ¶4.11** above) is demonstrated by the increasing number of competitors that are investing in AI-driven asset creation tools, with both existing players (such as Canva, Corel and Picsart) and AI-specialist new entrants (such as DALL-E, Midjourney and Muse.ai) competing to develop AI for increasingly sophisticated asset creation functionalities.
- 4.25 In the face of competition from both established rivals and new AI-focused competitors in asset creation software,<sup>428</sup> Adobe is investing significantly in the development of AI for generating and editing creative assets. [REDACTED].

**Figure 40:** [REDACTED]

[REDACTED]

- 4.26 Adobe has already developed some AI-driven functionalities for its asset creation tools, including intelligent colour corrections (*e.g.*, Auto Color<sup>429</sup> for Premiere Pro) and object removal (*e.g.*, Content-Aware Fill<sup>430</sup> for Photoshop). In addition, Adobe announced the “Generative Fill in Photoshop” beta in May 2023, which includes new AI-powered image generation and edits from text prompts. As explained during the site visit, this [REDACTED].
- 4.27 The strategic prioritisation of AI for asset creation tools is most noticeably demonstrated by Adobe’s deployment of Firefly, which is a family of creative generative AI models specifically created for content generation and editing.<sup>431</sup> [REDACTED]<sup>432</sup> [REDACTED].
- a) The first models have focused on the generation of images and text effects, using AI trained on Adobe stock and open-licensed content. Photoshop is the first

---

<sup>426</sup> See CRA’s presentation to the DOJ “Preliminary Economic Antitrust Analysis of Adobe/Figma” presentation on 22 February 2023, slide 14. See [REDACTED] [Adobe internal document].

<sup>427</sup> See CRA’s presentation to the DOJ “Preliminary Economic Antitrust Analysis of Adobe/Figma” presentation on 22 February 2023, slide 14. See [REDACTED] [Adobe internal document].

<sup>428</sup> See ILR, ¶5.131 and **Annex 2, Table 2** for further detail.

<sup>429</sup> See <<https://helpx.adobe.com/premiere-pro/using/auto-color.html>>.

<sup>430</sup> See <<https://helpx.adobe.com/photoshop/using/content-aware-fill.html>>.

<sup>431</sup> See <<https://firefly.adobe.com/>>.

<sup>432</sup> This refers to team members who sit in “Product Delivery” teams (see footnote 414 above).

Adobe solution to integrate Firefly, which now includes Generative Fill.<sup>433</sup> This new feature is more advanced than basic text-to-image generation and automatically matches the perspective, lighting, and style of an image.

- b) Building on its existing models, Adobe has several Firefly projects in the pipeline for asset creation functionality, including [§<].
- (k) ***Adobe’s innovation and product development is not and will not be driven by narrow “screen design use cases”***
  - (i) ***Competition and innovation does not take place on narrow “screen design use cases”***

4.28 As is recognised in the P1D, “*there is a wide range of use cases and users of creative design software*”.<sup>434</sup> This is key in understanding how product development and innovation takes place in asset creation tool software.

4.29 Adobe’s asset creation tools are not designed specifically for screen design use cases and Adobe does not innovate on the basis of such a narrow use case. This is consistent with the fact that:

- a) Customer demand for asset creation tools is based around a variety of use cases, and is not specific to “screen design use cases” – indeed, Adobe’s own tools are used for a significant variety of use cases, primarily related to photo editing and compositing. For example, Photoshop is primarily used to adjust photos, retouch photos, compose images, and design other graphics, and Illustrator is primarily used for logos, icons, or other brand graphics, marketing material, digital illustration or drawing artwork and advertising materials;
- b) Adobe has no control over (and no ability to reliably monitor) what customers do with assets generated using its asset creation software (e.g., a professional brand logo created in Illustrator may be used for a billboard or for a company’s new website). The same is true for Adobe’s competitors. Asset creation tool suppliers generally build their products for the widest set of use cases, not simply to satisfy a small and narrow customer subset confined to an individual use case. This means that they do not (and cannot) discriminate by use case based on price, quality of any other metric;
- c) Adobe is unable to price discriminate according to a particular use case, for example to target price increases at users focused on “screen design use cases”. [§<].
- d) There are no particular or unique asset creation tool functionalities that are required to cater for “screen design use cases” in comparison to other use cases. For example, the functionalities to create a professional brand logo in Illustrator are the same whether it ends up being used for a billboard or company’s new website (e.g., custom vector brushes, advanced path manipulation, etc.); and
- e) “Screen design use cases” make up only a very small percentage of all use cases of Adobe’s asset creation tools (**Section C.2** above). For example, only [20–30]%

---

<sup>433</sup> See <<https://www.adobe.com/products/photoshop/generative-fill.html>>.

<sup>434</sup> P1D, ¶210.

of Photoshop users typically use Photoshop for website banners/graphics and only [5–10]% typically use it for app, UI or website makeups/wireframes/designs, while only [10–20]% use Illustrator for UX/UI design. In these circumstances, it would be commercially illogical for Adobe to innovate by reference to one (small) user group.

4.30 In light of this, Adobe’s product development and innovation is driven by the demands of its entire customer base and to improve broad-based functionality of relevance across a wide range of use cases (as explained above).<sup>435</sup> For example:

- a) Adobe’s recent launch of “generative fill”, which uses AI tools to create content and merge it seamlessly into an existing image, is of general utility to users and does not target a particular use case.<sup>436</sup>
- b) Adobe recently announced at MAX 2022 a new collaboration functionality, “share for review”, which allows users to request comments on a draft digital asset. This functionality provides value across Adobe’s wide user base, from a creative professional seeking feedback on a design from their client to a marketing design team creating a marketing campaign.

(ii) ***Any segmentation of the market by reference to “screen design use cases” would significantly expand the competitor set***

4.31 Even if it were appropriate to segment the market by reference to “screen design use cases”, the CMA accepts that this is a “simple use case”.<sup>437</sup> The range of competitors that can cater to such a use case is therefore very broad and it is not plausible to consider that Adobe and Figma are key or close competitors for this narrow use case; nor is Adobe’s market position in respect of this use case “very strong”.

4.32 As a starting point, Adobe’s asset creation competitors offer asset creation tools that can cater for simple “screen design use cases”. For example:

- a) Affinity: offers a suite of desktop and iPad content creation apps for a wide range of creative professionals, including for “screen design” uses, including: (i) Affinity Designer, a vector graphics software used by professional illustrators, web designers, game developers and other creatives; and (ii) Affinity Publisher, a professional page layout software used to create books, magazines and marketing materials to social media templates, website mock-ups and other materials. Affinity reported revenue of GBP 23.5 million in 2021 and its suite of products have been adopted by millions of users worldwide.<sup>438</sup>
- b) Picsart: offers photo and video editing, illustrator software, animation tool and Gif software, to both creative professionals and prosumers, including for marketing and social-media specific content.<sup>439</sup>

---

<sup>435</sup> Case ME.7021.22000351412, titled [§<].

<sup>436</sup> See <<https://helpx.adobe.com/photoshop/using/generative-fill.html>>.

<sup>437</sup> P1D ¶¶104, 210, 230, 247, 285.

<sup>438</sup> See <<https://affinity.serif.com/en-gb/>>.

<sup>439</sup> See <<https://picsart.com/apps>>.

- c) Xara Designer Pro: offers a professional grade graphic design tool, described as “*all in one versatile workspace*” for desktop publishing, web design, photo editing and graphic design.<sup>440</sup> Xara Web Designer offers users the ability to launch websites, create landing pages or prototype websites.<sup>441</sup>
- 4.33 In addition, any assessment of the competitor set for asset creation software for simpler “screen design use cases” must include other product design players (who, like Figma, offer basic editing functionalities as explained in **Section C.3** and the large number of players offering marketing design tools (as these tools also offer basic editing functionalities). In addition to those players listed in **Section C ¶4.6**, this includes, for example:
- a) VistaCreate (formerly Crello): an online graphic design platform for non-designers, where users are able to create a variety of digital content using over 100,000 professionally designed customisable templates, including for animated graphics, Instagram posts, posters, logos, ebook designs and infographics;<sup>442</sup>
- b) BeFunky: a creative platform oriented around AI-powered photo editing customisable design templates, graphic design, and photo collages, including for screen design use cases such as landing pages;<sup>443</sup>
- c) Creatopy (formerly Bannersnack): provides creative production, team workflows, distribution and optimisation services for online display advertising, including a customisable template library, Shutterstock integration, dynamic data integration and animation software.<sup>444</sup>
- 4.34 There are also a plethora of other software/tools with vector editing and image creation capabilities similar to, or more advanced than, Figma’s capabilities (as explained at **Section C.3**). If Figma is considered to be a competitor in relation to simpler “screen design use cases”, these other tools must also be considered to exercise at least a comparable competitive constraint as Figma. This includes, for example:
- a) Microsoft Paint, which can be used to open, modify and save raster images or draw simple vector logos<sup>445</sup>. This has been included with all versions of Microsoft Windows and, as of 2017, had 100 million monthly users and is “*one of the most popular creation tools*”.<sup>446</sup> Commentators such as Yuri Shwedoff states that “*While MS Paint may not match the robustness of dedicated vector design software, its newer versions provide a viable starting point for artists to experiment with vector-like techniques. With its user-friendly interface and*

<sup>440</sup> See <<https://www.xara.com/designerpro-plus/>>.

<sup>441</sup> See <<https://www.xara.com/webdesigner-plus/>>.

<sup>442</sup> See <VistaCreate – Free Graphic Design Software with 100,000+ Free Templates>.

<sup>443</sup> See <<https://www.creatopy.com/>>.

<sup>444</sup> See <<https://www.creatopy.com/>>.

<sup>445</sup> See <[https://en.wikipedia.org/wiki/Microsoft\\_Paint](https://en.wikipedia.org/wiki/Microsoft_Paint)>.

<sup>446</sup> See <<https://blogs.windows.com/windowsexperience/2017/03/29/windows-10-creators-update-coming-april-11-surface-expands-markets/#VsoZzJyGh8xDwYVs.97>>.

*readily accessible tools, MS Paint offers a stepping stone for budding artists to explore the world of digital art”.*<sup>447</sup>

- b) CSS, developed in 1996, is a simple mechanism for adding style (e.g., fonts, colours, spacing) to web documents. Designers have experimented with CSS and HTML code to create images, known as CSS art. This involves coding and positioning different shapes, colours and lines to create a digital image that is built purely with CSS and HTML. For example, Jay Salvat recreated Leonardo Da Vinci's "Mona Lisa" using this medium.
- c) Microsoft PowerPoint, generally used for presentations, can also be used to create illustrations. For example, in a Skillshare YouTube tutorial, a vector image of a cartoon man sitting at his desk is created in PowerPoint using basic functions such as the shape tool, Boolean operations and edit points.<sup>448</sup> Similarly, in another YouTube tutorial entitled "*How to create vector art from any image; PowerPoint design tutorial*",<sup>449</sup> the illustrator, Tyler Stanczak, describes how he recreated an image from Unsplash.com.

4.35 In light of the above, when properly assessed within the P1D's proposed frame of reference focussing on simpler use cases, Adobe's shares of supply across asset creation software markets would be [X], and the finding that Adobe "*has a very strong market position*" cannot be sustained. The limited picture of competition painted by the P1D is not supported by the documentary evidence - including those internal documents from which the P1D selectively quotes.<sup>450</sup>

4.36 In addition, this diverse set of third parties which offer some form of creative tooling for "screen design use cases" dwarfs any hypothetical constraint from Figma. Given the very large number of competitors that can provide asset creation software for "screen design use cases", any loss of future competition as a result of the Transaction could not be substantial.<sup>451</sup>

## **5. Adobe does not consider Figma to be a material current or dynamic competitive threat to Adobe's CC flagship apps**

5.1 As explained in **Section C.4** above, Adobe is facing a number of competitive pressures from its asset creation competitors and the disruptive trends impacting the asset creation software space. Contrary to the position in the P1D,<sup>452</sup> there is no basis

---

<sup>447</sup> See <<https://www.yurishwedoff.com/creating-vector-art-in-ms-paint-unleashing-the-creative-power-of-pixels/>>.

<sup>448</sup> See <<https://www.youtube.com/watch?v=NVgoS27Wvm0>> .

<sup>449</sup> See <<https://www.youtube.com/watch?v=9p8Lf9VTGC0>> .

<sup>450</sup> See ¶217 which cites Adobe's internal document, ME.7021.22000047390, [X]. See also ¶217 which cites Adobe's internal document, ME.7021.22001487015, [X].

<sup>451</sup> In particular, in *Amazon/iRobot* (2023), the CMA found that despite Amazon being likely and well positioned to enter the market (which Figma is not), any loss of future competition between Amazon and iRobot was not considered to be substantial due to the evident strength of competition in the market.

<sup>452</sup> P1D ¶¶17, 229, 261- 263 and 269.



for considering that Adobe considers Figma to be a competitive threat<sup>453</sup> or that Adobe’s innovation and product development efforts now or in the future are being driven by Figma.<sup>454</sup> These findings in the P1D are based almost entirely on a handful of internal documents which have been taken out of context and do not represent a reliable body of evidence to base such findings. This is particularly the case given there is a robust body of evidence, including economic evidence, internal documents and customer feedback, that indicates that Figma is not – and will not in the future become – a competitive threat to Adobe.

- 5.2 **First**, there is survey data demonstrating that customers do not view Adobe and Figma as substitutes and that there are multiple more relevant constraints on Adobe’s flagship products. As noted in **Section C.3, ¶3.17 above**, Adobe’s 2022 “Canceller Studies” (surveys carried out by Adobe on users who recently cancelled one of a set of Adobe products including Creative Cloud subscriptions) show [REDACTED] from Adobe asset creation tools to Figma’s interactive product design offering. The data is consistent with the fact that there is limited substitutability between Figma’s interactive product design software and Adobe’s asset creation software. [REDACTED],<sup>455</sup> [REDACTED].<sup>456</sup>
- 5.3 Contrary to the statement in the P1D that this analysis “*does not provide any insights into how strong the dynamic competitive constraint is that Figma imposes to Adobe through product development*”,<sup>457</sup> the results of this survey indicate [REDACTED].
- 5.4 **Second**, [REDACTED] show that any competitive constraint from Figma on Adobe’s flagship products is negligible and that the Parties’ products are used by customers as complements rather than substitutes:<sup>458</sup>
  - a) [REDACTED];
  - b) [REDACTED];
  - c) [REDACTED].<sup>459</sup> [REDACTED];
  - d) [REDACTED].<sup>460</sup> [REDACTED].<sup>461</sup>

---

<sup>453</sup> See P1D ¶262 which cites Adobe’s internal document, Case ME.7021.22000180462, [REDACTED] and Case ME.7021.22000086043, titled [REDACTED].

<sup>454</sup> P1D ¶¶161 and 166-167.

<sup>455</sup> [REDACTED].

<sup>456</sup> More detail is provided in the CRA submission of 1 May 2023, Section 3.

<sup>457</sup> P1D ¶264.

<sup>458</sup> Details of this analysis are provided in CRA’s submission “Economic analysis of the Adobe/Figma transaction - Supporting materials of the economic presentation of 4 April 2023” submitted on 01 May 2023 and CRA’s follow on submission “Adobe/Figma - Econometric analysis of the impact of Figma on Photoshop and Illustrator”, submitted as Annex 5 to the ILR on 08 June 2023.

<sup>459</sup> [REDACTED].

<sup>460</sup> More detail is provided in the CRA submission of 1 May 2023, Section 3.

<sup>461</sup> Section 3 of CRA’s follow on submission “Adobe/Figma - Econometric analysis of the impact of Figma on Photoshop and Illustrator” submitted as Annex 5 to the ILR on 08 June 2023.



- 5.5 The IS appears to not contest the results of the analysis set out above, stating “*we are not proposing to conduct econometric analysis on usage of the Parties’ products given that this analysis would be informative of the competitive constraints between the Parties’ current offerings and is less likely to be relevant in the context of a theory of harm focusing on dynamic competition in terms of further product development. We are also not proposing to conduct a customer survey on the usage of the Parties’ products for the same reasons, although we intend to consult widely with customers.*”<sup>462</sup>
- 5.6 Adobe agrees that the existing empirical analysis is sufficient to conclude that there is negligible competition from Figma on Adobe’s creative tools today - and further, this analysis also needs to play a key role in the competitive assessment. [REDACTED].
- 5.7 **Third**, CRA has conducted further analysis of the Parties’ usage data to test the potential dynamic concerns raised by the CMA. This analysis does not support the CMA’s beliefs that: (i) Figma is strengthening as a competitive constraint on Adobe; and (ii) users of Figma’s limited creative tooling features are more likely to reduce their usage of Adobe products:
- a) [REDACTED].<sup>463</sup> [REDACTED].

**Figure 41:** [REDACTED]<sup>464</sup>

[REDACTED]

*Source: CRA presentation to the DOJ on 19 July 2023, slide 13*

**Figure 42:** [REDACTED]<sup>465</sup>

[REDACTED]

*Source: CRA presentation to the DOJ on 19 July 2023, slide 14*

---

<sup>462</sup> IS, ¶44.

<sup>463</sup> The DOJ requested data on 32 Figma Design editing features: Export As Svg, Export As Jpg, Export As Png, After Timeout Interaction, Drag Interaction, Mouse Down Interaction, Mouse In Interaction, Mouse Out Interaction, Mouse Up Interaction, On Click Interaction, On Hover Interaction, On Key Down Interaction, On Press Interaction, Dissolve Transition, Instant Transition, Move Transition, Move Out Transition, Push Transition, Scroll Animate Transition, Slide Transition, Slide Out Transition, Smart Animate Transition, Blend modes, Crop an image, Outline Stroke, Bend Tool, Paint Bucket Tool, Pen Tool, Pencil Tool, Gradient, Mask, and Create Shape.

<sup>464</sup> This is based on analysis of Figma Design users (“editors” only, or “editors” and “viewers” – see backup) with usage of Figma Design at any point in the period July 2020 to December 2022. Adobe users were matched to Figma Design users by e-mail based on a six-month lookback period. The “use of Figma Design editing features” was defined by the DOJ as any use of that product’s features. Usage of Photoshop or Illustrator was defined as any usage over the six months prior to adoption of Figma Design. See the CRA presentation to the DOJ on 19 July 2023, slide 12.

<sup>465</sup> This is based on an analysis of Adobe users who used Photoshop or Illustrator at any point in the period January 2020 to December 2022. Adobe users were matched to Figma Design users by e-mail based on a six-month lookback period. The adoption of Figma Design was defined as any user who edits or creates a file in Figma Design over the period January 2020 to December 2021 (“editors” and “viewers”). The “use of Figma Design editing features” was defined by the DOJ as any use of that product’s features. The date of stopping is identified as the last date of Photoshop or Illustrator usage followed by at least 12 months of no usage. See the CRA presentation to the DOJ on 19 July 2023, slide 12.

b) [REDACTED].

**Figure 43:** [REDACTED]

[REDACTED]

*Source: CRA presentation to the DOJ on 19 July 2023, slide 20*

- 5.8 **Fourth**, customer feedback that was presented in the Phase 1 Issues Letter (but omitted from the P1D) made clear that the majority of customers do not see Figma’s and Adobe’s offerings as closely competing substitutes in the asset creation space: “[...] most customers that responded to the questions about the risk to Adobe believe that the risk of Figma capturing Adobe’s sales is currently low or not present across Adobe’s creative design software products” (emphasis added).<sup>466</sup>
- 5.9 **Fifth**, a proper examination of the Adobe internal documents cited in the P1D illustrates that these documents do not evidence that Adobe considers Figma to be a material current or dynamic competitive threat. In particular:
- a) [REDACTED],<sup>467</sup> [REDACTED].<sup>468</sup> [REDACTED]
  - b) [REDACTED] cited in the P1D to support its speculative suggestion that competition with Figma may have been a rationale for the Merger<sup>469</sup>, but in reality [REDACTED].
- 5.10 **Finally**, the P1D misinterprets Adobe’s investments and feature rollouts as indicative of a competitive response to a Figma “threat”.
- a) As explained in **Section B.4**, above, Project Spice was not aimed at competing with Figma in product design, but rather was a failed experiment in web-based ideation – focused on delivering value expansion for existing customers of its creative tools. Project Spice was not a response to Figma and does not constitute evidence of a “broader pattern” of dynamic competition.
  - b) As explained in **Section B.5(d), ¶5.38 and ¶5.39**, Adobe [REDACTED] to enter the interactive product design space absent the Transaction, [REDACTED].
  - c) In addition, Adobe’s efforts to introduce collaboration functionality on its asset creation software are geared at responding to the demands of its asset creation customers – who create highly complex digital assets which often take a significant amount of time to build. In response to a growing expectation in the asset creation industry for collaboration features, Adobe developed the “share for review” functionalities on Photoshop and Illustrator referenced in the P1D,<sup>470</sup> which allow for asynchronous editing for the purposes of reviewing or approving digital assets. By contrast, product design necessarily involves large teams of up to hundreds of collaborators, all of whom require real-time co-editing. Figma’s

---

<sup>466</sup> IL ¶199.

<sup>467</sup> ADB-2R-013202095.

<sup>468</sup> Case ME.7021.22000113401, titled [REDACTED].

<sup>469</sup> See Adobe Confidential 10-020, [REDACTED] ME.7021.22000218034, titled [REDACTED].

<sup>470</sup> P1D ¶271.

ability to cater to such sophisticated collaboration at this scale, which is essential to product design, is not comparable to the limited collaboration functionalities that Adobe has developed.

5.11 The Parties therefore consider that a proper assessment of the evidence during the Phase 2 investigation will show that Figma does not pose a competitive threat to Adobe, let alone being the “*most significant threat*” to Adobe in the asset creation software space.

**6. Neither Adobe nor Figma are innovating to create a “next generation” product integrating “screen design” and asset creation**

6.1 In relation to both TOH 1 and TOH 2, the P1D and the IS postulates that Adobe and Figma are separately innovating to develop a “next generation” product combining screen design and asset creation functionality,<sup>471</sup> suggesting that Adobe and Figma are the only two players pursuing such innovation - and the Transaction would therefore result in a loss of dynamic competition.

6.2 The Parties urge the Panel to reconsider these assertions, which are speculative and unfounded. In particular, the evidence and data indicate that neither creative professionals nor product designers would demand or value such an integrated offering. Consequently, the parties have no commercial incentive to innovate in this way. Indeed, [X].

(a) ***A limited subset of users make use of both product design and asset creation tools***

6.3 There is limited customer demand for an integrated offering across both product design and asset creation. This is demonstrated by the limited customer overlap across both sets of tools.

6.4 Approximately [70–80] [X] of Figma overall users are not creative designers and do not need to access asset creation tools,<sup>472</sup> while Adobe survey data from 2022 indicates that Figma users only represent [5–10] [X] of Photoshop customers and [5–10] [X] of Illustrator customers.<sup>473</sup> Matched email address analysis across the user bases of Adobe and Figma indicates that from 2020-2022:

- a) under [30–40]% of active users of Figma were also active users of *any Creative Cloud application* – which lowers to [10–20]% for Photoshop and [5–10]% for Illustrator; and
- b) only around [0–5]% of Adobe CC All Apps active users, [5–10]% of Photoshop users and [5–10]% of Illustrator users were also recorded as users of Figma.<sup>474</sup>

---

<sup>471</sup> See: (i) P1D, e.g., ¶¶160, 173 and 211; and (ii) IS¶¶41.

<sup>472</sup> See for more details FMN **Table 4** and FN 68.

<sup>473</sup> See for more details FN 314 and 315 of the ILR.

<sup>474</sup> See the response to CMA RFI6 Q2 dated 26 May 2023 and ¶5.32(c) of the ILR.

(b) ***Interactive product design tool users show little interest in the integration of creative tooling functionalities with interactive product design tools***

6.5 The evidence indicates that there is negligible demand from interactive product design tool users for the integration of creative tooling functionalities with interactive product design tools:

- a) As explained in Section C.3 above, [38].
- b) An analysis of Figma’s “share an idea” forum<sup>475</sup> shows that as of 1 June 2023, creative tools do not feature as the subject of any of the top 50 community feedback posts.
- c) Usage data for XD supports the above observations. XD offered integrations with Photoshop which allowed users to import Photoshop file formats into XD or link files on the XD canvas to Photoshop so that images could be edited using Photoshop. These functionalities were seldom used – between May 2021 to October 2022, only [0–5]% of XD RMAUs (defined as those who used XD in two consecutive months) imported a native Photoshop file into XD and only [5–10]% used the “edit in Photoshop” function. This indicates very low user demand for integrated asset creation functionalities in an interactive product design tool.
- d) This is also demonstrated by the lack of demand for more sophisticated creative tools via plug-ins. As explained at the site visits, users can create plugins to fill gaps in the functionalities offered directly by Figma, e.g., to address a user’s specific workflow. It is therefore telling that, as noted above at **Section C.3 ¶3.15**, creative tooling plugins on Figma are limited and tailored to product design use cases.

(c) ***Customers’ usage of asset creation tools is characterised by wide-spread multi-homing and limited technical barriers***

6.6 Contrary to the PID’s statement that customers would “prefer to use design and/or creative software from the same provider for multiple tasks”,<sup>476</sup> customer behaviour in relation to asset creation tools showcases prevalent multi-homing, facilitated by limited technical barriers.

6.7 Multi-homing is a key feature of the asset creation market. Whether “considered separately or as a broader area where dynamic competition is developing”,<sup>477</sup> users can and do extensively multi-home across asset creation software products in all markets. Indeed, professional creatives (e.g., professional photographers, graphic designers and video editors) use different asset creation software tools according to

---

<sup>475</sup> The Figma “share an idea” forum (available here <https://forum.figma.com/c/share/12>) provides a forum for Figma users to upload their feedback and ideas on functionality that they would like to see improved. This support forum’s “share an idea” section ranks user posts offering feedback and ideas about Figma by reference to user activity and interest levels (i.e., replies, views and “votes” – which allows users to decide, out of a limited number of votes allocated to them, which is their favourite idea/feature). This helps Figma accurately analyse and prioritise the ideas shared; Figma takes the feedback and ideas seriously and they consider it alongside other customer feedback at Figma.

<sup>476</sup> PID, ¶203.

<sup>477</sup> IS, ¶43.

their needs and preferences on a particular project or for a particular customer. Hence, users have access to and the expertise to use various tools and therefore the capability to switch between them. For example:

- a) [REDACTED];<sup>478</sup>
- b) [REDACTED];<sup>479</sup> and
- c) [REDACTED].<sup>480 481</sup>

**Table 8: Average number of tools by creative activity in the Flash Survey**

Creative activity	Average number of tools
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

*Source: Flash Survey*

- d) In addition, Figma’s own marketing states, in response to users asking whether they should use Figma when they use Photoshop, “*Don’t stop! We believe you should use the best tool for the job. If you’re photo-editing, choose Adobe Photoshop. If you’re doing detailed illustrations, Adobe Illustrator is a no-brainer. But if you’re looking for the best tool for UX design, Figma is here for you. Plus you can easily import images and SVG code into Figma and have your cake and eat it (too).*”

6.8 Customers benefit from low technical barriers between different asset creation tools, thereby further facilitating the multi-homing behaviour described above:

- a) The industry operates on standard formats (*e.g.*, JPEG, PNG, TIFF, *etc.*,) that are not controlled by any player. All asset creation tools must support and work with

<sup>478</sup> See ADB-2R-012078863 - Adobe’s internal document [REDACTED].

<sup>479</sup> See Annex 003 to the FMN – Adobe’s internal document [REDACTED].

<sup>480</sup> [REDACTED].

<sup>481</sup> [REDACTED].

these standard formats. Users can choose to incorporate such content into any other tool or application for further editing and various use cases;

- b) In line with customer demand for interoperability between asset creation tools, Adobe makes publicly available the specification for its native formats, such as Photoshop Documents (“PSD”), and publishes software development kits (“SDKs”) and application programming interfaces (“APIs”) that allow third parties to build “plugins” for its asset creation tools (e.g., Shutterstock, a competitor to Adobe Stock, created a plugin that facilitates loading Shutterstock images into Photoshop).<sup>482</sup> This is also true for Adobe’s competitors (e.g., Corel has developed a brush plugin called ParticleShop, which facilitates use of the Photoshop brush on its products).

- (d) *No evidence that Adobe, Figma or its competitors are planning or incentivised to develop an integrated product*

6.9 Unsurprisingly given the lack of demand for a converged product, the market data simply does not support the notion that the industry is moving in this direction.

- a) Neither Adobe nor Figma has a roadmap for such a product. As set out at **Section B.5(d)** above, Adobe has no [X] product design - absent the Transaction, it [X]. As stated during Figma’s site visit of 3 August 2023 and **Section C.3 ¶3.30**, Figma in fact intends to pursue products aimed at [X], rather than creative capabilities. Such products would not envisage a combination of screen design software and asset creation software, but would instead [X]. In this respect, [X].
- b) There is evidence that the market forces that are shaping the product design market are forcing it into a different direction. Figma has other priorities such as “dev mode” and improving the link from design to code as well as improving its prototyping capabilities. The CMA has seen evidence of the threat posed by tools like Framer that offer more advanced prototyping and better capabilities to turn designs into end products. For example, [X]<sup>483</sup> [X].<sup>484</sup>
- c) There are significant (and potentially prohibitive) technical challenges to building such a tool. Memory, processing power and other technical constraints mean that a web-based collaboration tool (such as Figma) cannot offer both real-time multiplayer collaboration for screen design as well as sophisticated asset creation functionality, while non-browser based tools may be able to offer sophisticated asset creation functionality but face trade-offs on the scale or sophistication of collaboration functionality.
- (e) *A more detailed assessment during the Phase 2 process will show that there is no basis for considering a hypothetical next generation product offering*

6.10 Following on from the above points, and in light of the lack of evidence produced by the CMA to the contrary, it is clear that there is no credible basis on which the P1D

---

<sup>482</sup> See FMN Section V for further information on interoperability.

<sup>483</sup> See [X] – Figma internal document, [X].

<sup>484</sup> See [X] – Figma internal document, [X].

and IS can conclude that the parties would develop a hypothetical next generation product combining screen design and creative tooling.

- 6.11 As explained in **Section C.3(b)** above, from Figma’s perspective, there is simply no benefit, customer appetite, nor plan to engage in such a future pathway. Indeed, as noted above, Figma has instead sought to prioritise other areas, such as [REDACTED]. The documentary evidence relied on by the CMA to support its proposition only indicates that Figma at times *contemplated*, but never pursued, asset creation tools (please refer to **Section C.3(c)** above).
- 6.12 From Adobe’s perspective, there is no benefit to making significant new sales of an integrated product combining screen and asset creation software. The Adobe documents do not support the CMA’s prediction. As detailed in **Section B.4** above, Project Spice was not considered a next generation interactive product design tool (succeeding Adobe XD) and has been cancelled permanently. Nor was Project Spice intending the use of Adobe flagship asset creation tools specifically for “screen design use cases” (as P1D, ¶¶293-294 suggests):<sup>485</sup>
- a) Project Spice allowed users to brainstorm and share ideas on this canvas. It allowed users to import any digital asset onto the canvas, including those made with Illustrator or Photoshop. As the long term vision for Project Spice explained in May 2021:  
[REDACTED].<sup>486</sup>
  - b) This could be for projects for any purpose, whether destined for a “screen” or otherwise. For example, [REDACTED].
  - c) [REDACTED].
  - d) [REDACTED]. None of this was confined to “screen design use cases.”
  - e) [REDACTED]. Again, this was not confined to “screen design use cases” (**Section B.4** ¶¶4.16-4.20 and ¶¶4.37-4.51 above).
- 6.13 Moreover, as explained in **Section B.5(d)** ¶¶5.38 and 5.39, Adobe has no plans to try to enter the interactive product design space absent the Transaction, [REDACTED].
- 6.14 Given there is no current plausible customer demand for such a combined, next generation offering there is no need for both: (i) Figma to prioritise adding an asset creation tooling functionality (it in fact has much stronger incentives to focus elsewhere [REDACTED]); and (ii) Adobe to view Figma’s screen design tools as a threat to its core asset creation business and therefore to attempt to re-enter this space after failing multiple times before. Similarly, there is no reason to think that Adobe’s strength in asset creation tools would be particularly valuable in competing in the interactive product design space, and especially so given that this space is moving in other directions and catering to customer groups (e.g., developers) with whom Adobe has limited relationships or expertise.

---

<sup>485</sup> See Evidence Paper.

<sup>486</sup> See Case ME.7021.22000787699 (ADB-2R-005488817), p1.

- 6.15 When approaching its assessment, the Parties urge the Panel to consider evidence on: (a) the realities of how both Adobe and Figma are positioned in the asset creation and screen design software spaces; (b) their actual stated future plans; and (c) their technical capabilities. A full weighing of the evidence available shows that there is no basis to find that the Parties would be uniquely positioned to pursue a next generation integrated offering combining “screen design” and “creative design” software.
- 6.16 The P1D has not presented any sound evidence, including empirical data and facts, indicating that this would change in the future. Its conclusions in this regard are therefore unsubstantiated and without merit.
- 7. The Transaction is not likely to result in a substantial lessening of dynamic competition in asset creation software markets, for “screen design use cases” or otherwise**
- 7.1 The Transaction will not result in dynamic competition concerns in the supply of asset creation software, whether for “screen design” or any other use cases. As acknowledged by the P1D, Adobe and Figma do not currently compete in this space. On a full consideration of the evidence, there is also no basis for considering that this will change in the future absent the Transaction, given that:
- a) Figma has only limited and ancillary capabilities in this space which are not suitable for dedicated standalone creative use cases. Figma has no plans and no incentive to enter the asset creation software space;
  - b) Adobe will continue to be constrained by a significant number of established and new entrants in asset creation software post-Transaction, who currently do, and will continue to, exert greater competitive constraint on Adobe than Figma;
  - c) Adobe’s product development efforts are not driven by Figma but are instead driven by intense competition from established rivals and new entrants in asset creation software as well as key disruptive trends;
  - d) in light of (c), even if Figma were to become a competitor to Adobe in asset creation software, it would not become a close competitor and would only exert an insignificant competitive constraint on Adobe; and
  - e) Adobe does not view Figma as a competitor or competitive threat in asset creation software. There is no plausible concern that Adobe and Figma would, absent the Transaction, compete closely in the future in the provision of a “*next-generation integrated offering of screen design and creative design software*”.