



PRESS RELEASE

Attorney General Frosh Announces Multistate Lawsuit Seeking to End Facebook’s Illegal Monopoly *Bipartisan Coalition of 48 Attorneys General Allege Facebook Thwarted Competition, Reduced Consumer Privacy for Profits*

BALTIMORE, MD (December 9, 2020) - Maryland Attorney General Brian E. Frosh today announced a bipartisan coalition of 48 attorneys general has filed a [lawsuit](#) against Facebook Inc., alleging the company illegally stifles competition to protect its monopoly power. The lawsuit alleges that over the last decade, the social networking giant illegally acquired potential competitors in a predatory manner and cut services to smaller apps, depriving users of the benefits of competition and reducing privacy protections and services.

“Facebook manipulated the market and misused its monopoly power to the detriment of users,” said Attorney General Frosh. “Our lawsuit will bring the market back into balance, allow other businesses to compete and protect the privacy of millions of users.”

Since 2004, Facebook has operated as a social networking service that facilitates sharing content online without charging users a fee. Rather, Facebook provides these services in exchange for a user’s time, attention, and personal data. Facebook monetizes its business by using the data it collects from users to deliver highly targeted advertising. To maintain its market dominance in social networking, Facebook employs a variety of methods to impede competing services. The two most utilized strategies have been to acquire smaller rivals and potential rivals before they could threaten Facebook’s dominance, and to suffocate third-party developers that Facebook invited to utilize its platform.

Reduced Privacy and Fewer Options:

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

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 tools to monitor new apps to determine what is gaining traction with users. That data helps Facebook select acquisition targets that pose the greatest threats to Facebook’s

dominance. The elimination of competitive alternatives means users have no alternative to Facebook, fueling its growth and further entrenching its position. The two most obvious examples of this strategy of acquiring potential competitors were Instagram and WhatsApp - both of which posed threats to Facebook's monopoly.

Cutting Competitors Off from Facebook:

At first, Facebook opened its platform to apps created by third-party developers to increase functionality on the site and, consequently, increase the number of users on Facebook. Facebook also drove traffic to third-party sites by making it easier for users to sign in, so that Facebook could capture valuable data about its users' off-Facebook activity and enhance its ability to target advertising. Not only did Facebook benefit monetarily through the third-party developers' revenue, but Facebook's services were expanded, as Facebook did not have the capacity to create and develop all the useful social features offered through third-party developers.

After years of promoting open access to its platform, in 2011 Facebook began to rescind and block access to apps that Facebook 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.

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 - reaping the company billions every month.

Specific Violations:

Facebook is specifically charged with violating Section 2 of the Sherman Act, which prohibits a single firm from monopolizing or attempting to monopolize any interstate trade. In addition, Facebook is charged with multiple violations of Section 7 of the Clayton Act, which prohibits acquisitions that may reduce competition or create a monopoly.

Remedies:

The coalition 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. 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.

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 coalition wishes to thank the FTC for its close working relationship and collaboration during this investigation.

In addition to Maryland, the lawsuit was joined by the attorneys general of Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming, the District of Columbia, and the territory of Guam.