	Case 4:21-cv-08812-JST	Document 97	' Filed 10/28/22	Page 1 of 200				
1 2 3 4 5 6 7 8	BERNSTEIN LITOWITZ BERGE & GROSSMANN LLP JONATHAN D. USLANER (Bar No (jonathanu@blbglaw.com) CAITLIN BOZMAN (Bar No. 34372 (caitlin.bozman@blbglaw.com) 2121 Avenue of the Stars, Suite 2575 Los Angeles, CA 90067 Tel: (310) 819-3470 Counsel for Lead Plaintiffs Ohio Public Employees Retirement Sy PFA Pension Forsikringsaktieselskab [Additional Counsel Appear on Signature Page]	P R . 256898) 21) ystem and						
9								
10	UNITED STATES DISTRICT COURT							
11		N DISTRICT SAN JOSE DIV	OF CALIFORNIA /ISION					
12	IN DE META DI ATEODME INC.	1.	ad Case No. 421 a					
13	IN RE META PLATFORMS, INC. SECURITIES LITIGATION		ead Case No. 4:21-c					
14				b. 4:21-cv-08873-JST				
15		AI	MENDED CLASS					
16				VIOLATIONS OF CURITIES LAWS				
17		<u>CI</u>	LASS ACTION					
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
	CKET ARM Find authenticated co	urt documents w	vithout watermarks a	t <u>docketalarm.com</u> .				

		Case 4:21-cv-08812-JST Document 97 Filed 10/28/22 Page 2 of 200
1		TABLE OF CONTENTS
2		<u>Page</u>
3	I.	INTRODUCTION
4	II.	JURISDICTION AND VENUE
5	III.	PARTIES
6		A. Lead Plaintiffs
7		B. Defendants
8	IV.	SUMMARY OF THE FRAUD
9 10		A. Before the Class Period, Meta Notices Material Negative Trends in Its User Base and Engagement that Threaten Its Profitability
11		B. Defendants Make a Series of Misstatements and Omissions Concerning Meta's Content-Moderation Practices, Algorithm, the Impact of its Platforms on Its Users, and the Size of Its User Base
12 13		1. Contrary to Defendants' Public Representations, Meta Exempted Several Million High-Profile Users from Its Content-Moderation
14		Policies, Allowing Them to Violate "Community Standards" with Impunity
15		a. Defendants Assure Investors that Meta Applies Its Content Standards Equally to All Users
16 17		b. In Truth, Meta's "Cross-Check" and "Whitelisting" Practices Exempted Several Million High-Profile Users from Content Enforcement
18 19		c. Meta's Own Oversight Board Excoriated the Company for Misrepresenting and Concealing Cross-Check
20		2. Defendants Made Material Misstatements and Omissions
21 22		Concerning the Fact That Meta's News Feed Algorithm and Content-Moderation Practices Promoted Toxic Content and Misinformation
23		a. The News Feed Is Facebook's Primary Content- Delivery Mechanism
24		b. Defendants Changed the News Feed Algorithm in
25		2018, Stating that the Change Prioritized "Meaningful Social Interactions"
26 27		c. Meta Quickly Determines that its 2018 Changes to the News Feed Algorithm Caused Hateful, Toxic
28		Content and Misinformation to Be "Inordinately Prevalent"
	CK	ET R M Find authenticated court documents without watermarks at <u>docketalarm.com</u> .

	Case 4:21-	cv-088	12-JST Document 97 Filed 10/28/22 Page 3 of 200
1 2		d.	Defendants Made Numerous False and Misleading Representations Concerning the News Feed Algorithm and Meta's Content Moderation
3 4		e.	Copious Internal Research Documented that the Algorithm Caused Toxic Content to Proliferate, But Meta and Zuckerberg Chose Not to Fix the Problem
5 6		f.	Defendants' Inability and Unwillingness to Effectively Moderate Content Made It Impossible to Achieve Meta's Publicly Stated Objectives to Support COVID-19 Vaccination
7 8 9	3.	Down Know	Falsely Touts Its Commitment to Children's Safety and plays and Denies the Harms Caused by Its Platforms, Despite ing from Extensive Internal Research that Its Platforms ely Harm Teens, Especially Teen Girls
10		a.	Defendants Launch a Campaign to "Race for Teen Users"
11 12		b.	Meta's Internal Research Demonstrates that Instagram's Negative Impacts on Teens, Especially Teen Girls, Are "Common" And "Severe"
13 14		c.	Defendants Conceal Meta's Internal Research on Teen Mental Health from the Public
15		d.	"Winning with Tweens": Meta Works to Attract Even Younger Users Because It Is Losing the "Race
16			for Teens"
17 18		e.	Defendants Falsely Tout Meta's Commitment to Children's Safety, Assure the Public that Meta's Platforms Do Not Harm Children, and Characterize
19			the Research as Inconclusive72
20		f.	Meta Doubles Down on Its Efforts to Target Young Users, Its False Assurances, and Its Denials of the Negative Impact of Its Platforms on Children
21	4.	Moto	
22	4.		Mispresents Its User Growth Metrics Due to the Prevalence of cate or SUMA Accounts Among New Accounts77
23		a.	User Growth Was a Key Metric for Investors77
24		b.	Meta Sold Facebook as a "Real Identity" Platform
25			Where Advertisers Could Reliably Target Key Demographics like Teens and Young Adults
26		c.	Meta Misstates Facebook's User Growth Metrics79
27		d.	In Truth, Meta Knew that Duplicate Accounts Were
28			Far More Prevalent in New Accounts than Reported, and Teen and Young Adult Use and Engagement Was Actually in Decline 81
		authen	ticated court documents without watermarks at <u>docketalarm.com</u> .

	Case	4:21-0	cv-0881	L2-JST Document 97 Filed 10/28/22 Page 4 of 200
1				rice Declines in Response to the Publication of the Facebook itional Disclosures Connected to the Fraud
2 3		1.		Vall Street Journal Publishes the Facebook Files and dants Push Back with Denials 83
4 5 6			a.	September 13, 2021: the September 13 Facebook File Describes Internal Documents Showing that Meta Allowed Millions of Users to Violate Its Community Standards and Post Harmful Content with Impunity
7 8 9			b.	September 14, 2021: the September 14 Facebook File Showcases How Meta Profited by Making Instagram "Toxic" for Teens, Causing New Congressional Scrutiny
9 10 11			с.	September 15, 2021: the September 15 Facebook File Describes How Meta's Changes to Its News Feed Algorithm and Content Moderation Failures Generated Prevalent Toxic Content
12		2.		s Stock Price Declines Further in Response to Subsequent sures Connected to the Fraud
13 14 15			a.	September 21-22, 2021: Meta's Oversight Board Calls for More "Transparency" on X-Check, While Senators Grill Meta over How Facebook Harms Teens
13 16 17 18			b.	September 27-28, 2021: Meta Pauses Instagram Kids, <i>The Wall Street Journal</i> Reveals How Meta Planned to Attract Preteens to Its Platforms, and Meta Seeks a Review of X-Check by the Oversight Board
19			c.	October 3, 2021: the Facebook Files Whistleblower Is Revealed
20 21			d.	October 6, 2021: Meta Halts New Product Launches and European Regulators Work with the
22				Whistleblower110
23			e.	October 21, 2021: the Oversight Board Condemns Meta for Withholding Relevant Information About X Check Mata Admits that Its Statements to the
24				X-Check, Meta Admits that Its Statements to the Oversight Board Were Misleading, and <i>The Wall</i> <i>Street Journal</i> Releases New Information About
25				Meta's User Metrics
26				(1) The Oversight Board Formally Reviews X-Check112
27				(2) <i>The Wall Street Journal</i> Reveals That Up to 56% of New Accounts Are Created by Existing Users113
28				
	CKET	Find	authent	icated court documents without watermarks at <u>docketalarm.com</u> .

		Case	e 4:21-cv-08812-JST Document 97 Filed 10/28/22 Page 5 of 200					
1	V.	POST-CLASS PERIOD DEVELOPMENTS						
2		А.	Another Whistleblower Corroborates Haugen's Complaints and the Facebook Files	115				
3 4		B.	A News Outlet Consortium Gains Access to the Facebook Papers, Corroborating the Facebook Files and Expanding on the Platforms' Harms	115				
5		C.	Analysts React to the Facebook Files and Ensuing Developments	116				
6		D.	Investigations Concerning Meta's Promotion of Instagram to Children and Young Adults Commence as Scrutiny Intensifies	117				
7 8	VI.		ENDANTS' MATERIALLY FALSE AND MISLEADING STATEMENTS OMISSIONS	119				
9		A.	False and Misleading Statements Representing that Meta Applied Its Content-Moderation Policies Consistently to All Users	119				
10 11		В.	False and Misleading Statements Concerning Presence and Impact of Misinformation and Harmful Content on Meta's Platforms	132				
12			1. Defendants' False and Misleading Statements Concerning Meta's Algorithms and Harmful Content on Meta's Platforms	132				
13 14			2. Additional False and Misleading Statements Concerning Meta's Ability and Willingness to Moderate Misinformation and Harmful					
15 16		C.	Content on Its Platforms False and Misleading Statements Denying Instagram's Harm to Young					
17		D.	Users False and Misleading Statements Representing that Meta's Metrics for Counting Users Were Accurate and Reliable					
18	VII.	ADDI	TIONAL LOSS CAUSATION ALLEGATIONS					
19	VIII.		TIONAL SCIENTER ALLEGATIONS					
20	IX.	INAPPLICABILITY OF STATUTORY SAFE HARBOR						
21	X.	THE PRESUMPTION OF RELIANCE						
22	XI.	CLASS ACTION ALLEGATIONS						
23 24	XII.	CLAIMS FOR RELIEF						
24 25		COUN	NT I	190				
23 26		COUN	NT II	192				
27	XIII.	PRAY	YER FOR RELIEF	193				
28								

DOCKET ALARM Find authenticated court documents without watermarks at <u>docketalarm.com</u>.

DOCKET A L A R M



Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.