

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA**

**FEDERAL TRADE COMMISSION**  
600 Pennsylvania Avenue, N.W.  
Washington, DC 20580

**Plaintiff,**

**v.**

**FACEBOOK, INC.**  
1601 Willow Road  
Menlo Park, CA 94025

**Defendant.**

**Case No.: 1:20-cv-03590**

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**COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF**

Plaintiff, the Federal Trade Commission (“FTC”), by its designated attorneys, petitions this Court pursuant to Section 13(b) of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. § 53(b), for a permanent injunction and other equitable relief against Defendant Facebook, Inc. (“Facebook”), to undo and prevent its anticompetitive conduct and unfair methods of competition in or affecting commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

**I. NATURE OF THE CASE**

1. Facebook is the world’s dominant online social network. More than 3 billion people regularly use Facebook’s services to connect with friends and family and enrich their social lives. But not content with attracting and retaining users through competition on the merits, Facebook has maintained its monopoly position by buying up companies that present competitive threats and by imposing restrictive policies that unjustifiably hinder actual or potential rivals that Facebook does not or cannot acquire.

2. Facebook holds monopoly power in the market for personal social networking services (“personal social networking” or “personal social networking services”) in the United States, which it enjoys primarily through its control of the largest and most profitable social network in the world, known internally at Facebook as “Facebook Blue,” and to much of the world simply as “Facebook.”

3. In the United States, Facebook Blue has more than [REDACTED] daily users and more than [REDACTED] monthly users. No other social network of comparable scale exists in the United States.

4. Facebook’s unmatched position has provided it with staggering profits. Facebook monetizes its personal social networking monopoly principally by selling advertising, which exploits a rich set of data about users’ activities, interests, and affiliations to target advertisements to users. Last year alone, Facebook generated revenues of more than \$70 billion and profits of more than \$18.5 billion.

5. Since toppling early rival Myspace and achieving monopoly power, Facebook has turned to playing defense through anticompetitive means. After identifying two significant competitive threats to its dominant position—Instagram and WhatsApp—Facebook moved to squelch those threats by buying the companies, reflecting CEO Mark Zuckerberg’s view, expressed in a 2008 email, that “*it is better to buy than compete.*” To further entrench its position, Facebook has also imposed anticompetitive conditions that restricted access to its valuable platform—conditions that Facebook personnel recognized as “anti user[,]” “hypocritical” in light of Facebook’s purported mission of enabling sharing, and a signal that “we’re scared that we can’t compete on our own merits.”

6. As Facebook has long recognized, its personal social networking monopoly is protected by high barriers to entry, including strong network effects. In particular, because a personal social network is generally more valuable to a user when more of that user's friends and family are already members, a new entrant faces significant difficulties in attracting a sufficient user base to compete with Facebook. Facebook's internal documents confirm that it is very difficult to win users with a social networking product built around a particular social "mechanic" (i.e., a particular way to connect and interact with others, such as photo-sharing) that is already being used by an incumbent with dominant ( phot)(t)-2 (3ng us)-1 (e)42 ( wDk7nd 2zmykic)6 (uF ( w)2 (y )10



world.” Emphasizing that this was a “really scary” outcome for Facebook, Mr. Zuckerberg suggested “we might want to consider paying a lot of money” for Instagram.

14. Mr. Zuckerberg recognized that by acquiring and controlling Instagram, Facebook would not only squelch the direct threat that Instagram posed, but also significantly hinder another firm from using photo-sharing on mobile phones to gain popularity as a provider of personal social networking. As Mr. Zuckerberg explained to Chief Financial Officer David Ebersman in an email, controlling Instagram would secure Facebook’s enduring dominance around one of the few social mechanics that could provide a footing for a competing personal social networking provider:

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smartphones to gain traction in personal social networking. Through its control of Instagram, Facebook has attempted to prevent Instagram from “cannibalizing” Facebook Blue, confirming that an independent Instagram would constitute a significant threat to Facebook’s personal social networking monopoly. Despite Facebook’s efforts, Facebook Blue has lost users and engagement to Instagram [REDACTED]

[REDACTED]

17. **WhatsApp Acquisition.** After neutralizing the threat from Instagram, Facebook turned to what it considered “the next biggest consumer risk” for Facebook Blue: the risk that an app offering mobile messaging services would *enter* the personal social networking market, either by adding personal social networking features or by launching a spinoff personal social networking app. Facebook identified the popular and widely used mobile messaging app, WhatsApp, as the most significant threat in this regard. Once again, though, rather than investing and innovating in an effort to out-compete WhatsApp, Facebook responded to the competitive threat by acquiring it.

18. By early 2012, the risk that a successful mobile messaging app available on multiple mobile operating systems could break into personal social networking had become a strategic focus for the company’s leadership. In an April 2012 email, for example, Mr. Zuckerberg identified a troubling global trend of “messaging apps . . . using messages as a springboard to build more general mobile social networks.” And by October 2012, the threat was widely recognized within Facebook, with a Facebook business growth director predicting internally that “[t]his might be the biggest threat we’ve ever faced as a company.”

19. Facebook’s attention soon focused on WhatsApp, which, by 2012, had become a uniquely threatening competitor in mobile messaging and an obvious candidate to enter the personal social networking market. Not locked into a single mobile operating system like Apple’s



23. In order to communicate with Facebook (i.e., send data to Facebook Blue, or retrieve data from Facebook Blue) third-party apps must use Facebook APIs. For many years—and continuously until a recent suspension under the glare of international antitrust and regulatory scrutiny—Facebook has made key APIs available to third-party apps *only* on the condition that they refrain from providing the same core pctiy

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restraints and monopolies, and is brought by an agency of the United States authorized by an Act of Congress to bring this action.

31. This Court has personal jurisdiction over Facebook because Facebook has the requisite constitutional contacts with the United States of America pursuant to 15 U.S.C. § 53(b).

32. Facebook's general business practices, and the unfair methods of competition alleged herein, are "in or affecting commerce" within the meaning of Section 5 of the FTC Act, 15 U.S.C. § 45.

33. Facebook is, and at all relevant times has been, a corporation, as the term "corporation" is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

**B. \_\_\_\_\_**

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with her friends' posts, through comments, replies, and reactions. Thus, personal social networking gives people a personalized social space in which they can share content with their persona.

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48. Social advertising is a type of display advertising, but it is distinct in several ways from the non-social display advertising on websites and apps that are not personal social networks. For example, in part because users must log in to a personal social network with unique user credentials, social advertising enables advertisers to target users based on personalized data regarding users' personal connections, activities, identity, demographics, interests, and hobbies. Also, in contrast to display advertising on other websites and apps, social advertising leverages high engagement and frequent contact with users, as well as the integration of advertisements directly into a user's feed of content generated by personal connections (including ads that resemble "native" content and boosted content). Social advertising also facilitates forms of engagement with the advertisement that are not available with other forms of display advertising—such as allowing a user to share an advertisement with a personal connection, or to "like" or follow an advertiser's page. Among other things, the foregoing characteristics enable social advertising providers to sell advertisers access to personally targeted "audiences" of highly engaged users, and to reach users that need not be actively searching for—or even aware of—the advertised product or service.

49. As Ms. Sandberg emphasized in a 2012 earnings call: "[O]n the question of where advertisers are, you know as I've said before, we are a third thing. We're not TV, we're not search. We are social advertising."

earnings reports, Facebook earns “substantially all of [its] revenue from selling advertising placements to marketers.”

## **V. RELEVANT MARKET AND MONOPOLY POWER**

### **A. Personal Social Networking in the United States**

51. The provision of personal social networking services (“personal social networking” or “personal social networking services”) in the United States is a relevant market.

52. Personal social networking services are a relevant product market. Personal social networking services consist of online services that enable and are used by people to maintain personal relationships and share experiences with friends, family, and other personal connections

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which may include a news feed or other similar feature, users share content—such as personal updates



58. Personal social networking is distinct from, and not reasonably interchangeable

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**B. Facebook's Monopoly Power**

61. Facebook provides personal social networking to users via its Facebook Blue and Instagram services.

62. Facebook Blue has been the dominant personal social networking provider in the United States since at least 2011. From the beginning, Mr. Zuckerberg has described Facebook Blue as being “about real connections to actual friends, so the stories coming in are of interest to the people receiving them, since they are significant to the person creating them.” [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Indeed, in August 2020, Mr. Zuckerberg testified that “the use cases that we’ve focused on the most over time are helping you connect . . . with your friends and family.” Similarly,

maintained a dominant share of the U.S. personal social networking market (in excess of 60%) since that time, until the present day. It is likely to continue to hold monopoly power for the foreseeable future.

65. Facebook's dominant position in the U.S. personal social networking market is durable, due to significant entry bar

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*of months that we waste translates to a double in their growth and a harder position*

88. By February 2012, Mr. Zuckerberg predicted that an independent Instagram could soon achieve massive scale, and suggested





97. Other close observers of Facebook recognized that Facebook had neutralized a significant competitive threat by buying Instagram. For example, in an email dated April 12, 2012, a major Facebook shareholder and former Facebook executive









alternatives to SMS, they are increasingly expanding into domains that more closely resemble traditional social-networking services.” A couple of weeks later, he wrote again to colleagues: “We’re continuing to focus on mobile messenger apps. Two takeaways: several of these apps are trying to expand into more full-fledged social networking; and a number are working on international expansion but with varying degrees of success.” Likewise, in an August 2013 email, the head of Facebook’s internal M&A group warned that “the scary part, of course, is that this kind of mobile messaging is a wedge into broader social activity / sharing on mobile we have historically led in web.”

110. Facebook executives and employees



116. But Facebook soon realized that it was far behind WhatsApp. To improve its performance and usage, Facebook would have had to spend considerable resources to catch up.

As Mr. Zuckerberg put it in April 2012:

[R]ight now, aside from Facebook integration, WhatsApp is legitimately a better product for mobile messaging than even our standalone Messenger app. It's more reliable and faster for sending messages. You get better signal and feedback via read receipts and last seen times. You can even reach most people easily via the contacts integration. . . . [W]hatsApp sends more mobile messages per day than we do by more than 2x, and they're growing about 3x faster week-over-week. This is a big deal. . . . [U]nfortunately for us, I don't think there's any way to directly minimize the advantage which is their momentum and growth rate. Their growth comes from the product and network they've built, so the best things that we can do is build out our product and network as well and as quickly as we can.

117. Facebook executives saw clearly that WhatsApp credibly threatened to increase its scale in mobile messaging in the United States as it had already done in Europe and elsewhere. One executive wrote to Mr. Zuckerberg on August 8, 2013: “[I] am really worried . . . these guys [WhatsApp] are the real deal!” He continued: “With the window of opportunity to solve the messaging situation shrinking there are a couple of things we might want to add to messenger 3.0 . . . . I will run it by you offline briefly to get your thoughts / see if we should double down now (it might be now or never given how fast these guys keep growing / the ambitions they are signaling)[.]” Mr. Zuckerberg responded: “[I]f they build substantive features beyond just making SMS free, that could be enough for them to tip markets like the US where SMS is still the primarily [sic] platform.”

118. Facebook executives and employees repeatedly identified WhatsApp internally as a unique threat to Facebook Blue that it would not be able to forestall through competition via Facebook Messenger. For example:

- a. In May 2013, a Facebook director of product growth commented of WhatsApp's CEO, Jan Koum, that he is “our biggest competitor/threat today[.]”

- b. In July 2013, a director of engineering wrote: “‘If we don’t build the thing that kills Facebook, someone else will,’ and that’s WhatsApp (see below). I personally think companies like WhatsApp are Facebook’s biggest threat . . . [.]”
- c. In August 2013, the Vice President of Growth noted: “We are definitely not playing in the same field as whatsapp does . . . . [W]e might be already too late as of today for a ‘start from scratch strategy’ . . . [.]”
- d. In September 2013, the Vice President of Growth wrote further that if WhatsApp became a platform “in a way that makes the user experience better / fuels growth - > we are f.ed / this cements them as leader[.]”

119. Facebook feared not only what WhatsApp would do independently; it also feared what WhatsApp would do in the hands of another purchaser. As Facebook’s Vice President of Growth wrote in October 2012, the “[b]iggest problem would be if it lands in the wrong hands...[.]” Facebook particularly feared an acquisition of WhatsApp by Google. As a manager of engineering and co-founder of a messaging app that Facebook acquired in 2011 warned colleagues in October 2012: “[T]he case for Google acquiring WhatsApp has only gotten stronger in the past 6 months. . . . [I]f [WhatsApp] is acquirable at all, the risks of us not being the acquirer have grown.” Facebook’s Vice President of Growth agreed: “[T]hat is definitely what I would do if I was them...[.]”

120. As with Instagram, Facebook decided to acquire WhatsApp rather than compete with it, in an effort to neutralize a significant competitive threat to its personal social networking monopoly. In April 2012, Mr. Zuckerberg wrote: “[I]’m the most worried about messaging. WhatsApp is already ahead of us in messaging in the same way Instagram was ‘ahead’ of us in photos.” He added: “I’d pay \$1b for them if we could get them.”



functionality by WhatsApp and the focus of Facebook on communication and linking the world's population, we think WhatsApp and Facebook were likely to more closely resemble each other over time, potentially creating noteworthy competition, which can now be avoided.

125. Another firm, Bernstein Research, noted of the deal:

The "distance" between the WhatsApp mobile stream and Facebook's mobile Newsfeed is not great and one could see the emergence of another 1 billion user service that could, over time, become a competitor to Facebook for user engagement. As an independent company or as part of another business such as Google, Twitter, or eBay, WhatsApp graph could be extended and used to create a feasible competitor to Facebook.

126. By acquiring WhatsApp, Facebook has suppressed the competitive threat that WhatsApp poses to Facebook's personal social networking monopoly. Facebook has kept WhatsApp cabined to providing mobile messaging services rather than allowing WhatsApp to become a competing personal social networking provider, and has limited promotion of WhatsApp in the United States. For example [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

127. In sum, Facebook's acquisition and control of WhatsApp represents the neutralization of a significant threat to Facebook Blue's personal social networking monopoly, and the unlawful maintenance of that monopoly by means other than merits competition. This conduct deprives users of the benefits of competition from an independent WhatsApp (either on its own or acquired by a third party), which would have the ability and incentive to enter the U.S. personal social networking market. Moreover, WhatsApp's strong focus on the protection of user privacy would offer a distinctively valuable option for many users, and would provide an important form of product differentiation for WhatsApp as an independent competitive threat in personal social

networking. Facebook’s ownership and control of WhatsApp also maintains a protective “moat” that deters and hinders other mobile messaging apps that could credibly threaten to enter the personal social networking market.

128. Facebook cannot substantiate merger-specific efficiencies or other procompetitive benefits sufficient to justify the WhatsApp acquisition.

**D. Facebook Maintained and Enforced Anticompetitive Conditions for Platform Access to Deter Competitive Threats to its Personal Social Networking Monopoly**

129. Facebook launched “Facebook Platform” in 2007 with the goal of becoming the infrastructure for

the third-party app. Third-party apps were motivated to install the Like button and encourage its use, as a “Like” would be shared on the user’s news feed and profile on Facebook Blue, which could attract additional users to the third-party app.

132. Usage of Open Graph grew rapidly. One week after the introduction of Open Graph, over 50,000 w



135. With the success of Facebook Platform, Facebook became important infrastructure for third-party apps and obtained immense power over apps' developmental trajectories, competitive decision-making, and investment strategies.

136. Facebook uses this power to deter and suppress competitive threats to its personal social networking monopoly. In particular, to protect its personal social networking monopoly, Facebook adopted conditional dealing policies that limited how third-party apps could use Facebook Platform. Specifically, between 2011 and 2018, Facebook made Facebook Platform, including certain commercially significant APIs, available to developers *only* on the condition that their apps neither competed with Facebook (including, at relevant times, by “replicating core functionality” of Facebook Blue or Facebook Messenger), nor promoted competitors. Facebook punished apps that violated these conditions by cutting off their use of commercially significant APIs, hindering their ability to develop into stronger competitive threats to Facebook Blue.

137. These actions, individually and in the aggregate, have suppressed the ability and incentive of apps in the Facebook ecosystem to become competitive threats to Facebook—and its personal social networking monopoly—in at least two ways. First, the public announcement and enforcement of the policies changed the incentives of software developers, deterring them from developing features and functionalities that would present a competitive threat to Facebook, or from working with other platforms that compete with Facebook. Second, enforcement of the policies—i.e., the actual termination of API access for competitive threats that attracted Facebook's attention—hindered the ability of individual businesses to threaten Facebook's personal social networking monopoly.



143. January 2013: no promotion / data export to any app that “replicates a core Facebook product or service.” On January 25, 2013, Facebook added a new condition to prevent developers from “replicating core functionality” (j0.(ec)TPEM@9172F60eb001,

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had resolved the spam problems revealed the real reason was because Circle posed a threat: “They are duplicating the [social] graph - and doing a rather excellent job if [sic] it. . . . They are also very directly creating a competing social network on top of that graph.” Indeed, Facebook continued to withhold access to its APIs after Circle remedied concerns that Facebook had flagged, with a Facebook manager stating: “While I appreciate that Circle has done all of the items below (or agrees to do them), we ultimately still have the replicating core functionality piece, which can’t be ‘fixed’.” Over the following weeks, Circle’s daily new users dropped from six hundred thousand per day to nearly zero.

155. Similarly, in J[(S)-21gereraed frl (e )-

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of personal social networking. As a result, users of personal social networking in the United States have been deprived of the benefits of additional competition for personal social networking.

163. The benefits to users of additional competition include some or all of the following: additional innovation (such as the development and introduction of new attractive features, functionalities, and business models to attract and retain users); quality improvements (such as improved features, functionalities, integrity measures, and user experiences to attract and retain users); and/or consumer choice (such as enabling users to select a personal social networking provider that more closely suits their preferences, including, but not limited to, preferences regarding the amount and nature of advertising, and the availability, quality, and variety of data protection privacy options for users, including, but not limited to, options regarding data gathering and data usage practices).

164. In addition, by monopolizing the U.S. market for personal social networking, Facebook also harmed, and continues to harm, competition for the sale of advertising in the United States. In particular, because personal social networking providers typically monetize through the sale of advertising, Facebook's suppression of competing personal social networking providers also has enabled Facebook to avoid close competition in the supply of advertising services.

165. Competing personal social networking providers would have been close competitors of Facebook Blue in the supply of advertising. This is because they would have been able to offer the distinctive advertising features described above that distinguish social advertising from other forms of display advertising, search advertising, and "offline" advertising. Instagram and WhatsApp, in particular, were each well-situated to develop into meaningful competitive constraints on Facebook Blue in the sale of advertising. Instagram's founders explicitly planned to develop advertising offerings to monetize the Instagram personal social network. And an



independent WhatsApp that developed a personal social networking offering would have had incentives to monetize it by offering advertising. Competing social networks may also have explored and developed alternative advertising models that consumers and advertisers preferred.

166. Facebook's anticompetitive conduct to maintain its personal social networking monopoly therefore also has neutralized, suppressed, and deterred competition for the sale of advertising, and deprived advertisers of the benefits of additional competition.

167. The benefits to advertisers of additional competition include some or all of the following: additional users to advertise to (as a result of increased innovation and improved quality of personal social networking for users); lower advertising prices (as additional advertising competition would incentivize reductions in advertising prices); additional innovation (as additional advertising competition would incentivize the development and introduction of

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**IX. VIOLATION OF LAW**

**Monopolization of Personal Social Networking Arising Under Section 2 of the Sherman Act**

169. The FTC re-alleges and incorporates by reference the allegations in paragraphs 1-167 above.

170. At least since 2011, Facebook has had monopoly power in the United States with respect to personal social networking.

171. Facebook has willfully maintained its monopoly power through its course of



E. that Facebook is permanently enjoined from imposing anticompetitive conditions on access to APIs and data;

F. that Facebook is permanently enjoined from engaging in the following practices:

Dated: December 23, 2020

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