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Miller joins 48 AGs, FTC in suing Facebook over antitrust violations

Social networking giant thwarted competition, reduced consumer privacy, lawsuit alleges

DES MOINES — Iowa Attorney General Tom Miller is helping lead a bipartisan coalition of 48 attorneys general in suing Facebook Inc., alleging that the company illegally stifles competition to protect its monopoly power.

The lawsuit alleges that the social networking giant illegally acquired competitors or potential rivals — including Instagram and WhatsApp — and cut services to smaller perceived threats over the last decade. This deprived users from the benefits of competition and reducing privacy protections and services along the way — all in an effort to boost its bottom line through increased advertising revenue, [the lawsuit alleges](#).

“Facebook has gained tremendous power over Americans’ lives through its monopolistic behavior,” Miller said. “Without meaningful competition, consumers and small businesses have fewer choices in social networking, resulting in diminished privacy, reduced quality, and less transparency.”

Miller is on the executive committee leading the investigation of Facebook, along with the attorneys general of California, Colorado, Florida, Iowa, Nebraska, New York, North Carolina, Ohio, Tennessee, and the District of Columbia.

In coordination with the states, the Federal Trade Commission filed a separate antitrust complaint today against Facebook in the U.S. District Court for the District of Columbia.

Remedies include halting further acquisitions

The AGs' lawsuit, also filed in D.C. District Court, says Facebook violated the Sherman and Clayton antitrust acts. It asks the court to halt Facebook’s illegal, anticompetitive conduct and block the company from continuing this behavior in the future. Additionally, the coalition asks the court to restrain Facebook from

making further acquisitions valued at or in excess of \$10 million without advance notice to the plaintiff states.

The lawsuit also requests any additional relief the court determines is appropriate, including the divestiture or restructuring of illegally acquired companies, or current Facebook assets or business lines.

Since 2004, Facebook has facilitated sharing content online without charging users a monetary fee, but, instead, provides these services in exchange for a user's time, attention, and personal data. Facebook then makes money by selling ads, using the data on users it has collected to provide targeted advertising.

Facebook's market dominance means users have nowhere else to go for its services, and the company is able to make decisions that put profits over the interests of users. The lawsuit alleges that Facebook's unlawfully maintained monopoly harms users and advertisers in a variety of ways:

- Facebook has wide latitude to set terms for how users' private information is collected, used and protected; and significant control over how users engage with their closest connections.
- Its inaction to remove fake accounts degrades the experience for users.
- Users see more and more ads.
- Businesses have less transparency to assess the value they receive from advertisements and harm to their brand due to offensive content on Facebook services.

Instagram, WhatsApp purchases harm competition

The lawsuit also alleges:

To maintain its market dominance in social networking, Facebook employs a "buy or bury" strategy that thwarts competition and harms both users and advertisers.

The most significant example of its "buy" strategy was its acquisitions of Instagram in 2012 and WhatsApp in 2014.

Instagram presented a competitive threat to Facebook because of its growing user base and innovative approach to sharing photos. Rather than responding to this threat with innovative product development, Facebook simply eliminated Instagram through an acquisition, and subsequently degraded the quality of Instagram users' privacy.

WhatsApp provided cross-platform mobile messaging services with a massive network of users, and presented a threat because it was well positioned to enter the personal social networking services market and begin competing with

Facebook. Facebook's acquisition of WhatsApp eliminated this threat; following the acquisition, Facebook degraded the privacy of WhatsApp users, despite promising not to do so.

Facebook also used a "bury" strategy to respond to competitive threats. After years of promoting open access to its platform, in 2011, Facebook began to rescind and block access to the site to apps that it viewed as actual or potential competitive threats. An app that suddenly loses access to Facebook is hurt not only because its users can no longer bring their friend list to the new app, but also because a sudden loss of functionality — which creates broken or buggy features — suggests to users that an app is unstable. In the past, some of these companies experienced almost overnight drop-off in user engagement and downloads, and their growth stalled.

Iowa and the other executive committee members are joined by the attorneys general of Alaska, Arizona, Arkansas, Connecticut, Delaware, Hawaii, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Jersey, New Mexico, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming, and the territory of Guam.

[« Back](#)