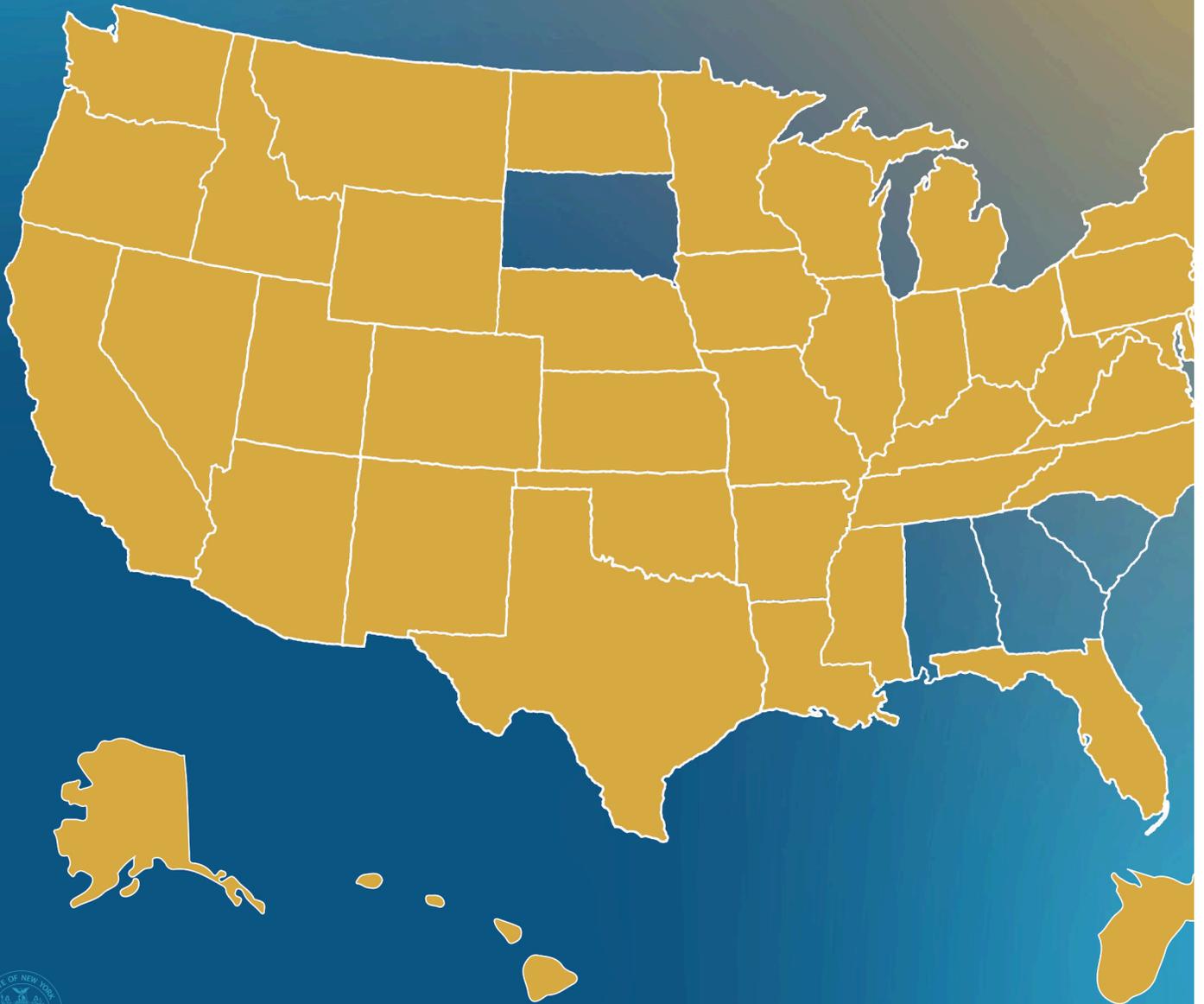




*We're suing **Facebook**
to end its illegal monopoly.*



December 9, 2020

Montana Joins Multistate Lawsuit Seeking To End Facebook's Illegal Monopoly

(HELENA) – Montana today joined a bipartisan coalition in filing a lawsuit against Facebook alleging that the company has and continues today to illegally stifle competition to protect its monopoly power.

Since 2004, Facebook has operated as a personal social networking service that facilitates the exchange of 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 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 behaviors, and their interests.

"Over the last decade, Facebook illegally acquired competitors in a predatory manner and has exposed users to smaller threats," said Montana Chief Deputy Attorney General Jon Bennion. "Facebook has deprived users from the benefits of competition and reduced privacy protections and services all in an effort to boost its bottom line through increased advertising revenue," Bennion added.

In an effort to maintain its market dominance in social networking, Facebook employs a variety of methods to impede competing services and — as Chairman, Chief Executive Officer, and controlling shareholder Mark Zuckerberg has stated — to "build a competitive moat" around the company. Two of the most utilized strategies have been to acquire smaller rivals and potential rivals before they can threaten Facebook's dominance and to suffocate and squash third-party developers that Facebook has invited to utilize its platform — allowing Facebook to maintain its monopoly over the social networking market and make billions from advertising. As one market participant noted, if an application encroached on Facebook's turf or didn't consider selling, Zuckerberg would go into "destructive mode" subjecting small businesses to the "wrath of Mark."

Reduced Privacy and Fewer Options

Facebook's unlawful monopoly gives it broad discretion to set the terms for how its users' personal information is collected and used to further its business interests. When Facebook cuts off access to third-party developers, users cannot easily move their own information — such as their contacts and friends — to other social networking services. This decision forces users to either stay put on Facebook 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 now able to make decisions about how to curate content on the platform and use the personal information it collects from u

further its business interests, even if those choices conflict with the interests and privacy of Facebook users. 

Additionally, while consumers initially turned to Facebook and other apps now owned by seeking privacy protection and control over their data — Facebook's "secret sauce" — many protections are now gone.

Acquisition of Competitive Threats

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 tactics on new apps all in an effort to see what is gaining traction with users. That data helps Facebook acquire acquisition targets that pose the greatest threats to Facebook's dominance. Once selected and Facebook offer the heads of these companies vast amounts of money — that greatly exceeds the values of the apps — all in hopes of avoiding any competition for Facebook in the future.

When it came to startups, Zuckerberg has observed, that if these companies were not included "they'd have to consider it" if Facebook offered a "high enough price." The elimination of competitive alternatives means users have no alternative to Facebook, fueling its unfettered growth without competition and further entrenching its position. The two most obvious examples of this strategy were Instagram and WhatsApp — both of which posed a unique and dire threat to Facebook's monopoly.

Purchase of Instagram

Facebook and Zuckerberg saw Instagram as a direct threat quickly after the company launched 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 pay a lot of money" for the photo-sharing app in an effort to "neutralize a potential competitor."

A few months later, in April 2012, Facebook acquired Instagram for \$1 billion, despite the company having a single cent of revenue and valuing itself at only \$500 million. Zuckerberg offered the owners double the valuation Instagram came up with even though Zuckerberg previously valued the initial \$500 million value as "crazy."

Purchase of WhatsApp

The mobile messaging app WhatsApp also posed a unique threat to Facebook's growth through the ability to send messages on their mobile devices both one-to-one and to groups. While Facebook focused on several emerging mobile messaging services, WhatsApp was viewed as the "i

leader” with over 400 million active users worldwide in 2014, and the one that could be the greatest threat. 

Facebook feared WhatsApp eroding its monopoly power, stating WhatsApp or similar products “the biggest competitive threat we face as a business.” Facebook was also concerned that WhatsApp could ultimately be bought by a competing behemoth that had previously shown interest in social networking — namely Google.

This led Facebook, in February 2014, to acquire WhatsApp for nearly \$19 billion — a wildly more extravagant price Zuckerberg had recommended paying only a few months earlier and than the million another competitor offered to buy the company two years earlier.

Cutting Competitors Off from Facebook Overnight

As laid out in today’s complaint, the coalition of States argues that Facebook targets competitors with a ‘buy or bury’ approach: if they refuse to be bought out, Facebook tries to squeeze every bit out of the room for these companies. To facilitate this goal, Facebook has used an “open first, later” strategy to stop competitive threats, or deter them from competing, at the inception.

Facebook opened its platform to apps created by third-party developers in an effort to increase functionality on the site and, subsequently, increase the number of users on Facebook. Facebook drove traffic to third-party sites by making it easier for users to sign in, so that Facebook could collect valuable data about its users’ off-Facebook activity and enhance its ability to target advertisements to its own users.

Not only did Facebook benefit monetarily through the third-party developers’ revenue, but its services were expanded, as Facebook did not have the capacity to create and develop all social features offered through third-party developers.

However, after years of promoting open access to its platform, in 2011, Facebook began to block access to the site to apps that Facebook viewed as actual or potential competitive threats. Facebook understands that an abrupt termination of established access to the site can be devastating to an app — especially one still relatively new to the market. 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 because a sudden loss of functionality — which creates broken or buggy features — suggests that an app is unstable. In the past, some of these companies experienced almost overnight drops in user engagement and downloads, and their growth stalled.

Facebook’s treatment of competitors also serves as a warning to other apps that if they enter Facebook’s territory, Facebook will end their access to crucial integrations. Facebook’s act