

SOFTWARE AND TECHNOLOGY

Facebook faces groundbreaking antitrust lawsuit

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Federal Trade Commission files lawsuit against Facebook. Image credit: Facebook

By LUXURY DAILY NEWS SERVICE

The [United States Federal Trade Commission](#) (FTC) sued social media conglomerate Facebook for illegally maintaining its personal social networking monopoly through a years-long course of anticompetitive conduct.

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After a lengthy investigation in cooperation with attorneys general of 46 states, the District of Columbia and Guam, the lawsuit accuses Facebook of engaging in a systematic strategy to eliminate threats to its monopoly through, but not limited to, the acquisition of rival platforms Instagram and WhatsApp. The FTC suggests that this course of conduct harms competition, leaves consumers with few choices for personal social networking and deprives digital marketers of the benefits of competition.

"Personal social networking is central to the lives of millions of Americans," said Ian Conner, director of the FTC's [Bureau of Competition](#), in a statement. "Facebook's actions to entrench and maintain its monopoly deny consumers the benefits of competition.

"Our aim is to roll back Facebook's anticompetitive conduct and restore competition so that innovation and free competition can thrive," he said.

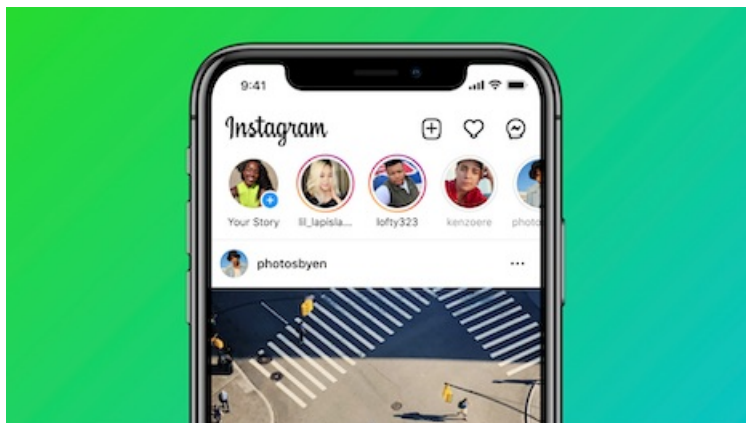
Anticompetitive acquisitions and conduct

In 2012, Instagram emerged as a rapidly growing startup platform at a time when users of social networking services were moving from desktop computers to smartphones. According to the FTC, Facebook executives quickly recognized Instagram as a massive threat to Facebook's monopoly power.

The lawsuit alleges that Facebook had initially attempted to compete with Instagram on the merits by improving its own services, but it ultimately chose to buy Instagram rather than compete with it. The complaint suggests that Facebook's acquisition of Instagram neutralized the direct threat and made it more difficult for other social networking competitors to gain traction.

Around the same time, mobile messaging application WhatsApp emerged as a clear global category leader in the category. Facebook acquired WhatsApp in 2014 for \$14 billion and, according to the FTC, once again chose to buy

the threat rather than compete with it.



Facebook acquired Instagram for \$1 billion in 2012. Image credit: Instagram

Similar to Instagram, the acquisition of WhatsApp allegedly neutralized the prospect that WhatsApp itself might have threatened Facebook's personal social networking monopoly and ensured that any future threat will have a difficult time gaining scale within the realm of mobile messaging.

In terms of conduct, the FTC is accusing Facebook of imposing anticompetitive conditions on third-party software developers, such as the application programming interfaces that allow developers' apps to interface with Facebook. For example, Facebook has allegedly made APIs available to third-party applications on the condition that they refrain from developing competing functionalities and from connecting with or promoting other social networking services.

In 2013, Twitter launched the app Vine, which allowed users to shoot and share short form video content. In response, according to the lawsuit, Facebook shut down the API that would have allowed Vine to access friends via Facebook.

In October, the Department of Justice filed an antitrust lawsuit against tech giant Google, arguing that the company unfairly dominates online search and advertising to the point at which consumers and competitors are being harmed. Since the DOJ's landmark case against Microsoft nearly 20 years ago, this was the most significant legal action taken by the Department, Congress and state attorneys against a technology corporation ([see story](#)).

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