

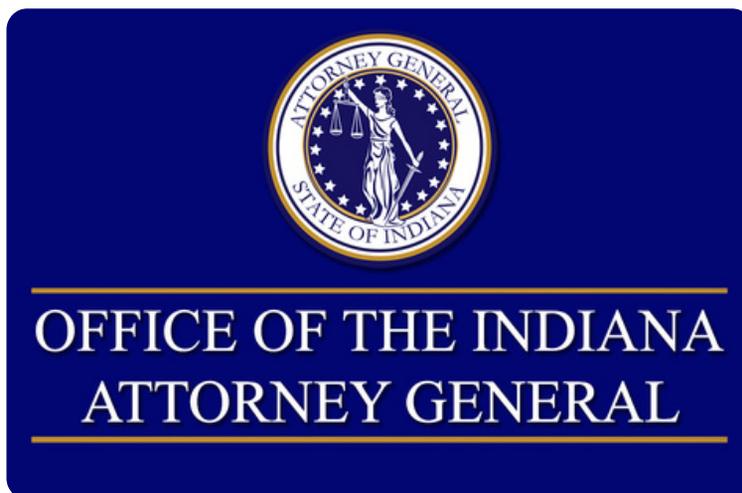
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AG Curtis Hill sues Facebook over monopolistic business practices

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Attorney General Curtis Hill has joined a bipartisan coalition of 47 other attorneys general in suing Facebook, alleging the social networking giant illegally stifles competition to protect its monopoly power.

The attorneys general allege in a civil complaint that, over the last decade, Facebook illegally acquired competitors in a predatory manner and cut services to smaller threats, depriving 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.

Facebook is specifically charged with violating Section 2 of the Sherman Act, in addition to multiple violations of Section 7 of the Clayton Act. In October, Attorney General Hill joined a separate but similar lawsuit against Google, [alleging the company has a stranglehold on the United States search market \(https://events.in.gov/event/ag-curtis-hill-joins-federal-antitrust-lawsuit-against-google\)](https://events.in.gov/event/ag-curtis-hill-joins-federal-antitrust-lawsuit-against-google).

“For years now, Facebook has used anticompetitive business tactics to rise from young upstart to unlawful monopoly. Tech giants like Facebook cannot build moats around their businesses to retain their dominance,” Attorney General Hill said. “It’s time that the courts recognize the harm Facebook’s business practices have caused and put a stop to them.”

Since 2004, Facebook has operated as a personal social networking service that facilitates sharing content online without charging users a monetary fee. Instead, Facebook provides these services in exchange for a user’s time, attention, and personal data. Facebook then monetizes its business by selling advertising to firms that attach immense value to the user engagement and highly targeted advertising that Facebook can deliver due to the vast trove of data it collects on users, their friends, and their interests.

Facebook’s unlawful monopoly gives it broad discretion to set the terms for how its users’ private information is collected and used to further its business interests. When Facebook cuts off integration to third-party developers, users cannot easily move their own information — such as their lists of friends — to other social networking services. This decision forces users to either stay put or start their online lives from scratch if they want to try an alternative.

Because Facebook users have nowhere else to go, the company is able to make decisions about how to curate content on the platform and use the personal information it collects from users to further its business interests, even if those choices conflict with the interests and preferences of Facebook users.

The harm to consumers over the last decade comes as a direct result of Facebook’s acquisition of smaller firms that pose competitive threats. Facebook employs unique data-gathering tools to monitor new apps to see what is gaining traction with users. That data helps Facebook select acquisition targets

that pose the greatest threats to Facebook's dominance. Once selected, Zuckerberg and Facebook offer the heads of these companies vast amounts of money — that greatly inflate the values of the apps — all in hopes of avoiding any competition for Facebook in the future.

Facebook and Zuckerberg saw Instagram as a direct threat quickly after the company launched. After initially trying to build its own version of Instagram that gained no traction, Zuckerberg admitted in early 2012 that Facebook was “very behind” Instagram and a better strategy would be “to consider paying a lot of money” for the photo-sharing app in an effort to “neutralize a potential competitor.”

In April 2012, Facebook acquired Instagram for \$1 billion. Facebook also acquired WhatsApp in 2014 for nearly \$19 billion.

The attorneys general argue that Facebook targets competitors with a “buy or bury” approach: if they refuse to be bought out, Facebook tries to squeeze every bit of oxygen out of the room for these companies. To facilitate this goal, Facebook has used an “open first–closed later” strategy to stop competitive threats, or deter them from competing, at the inception.

Facebook's response to competitors also serves as a warning to other apps that if they encroach on Facebook's territory, Facebook will end their access to crucial integrations. Facebook's actions also deter venture capitalists from investing in companies that Facebook might in the future see as competitors.

In their complaint, led by New York Attorney General Letitia James, the attorneys general asked the U.S. District Court for the District of Columbia to halt Facebook's illegal, anticompetitive conduct and block the company from continuing this behavior in the future. Additionally, the attorneys general asked the court to restrain Facebook from making further acquisitions valued at or more than \$10 million without advance notice to the state of New York and other plaintiff states. Finally, the court was asked to provide any additional relief it determines is appropriate, including the divestiture or restructuring of illegally acquired companies, or current Facebook assets or business lines.

The complaint is below.

Separately, but in coordination with the multistate coalition, the Federal Trade Commission (FTC) also filed a complaint today against Facebook in the U.S. District Court for the District of Columbia. The coalition wishes to thank the FTC for its close working relationship and collaboration during this investigation.