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10 **UNITED STATES DISTRICT COURT**
11 **NORTHERN DISTRICT OF CALIFORNIA**
12 **SAN JOSE DIVISION**

14 MAXIMILIAN KLEIN, et al.,

15 Plaintiffs,

16 vs.

17 FACEBOOK, INC.,

18 Defendant.

19 This Document Relates To: All Actions
20

Consolidated Case No. 5:20-cv-08570-LHK

**CONSUMER CLASS PLAINTIFFS' AND
ADVERTISER CLASS PLAINTIFFS'
SUPPLEMENTAL BRIEF REGARDING
GOVERNMENT ORDERS**

The Hon. Lucy H. Koh

Hearing Date: July 15, 2021 at 1:30 p.m.

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TABLE OF CONTENTS

Page

- I. FEDERAL TRADE COMMISSION ORDER1

 - A. The FTC Order Sustained the FTC’s PSN Market Definition1
 - B. Determinations Regarding FTC’s Monopoly Power Allegations2

- II. STATES ORDER.....4

 - A. Determinations Regarding Facebook’s “Platform” Access Policies.....4
 - B. Determinations that Injunctive Relief as to Individual Acquisitions Barred by Laches.....4

1 Facebook claims that the District Court for the District of Columbia’s (“D.D.C.”) dismissal
2 of the government antitrust lawsuits against Facebook requires dismissal of these private actions.
3 Dkt. 114 at 5. Both the Consumer Complaint (“CC”) and the Advertiser Complaint (“AC”),
4 however, present materially different legal theories and factual allegations that the D.D.C.
5 indisputably did not (and could not) resolve. And those decisions reject some of the same arguments
6 Facebook advances here, further highlighting why its motion, Dkt. 97 (“Mot.”), should be denied.

7 I. FEDERAL TRADE COMMISSION ORDER

8 A. The FTC Order Sustained the FTC’s PSN Market Definition

9 Consumers. In finding the “Personal Social Networking Services” market plausible, the
10 D.D.C. *rejected* many of the arguments that Facebook repeats here. *Fed. Trade Comm’n v.*
11 *Facebook, Inc.*, No. 20-cv-03590 (D.D.C. June 28, 2021), Dkt. 73 (“FTC Order”) at 23.

12 Although there are some differences, the FTC’s PSN Market definition is highly similar to
13 Consumers’ Social Network Market definition. In finding the PSN Market plausible, the D.D.C.
14 necessarily disposed of Facebook’s argument that such a market definition fails because the products
15 in it are purportedly “free and available in unlimited quantities.” FTC Order at 23; Mot. at 15; Dkt.
16 109 (“Opp.”) at 16. The D.D.C. explicitly rejected Facebook’s argument that market definition
17 requires reference to demand cross-elasticity, even where reasonable interchangeability is alleged.
18 FTC Order at 24; Mot. at 17–18; Opp. at 17–18. And the D.D.C. also rejected Facebook’s arguments
19 regarding what firms are in the PSN Market and its attempts to inject in “other possible substitutes,”
20 all of which Facebook improperly parrots here. FTC Order at 25–26; Mot. at 15–18; Opp. at 16–18.

21 Advertisers. The FTC did not allege, and the D.D.C. did not address, Advertisers’ Social
22 Advertising Market. However, the D.D.C. rejected Facebook’s factual disputes concerning the
23 FTC’s well-pleaded allegations that consumers would not substitute other services. FTC Order at
24 25. In this case, Facebook “directly takes aim,” *id.* at 25, at Advertisers’ allegations that search and
25 display ads are not reasonable substitutes. Mot. at 15; *see* AC ¶¶ 413–444. Per the FTC Order, it is
26 improper at this stage “to engage in the sort of ‘deeply fact-intensive inquiry’” raised by Facebook
27 regarding market definition. FTC Order at 25. This underscores the flawed premise of Facebook’s
28 arguments on this issue here.

1 **B. Determinations Regarding FTC’s Monopoly Power Allegations**

2 The D.D.C. determined that the FTC’s “mere[.]” allegations that Facebook has “maintained
3 a dominant share” of the PSN Market “in excess of 60%” and that “no other social network of
4 comparable scale exists in the United States” do “not even provide an estimated figure or range for
5 Facebook’s market share at any point over the past ten years[.]” FTC Order at 27, 32.

6 **Consumers.** The D.D.C. rejected the FTC’s “exceeds 60%” allegation as “bare assertions”
7 of the minimum share usually required to establish monopoly power. FTC Order at 19, 28
8 (recognizing 60–65% usually required, collecting cases involving similar “threadbare recital[s]”).
9 But the CC does not allege merely the minimum share legally required; it alleges Facebook “has
10 market share of at least 85% of the Social Media Market” and that its share in the Social Network
11 Market “is higher” since the latter is a part of the former.¹ CC ¶¶ 56, 71, 286. As explained below,
12 the CC also alleges specific facts of Facebook’s share, not threadbare recitals of the legal minimum.

13 The D.D.C. noted that while the FTC’s lone “exceeds 60%” allegation “might sometimes be
14 acceptable” in a “case involving a more traditional goods market,” it was not there given the PSN
15 Market definition and the quantum of share alleged. FTC Order at 2, 27–28 (citing Phillip E. Areeda
16 & Herbert Hovenkamp, Antitrust Law § 531 (4th ed. 2014)). The treatise upon which the D.D.C.
17 relied rejects any “sliding scale” but explains that whether a “minimum share” is sufficient
18 “depends” on “confidence” as to market definition, such that a higher share may be needed to bolster
19 allegations of monopoly power in an “idiosyncratically drawn” market. Phillip E. Areeda & Herbert
20 Hovenkamp, Antitrust Law § 532a (5th ed. 2021). The D.D.C. did *not*, however, state that a factual
21 allegation of a specific market share, such as here (85%), can be disregarded. Nor could it. *See Bell*
22 *Atl. Corp. v. Twombly*, 550 U.S. 544, 556 (2007) (factual allegations “taken as true”); Areeda,
23 Antitrust Law § 532a (“Once a market is defined, no matter how tenuously, courts examine market
24 share on the assumption that all market definitions are alike.”). Instead, the D.D.C. faulted the FTC
25 for alleging merely the legal minimum of “exceeds 60%,” failing “to allege that Facebook has ever
26 . . . had something like 85% or even 75%” share, and failing to explain “which firms make up the

27 _____
28 ¹ Consumers also assert standalone attempted monopolization claims (which the FTC did not) for
each market. *See Rebel Oil Co. v. Atl. Richfield Co.*, 51 F.3d 1421, 1438 (9th Cir. 1995) (44% market

1 remaining 30–40%[.]” FTC Order at 30–31. Here, the CC alleges that Facebook controls more than
2 85% of the Social Media and Social Network Markets, past competitors are defunct, and current
3 competitors are “only a very small drop in the ocean[.]” CC ¶¶ 56, 68, 71, 140, 286.

4 The D.D.C. also explained that the FTC did not “offer any indication of the metric(s) or
5 method(s) it used to calculate Facebook’s market share[.]” FTC Order at 2. Consumers provide such
6 support for their specific share estimations including, *e.g.*, Facebook’s *own* estimation that it is
7 “95% of all social media in the US.”² CC ¶ 77. The CC also alleges that “more than 80% of the time
8 that consumers . . . spend using social media is spent on Facebook and Instagram,” explaining how
9 **Facebook** values and uses “time spent” to measure competitive performance, secretly gathering
10 Consumers’ data as to their time spent on other apps. *Id.* ¶¶ 78, 163–65, 211, 286; *accord* Dkt. 97-
11 6 at 8 (internal presentation cited at CC ¶ 77, and attached to Facebook’s motion, tracking that
12 “Facebook has ~125x the amount of *minutes spent* per user” compared to Google+). The CC cites
13 documents—*e.g.*, the House Report and an article Facebook attached to its motion (Dkt. 97-4 at 87–
14 88)—which use “time spent” to calculate market share.³ To the extent the D.D.C. suggested this
15 metric—which the FTC “sa[id] nothing about”—may be inapt for the PSN Market because “some
16 of the features offered by a Facebook” are not “part of” its PSN-services offerings,” FTC Order at
17 29–30, the CC does not exclude those features from Consumers’ markets. CC ¶¶ 15, 56, 59, 262.

18 The CC also supports its share estimates using Facebook’s high share of ad revenue. CC ¶¶
19 80, 286. The D.D.C. suggested that ad revenue itself “cannot be the right metric for measuring
20 market share here,” as it is “earned in a separate market . . . the market for advertising.” FTC Order
21 at 29. But the CC does not allege that Facebook’s ad revenue share *is* its share of the Social Network
22 or Social Media Markets; the CC alleges Facebook’s ad revenue share is probative of Facebook’s
23 Social Media Market share, since the more users a social network or social media app has, the more
24 popular it is with advertisers. CC ¶¶ 80, 83, 86; *cf. Nat’l Collegiate Athletic Ass’n v. Bd. of Regents*

25
26 _____
27 ² Facebook now disclaims its own internal estimates as “nearly a decade old,” “not track[ing]
28 Users’ alleged market definition,” and “irrelevant.” Mot. at 19. Its own estimation that it had near-
total power in some market *it* defines as “social media” is certainly relevant. *Cf.* FTC Order at 27.

³ The “95% of all social media” presentation cited at CC ¶ 77, which Facebook now disclaims but

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