

Meta faces problems it can't buy its way out of

Article

The news: As Meta (formerly Facebook Inc.) tries to right its embattled ad business, it faces a bevy of legal problems that could hurt the company's bottom line and put more pressure on regulators to take action:

- A **Texas lawsuit** over facial-recognition technology seeks damages potentially in the billions.
- The company will pay **\$90 million** to settle a 10-year-old data privacy suit.

Costly biometrics: Texas is suing Meta over its use of facial recognition technology.

- The lawsuit was filed on Monday and alleges that Facebook’s photo tagging system violated the Texas Capture or Use of Biometric Identifier (CUBI) Act by scanning Facebook user photos without permission.
- The suit also says Facebook downplayed that its automated tagging system was a massive biometric data collection initiative.
- The suit seeks to halt Meta from unauthorized use of Texans’ biometric information as well as **financial damages**: \$25,000 for each violation of CUBI, plus an additional \$10,000 per violation of the Texas Deceptive Trade Practices Act. In theory, that could be a sum in the 12-figure range.

Texas isn’t the only state with a biometric privacy law. In fact, Meta’s alleged violations of Illinois’ biometric privacy law forced a **\$650 million class action settlement** with that state in early 2021.

- Meta **announced** it would discontinue Facebook’s automated tagging system last November, likely in response to the Illinois lawsuit and other privacy headwinds.
- But the company hasn't promised to abstain from using facial recognition in other services, which could include its metaverse initiatives.

2012 suit settled: The company announced it would pay \$90 million as part of a settlement into a privacy lawsuit dating back to February 2012 that accused it of tracking users even when they were not logged onto the platform.

- The lawsuit said Meta had violated federal and state law by employing plug-ins to track users on websites that contained Facebook’s “Like” buttons across the internet—then sold users’ browsing behavior data to advertisers.

Meta also must contend with a \$3.2 billion class action lawsuit in the UK alleging that 44 million users there had their personal data exploited, in violation of the 1998 Competition Act. The suit alleges that Meta extracted an “unfair price” in exchange for its service.

The hits keep coming: These developments follow **a January ruling** by a federal judge allowing the Federal Trade Commission’s (FTC) antitrust lawsuit against Meta to move forward.

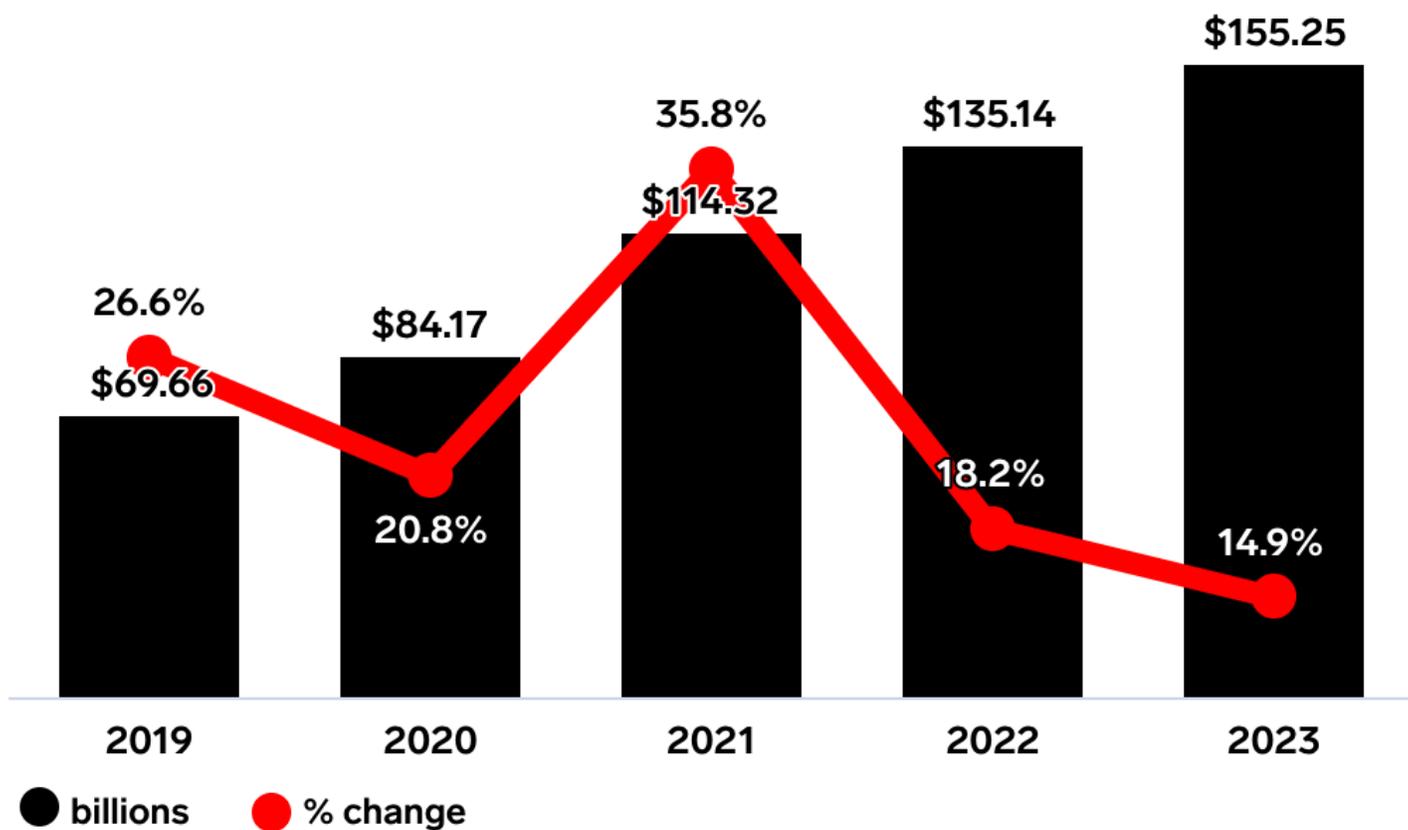
- With antitrust concerns looming, it’s unlikely Meta can make acquisitions to shore up its **slowing advertising business**.

- The company hasn't presented advertisers with a compelling solution to address **Apple's** iOS privacy changes and their effect on Meta's measurement capabilities.
- All of the above points to consumer sentiment regarding Meta's trustworthiness: A recently released study of US consumers by Advokate Group revealed that 77% have concerns about Meta's entry into the metaverse and ownership of users' data in that pursuit.
- 54% of respondents in a November 2021 Morning Consult study had a somewhat unfavorable or very unfavorable opinion of CEO Mark Zuckerberg.

The big takeaway: Meta has faced lawsuits and been forced into settlements in part due to its aggressive moves to find new monetization opportunities. But can the company continue to be as aggressive if regulators are scrutinizing it closely? There's ample evidence that the answer is no.

Facebook Ad Revenues

Worldwide, 2019-2023



Source: eMarketer, October 2021

eMarketer | InsiderIntelligence.com