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3 **UNITED STATES DISTRICT COURT**
4 **NORTHERN DISTRICT OF CALIFORNIA**
5 **SAN JOSE DIVISION**

6
7 REVEAL CHAT HOLDCO LLC, et al.,

Case No. 20-cv-00363-BLF

8 Plaintiffs,

9 v.

**ORDER GRANTING MOTION TO
DISMISS**

10 FACEBOOK, INC.,

[Re: ECF 71]

11 Defendant.

United States District Court
Northern District of California

12
13 Three web developers—Reveal Chat Holdco LLC (“Reveal Chat”), USA Technology and
14 Management Services, Inc. (“Lenddo”), and Beehive Biometric, Inc. (“Beehive”) (collectively
15 “Plaintiffs”)—have brought this lawsuit against Defendant Facebook, Inc. (“Facebook”) for
16 removing access to a set of application programming interfaces (“APIs”) in 2015 that Plaintiffs
17 relied on for their mobile applications. *See* Am. Compl., ECF 62. Plaintiffs allege that Facebook’s
18 removal of these APIs was part of an elaborate scheme that violates Section 2 of the Sherman Act.
19 *See id.* The Court previously found that Plaintiffs’ claims were time-barred and granted them leave
20 to amend their complaint. *See* Order (“Prior MTD order”), ECF 61. Facebook has again filed a
21 motion to dismiss that includes the threshold issue of whether Plaintiff’s claims are time-barred.
22 *See* Mot., ECF 71. Plaintiffs oppose this motion. *See* Opp’n, ECF 73. The Court held a two-hour
23 oral argument on December 3, 2020, giving Plaintiffs ample opportunity to discuss the viability of
24 their claims. *See* Min Entry, ECF 78. For the reasons detailed below, the Court GRANTS
25 Facebook’s motion.

26 **I. BACKGROUND**

27 Plaintiffs allege that between 2004 and 2010, Facebook vanquished a number of rivals in
28

1 Facebook stood alone as the dominant player in the newly emergent market for social data (the
2 ‘Social Data Market’)—a market in which Facebook’s own users provided Facebook with a
3 constant stream of uniquely valuable information, which Facebook in turn monetized through the
4 sale of social data (for example, through advertising, monetizing APIs, or other forms of
5 commercializing access to Facebook’s network).” Am. Compl. ¶ 90. Facebook sold access to
6 social data to developers and sold advertisements targeting Facebook’s network of engaged and
7 active users. Am. Compl. ¶ 91. Because user data made Facebook’s network more valuable and
8 thus attracted more customers, which then led to more data and more customers, a feedback loop
9 emerged. Am. Compl. ¶¶ 92-95. Data provided by users made Facebook’s network more valuable,
10 thereby attracting more users to the network. Am. Compl. ¶ 92. A barrier to entry emerged from
11 this feedback loop—to compete with Facebook, a new entrant would have to rapidly replicate both
12 the breadth and value of the Facebook network by building its own vast network and duplicating
13 the active user engagement on the same massive scale. Am. Compl. ¶ 95. Plaintiffs allege that this
14 “Social Data Barrier to Entry” allows Facebook to control and increase prices in the Social Data
15 and Social Advertising Markets without the pressures of price competition from existing
16 competitors or new entrants. Am. Compl. ¶ 96.

17 In 2012, Facebook coined the term “Open Graph” “to describe a set of tools developers
18 could use to traverse Facebook’s network of users, including the social data that resulted from user
19 engagement.” Am. Compl. ¶ 131. Open Graph contained a set of APIs, which “allowed those
20 creating their own social applications to query the Facebook network for information.” Am.
21 Compl. ¶ 132. Beginning in the fall of 2011, to allegedly address the threat posed by mobile
22 applications, Facebook devised a scheme to attract third-party developers to build for their
23 platform and then remove access to the APIs that were central to these applications. Am. Compl. ¶
24 157. For example, the “Friends API” allowed third-party developers to search through a user’s
25 friends, as well as their friends of friends. Am. Compl. ¶ 158. Plaintiffs consider the Friends API,
26 News Feed API, and certain Messaging APIs the “Core APIs.” Am. Compl. ¶ 5. Without access to
27 this data, third-party applications “would be abruptly left with none of the social data they needed

28 to function.” Am. Compl. ¶ 159. By August 2012, Facebook planned to prevent competitive third-

1 party applications from buying social data from Facebook. Am. Compl. ¶ 167. Facebook even
2 identified direct, horizontal competitors in the Social Data and Social Advertising Markets. Am.
3 Compl. ¶ 168. In November 2012, Facebook announced that it would block competitors or require
4 full data reciprocity for continued access to its data. Am. Compl. ¶ 176. Plaintiffs allege that
5 Facebook’s statements from September 2011 through April 2014 about the functionality of the
6 Core APIs were false, half-truths that created a duty to speak fully and truthfully about the Core
7 APIs. Am. Compl. ¶ 450.

8 In April 2014, Facebook announced that it would remove access to several “rarely used”
9 APIs, including the Friends and News Feed APIs. Am. Compl. ¶ 242. Plaintiffs allege that these
10 APIs were in fact quite popular and relied on by tens of thousands of third-party applications. Am.
11 Compl. ¶ 243. After this announcement and through the full removal of the APIs in April 2015,
12 Facebook entered into Whitelist and Data Sharing Agreements with certain third-party developers
13 that allowed continued access to the Friends or News Feed APIs and included a provision
14 acknowledging that the covered APIs were not available to the general public. Am. Compl. ¶¶
15 247-248. These agreements “were only offered in exchange for massive purchases of Facebook’s
16 social data through mobile advertising and/or through the provision of the developer’s own social
17 data back to Facebook (so-called ‘reciprocity’).” Am. Compl. ¶ 249. Plaintiffs allege that
18 Facebook covered up the real reason for the removal of the APIs—while Facebook publicly stated
19 that the change was made to give users more control over their data, Plaintiffs allege that the real
20 reason for the change was to kill applications that were competitive or potentially competitive
21 with Facebook. Am. Compl. ¶¶ 461-62, 469. Plaintiffs allege that they first learned that
22 Facebook’s purported reasons for the removal of the APIs was false on November 6, 2019, when
23 NBC News posted a trove of internal Facebook documents seized by the United Kingdom
24 Parliament that allegedly showed that Facebook internally viewed the purported withdrawal as
25 lacking any legitimate business or technical justification and that the scheme had a broad impact
26 on competition. Am. Compl. ¶ 475.

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