



AG Yost Joins Lawsuit Seeking to End Facebook's Illegal Monopoly

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(COLUMBUS, Ohio) — Ohio Attorney General Dave Yost today joined 48 attorneys general in filing a lawsuit against Facebook Inc., alleging that the company harms the public by illegally stifling competition to protect its monopoly power.

The lawsuit alleges that, over the last decade, the social networking giant illegally acquired competitors in a predatory manner and cut services to smaller firms that threatened its power, 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’s unchecked power has grabbed an alarming level of control over what we see, say, buy and even who our friends are,” Yost said. “It is a dangerous seduction where we, as consumers, have become the product for Facebook by controlling so many aspects of our lives.”

Since 2004, Facebook has operated as a personal social networking service that facilitates sharing content online with friends and family 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 friends and their interests.

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.

The two most utilized strategies have been to acquire smaller rivals and potential rivals before they could threaten Facebook’s dominance and to suffocate and squash third-party developers that Facebook invited to utilize its platform if they showed signs of gaining

traction in the market — allowing Facebook to maintain its monopoly over the personal social networking market and make billions from advertising.

As one market participant noted, if an application (app) encroached on Facebook's turf or didn't consider selling, Zuckerberg would go into "destroy mode," subjecting small businesses to the "wrath of Mark."

Specific Violations

Facebook is specifically charged with violating Section 2 of the Sherman Act, in addition to two violations of Section 7 of the Clayton Act.

The complaint was filed in the U.S. District Court for the District of Columbia.

Separately, but in coordination with the multistate coalition, the Federal Trade Commission (FTC) also today filed a complaint against Facebook in the U.S. District Court for the District of Columbia. The involved attorneys general wish to thank the FTC for its close working relationship and collaboration during this investigation. The lawsuit is headed by New York Attorney General Letitia James and an executive committee made up of the attorneys general of California, Colorado, Florida, Iowa, Nebraska, North Carolina, Ohio, Tennessee and the District of Columbia.

Remedies

The states ask the court to halt Facebook's illegal, anticompetitive conduct and block the company from continuing this behavior in the future.

Additionally, the states ask the court to restrain Facebook from making further acquisitions valued at or in excess of \$10 million without advance notice to the plaintiff states.

Finally, the court is 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.

Reduced Privacy and Fewer Options

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 personal 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 can 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.

Additionally, while consumers initially turned to Facebook and other apps now owned by the company seeking privacy protection and control over their data — Facebook’s “secret sauce” — many of those protections are now gone.

Advertising

As a consequence of Facebook’s expansive user base and the vast trove of data it collects from its users and users’ connections, Facebook is able to sell highly targeted advertising that firms greatly value.

The volume, velocity and variety of Facebook’s user data give it an unprecedented, virtually 360-degree view of users and their contacts, interests, preferences and activities.

The more users Facebook can acquire and convince to spend additional time on its platforms, the more data Facebook can accumulate by surveilling the activities of its users and thereby increase its revenues through advertising — allowing the company to reap billions every month.

Cutting Competitors Off from Facebook Overnight

As laid out in today’s complaint, the states argue that Facebook targets competitors with a ‘buy or bury’ approach as was done with the purchase of Instagram and WhatsApp.

If rival platforms 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 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’s actions also deter venture capitalists from investing in companies that Facebook might in the future see as competitors.

Acquisition of Competitive Threats

Much of the harm to consumers over the last decade comes as a direct result of Facebook’s acquisition of smaller firms that pose competitive threats such as Instagram and WhatsApp.

Facebook employs unique data-gathering tools to monitor new apps all in an effort 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.

When it came to startups, Zuckerberg has observed, that if these companies were not inclined to sell, “they’d have to consider it” if Facebook offered a “high enough price.”

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