

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

SOCIAL RANGER, LLC, a Delaware limited liability company,

Plaintiff,

v.

FACEBOOK, INC., a Delaware corporation,

Defendant.

C.A. NO.

Jury Demand

COMPLAINT FOR ANTITRUST VIOLATIONS

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ATTORNEYS FOR PLAINTIFF SOCIAL RANGER, LLC

Plaintiff Social Ranger, LLC alleges for its complaint against Defendant Facebook, Inc. on personal knowledge as to Plaintiff's own activities, and on information and belief as to the activities of others, as follows:

Introduction

1. This case is about Facebook violating the antitrust laws. It used dominance in one market, the social-game network market, to obtain a monopoly in a separate one, the virtual-currency services market. Super Rewards was a business that Facebook destroyed through its anticompetitive conduct. Plaintiff Social Ranger is Super Rewards' successor in interest.

2. Facebook operates Facebook.com, the world's dominant online social-networking website with over a billion users. But Facebook was not always the monolithic social network it is today. In 2007, when it had only approximately 50-million users, Facebook launched its development platform to grow its user base and increase the amount of time consumers spent on Facebook.com.

3. Facebook urged third-party software developers to create games for its platform. Thousands of developers did. They built "social games"—a distinct kind of game that exploits the unique gameplay characteristics available on a social-networking website. The explosion in social games increased Facebook's user base, revenue, and value, and made it the dominant player in the social-game network market.

4. When Facebook launched the platform, its CEO promised that social-game developers could keep any revenue they generated without limits on how developers could make money. So social-game developers turned to a separate market—the market for virtual-currency services. Virtual-currency service providers delivered a package of technology, payment-processing, and advertising services to social-game developers to help them generate revenue.

Super Rewards was among the earliest (and most successful) competitors in the virtual-currency services market.

5. In early 2009, Facebook began offering Facebook Credits, its own virtual-currency service, to compete with Super Rewards and its rivals. Yet Facebook charged a much higher rate than the market—often two or three times as much as its competitors. Facebook also provided a narrower range of services. Facebook Credits failed to gain a significant share of the virtual-currency services market when competing on the merits.

6. Unable to capture significant market share through competition, and with an initial public offering looming, Facebook changed its strategy. It exploited its position as the dominant participant in the social-game network market to force its competitors in the virtual-currency services market to the sidelines. Specifically, in July 2011, Facebook prohibited social-game developers from publishing games on Facebook.com unless they used Facebook to provide virtual-currency services.

7. Facebook's new policy wiped out the once-vibrant virtual-currency services market, including Super Rewards. By seizing this market for itself, Facebook reaped billions of dollars.

8. Through these actions, Facebook illegally monopolized and attempted to monopolize the virtual-currency services market under Section 2 of the Sherman Act. Facebook also engaged in illegal tying under Section 1 of the Sherman Act. Social Ranger is the express assignee of Super Rewards' antitrust claims and seeks its lost profits, three times its actual damages, attorney fees, and injunctive relief.

Jurisdiction and Venue

9. This Court has subject-matter jurisdiction under 28 U.S.C. § 1337 because Social Ranger's claims arise under the Sherman Act, 15 U.S.C. §§ 1 and 2.

10. This Court also has subject-matter jurisdiction under 28 U.S.C. § 1331 because Social Ranger's claims arise under the laws of the United States.

11. This Court has personal jurisdiction over Facebook because Facebook is incorporated in Delaware and because Facebook has continuous and systematic contacts in Delaware.

12. Venue is proper in this judicial district under 28 U.S.C. § 1391 because Facebook resides in this district and because a substantial portion of the events or omissions giving rise to Social Ranger's claims occurred in this district.

The Parties

13. Plaintiff Social Ranger, LLC is a Delaware limited liability. Social Ranger is the exclusive owner by express assignment of all claims, including antitrust claims, arising from the injuries Facebook caused to the Super Rewards business.

14. Defendant Facebook, Inc. is a Delaware corporation with its headquarters and principal business address at 1601 Willow Park Road, Menlo Park, California 94205.

The Relevant Markets

15. There are two relevant product markets for Social Ranger's antitrust claims: (1) the Social-Game Network market; and (2) the Virtual-Currency Services market.

16. The United States is the relevant geographic market for both relevant product markets.

A. The Social-Game Network Market

17. The "Social-Game Network" market includes social-networking websites that offer social games to users. In this market, a social-networking website offers a platform on which; (1) social-game developers can publish social games to the social-networking website's users and

access the network's social graph to enhance gameplay; and (2) social-networking website users can access and play social games with their friends while visiting the social-networking website.

18. There has been public and industry recognition of the Social-Game Network market.

19. For users, playing social games on a social networking website is distinct from other game types. Social games offer players the opportunity to interact briefly and repeatedly with other members of their existing social network—friends, family, and coworkers. Social-game users can play and interact with one another while visiting the social-networking website without having to first spend money to purchase the game, invest time to download or install a game, or access the game through a separate application. Through a social game, unlike other game types, users can easily find and connect with their friends over the social network to play games with them.

20. For developers, publishing social games on a social-networking website is distinct from other game markets. Social-game developers can publish games to be played in the user's web browser while visiting the social-networking website. Users need not leave the social-networking website to play social games. Instead, they can simultaneously play games, continue to interact with their connections over the social network, and enjoy other social-networking features.

21. Also unlike other game markets, a social-networking website offers social-game developers a massive number of potential players, a marketplace to reach them, and a mechanism for the widespread distribution of their games—*i.e.*, the players' existing social connections or “friends” on the social-networking website.

22. For both social-game users and developers, there are no reasonable substitutes for the social-networking websites in the Social-Game Network market. Social games available on a social-networking website like Facebook.com are distinct from games made available in other markets such as through direct-destination websites, mobile devices, and stores that sell games for dedicated hardware. Therefore, social-networking websites that offer social games to users are distinct from other platforms that make other game types available to users.

23. Social games on social-networking websites also offer social-game developers an economic model distinct from economic models for games distributed through other marketplaces.

24. Unlike most other game markets, social games are usually free for game players. This model is beneficial to social-game developers and to the social-networking website. If games are free, users visit the social-networking website more often and spend more time on it.

25. Unlike most game markets, social-game developers earn all revenue from in-game direct payments and by displaying advertisements. One social-game revenue model is game users pay social-game developers for virtual goods. Another revenue model is game users respond to in-game advertising offers, and the advertiser pays the social-game developer for promoting the offer.

26. Most social-game players spend little in direct-payment transactions. And advertisers pay relatively little to game developers on a per-response basis to their offers. So a game developer can only generate meaningful revenue if it can publish the game to a substantial number of users. Each individual player will generate only a small amount of revenue, if any, but millions of users together generate meaningful revenue. This economic model is different from

most other game markets because game developers in other markets can charge users directly for access to the game or hardware that displays the game.

27. Social-game developers design their games to reach as many users of the social-networking website as possible. Social games incorporate each user's existing social connections on that social network into gameplay.

28. Facebook's social-networking website at Facebook.com is dominant in the Social-Game Network market, and has been dominant since 2007. Facebook's competitors—like MySpace, Bebo, Hi5, Orkut, and Google+—have failed to challenge Facebook's dominance.

B. The Virtual-Currency Services Market

29. The "Virtual-Currency Services" market includes "Virtual-Currency Service Providers" that provide "Virtual-Currency Services" to social-game developers that develop games for the Social-Game Network market. Those Virtual-Currency Services include virtual-currency and virtual-reward management, payment-processing services, advertising offers, and related customer service for both social-game players and developers.

30. Social-game developers for social-networking websites focus on publishing games. Social-game developers generally do not have the infrastructure or volume to support developing proprietary solutions for direct-payment processing or advertising offers. So they turn to Virtual-Currency Service Providers that enable social-game developers to offer direct-payment transactions or advertising offers to game users in exchange for virtual currency or virtual rewards. Because the social-game developer has access to Virtual-Currency Service Providers, social-game players on social-networking websites can purchase virtual currency or virtual rewards by paying for it directly with real money using a range of payment methods, or receive it by participating in third-party advertising offers.

31. Virtual-Currency Service Providers process and track the various methods of acquiring virtual currency. They maintain relationships with advertisers and third-party payment processors. They build technology to analyze transactions and advertising offers and to dynamically adjust pricing strategies. Virtual-Currency Service Providers manage advertising campaigns 24 hours a day in real time. They have technology to detect and combat fraud. And Virtual-Currency Service Providers deliver customer support to both social-game players and developers in connection with these services.

32. Those responsibilities are beyond the primary expertise of the typical social-game developer. So instead of developing their own virtual-currency systems and maintaining relationships with payment processors and advertisers in addition to developing games, most social-game developers hired third-party Virtual-Currency Service Providers, such as Super Rewards.

33. Most game developers utilizing the Social-Game Network market can only monetize their games effectively through the use of Virtual-Currency Service Providers. There has been public and industry recognition of the Virtual-Currency Services market. Participants in the Virtual-Currency Services market have included Super Rewards, Offerpal, TrialPay, Getgambit, Facebook, and others.

34. There are no reasonable substitutes to Virtual-Currency Services available to social-game developers on social-networking websites. Virtual-Currency Service Providers offer social-game developers an integrated monetization solution that is cost effective. By engaging Virtual-Currency Services, the social-game developer can quickly and efficiently incorporate the ability to generate revenue into a game created and designed for the Social-Game Network market.

35. Other payment-processing services such as those provided by PayPal, credit card companies, or mobile-billing companies are not reasonable substitutes for Virtual-Currency Services to social-game developers. Among other reasons, those services are not tailored specifically for incorporation into a game, and are difficult to implement. They do not provide virtual-currency management, the same type or level of customer support, or alternative monetization services (like advertising) offered by Virtual-Currency Service Providers.

36. Similarly, other advertising-offer services are not reasonable substitutes for Virtual-Currency Services. Among other reasons, they do not provide virtual-currency management, the same type or level of customer support, or alternative monetization services (like direct payment) offered by Virtual-Currency Service Providers. Providing Virtual-Currency Services is difficult, time-consuming, and costly, and requires the specialized technology, relationships, experience, and capabilities that Virtual-Currency Service Providers have.

37. Facebook destroyed the Virtual-Currency Services market through its anticompetitive conduct.

Factual Background

38. Since 2004, Facebook has operated Facebook.com, a social-networking website.

39. Facebook.com users create online profiles with their name, personal information, and their existing contacts on Facebook (referred to as Facebook “friends”). Users share photos and videos they upload, and messages and comments they post or receive from other Facebook.com users. Users also may add content to other users’ profiles by sharing photos and videos, sending messages, or posting comments.

40. Facebook is the largest online social network with more than one-billion users.

41. But in early 2007, Facebook had only 50-million users and was not yet the leading social network.

A. In 2007, Facebook introduced its Platform, promising developers that they could make and keep money by publishing games on Facebook.com.

42. In May 2007, Facebook launched the Facebook Platform, a collection of software tools and services that allow third-party software developers to publish applications and games for Facebook.com users. The Platform allows developers to access members of Facebook's social network and their existing connections on Facebook.com.

43. Facebook launched the Platform as part of a strategy to increase its social-network market share and advertising revenue. Facebook's vice president of strategy explained, "First, we get additional usage and page views, and we can put ads towards that. But in addition, users will be telling us more about themselves by using a richer site, and we can use that information to serve them a more relevant experience, both in advertising and other ways."

44. Facebook wanted software developers to create games and applications for the Platform. To incentivize developers to invest in the Platform, Facebook promised that developers would control how they monetized games on the Facebook Platform.

45. For example, on May 24, 2007, Facebook issued a press release encouraging developers to build businesses around the Facebook Platform as a "new business opportunity" for developers:

New Business Opportunity As users benefit from new choices in the applications available through Facebook, developers can build their business at the same time. Applications within profiles will remain free of advertising, but Facebook is allowing developers to make money within their canvas pages, through advertising, or transactions that they control.

"This is good for us because if developers build great applications then they're providing a service to our users and strengthening the social graph," [Mark]

Zuckerberg said. “This is a big opportunity. We provide the integration and distribution and developers provide the applications. We help users share more information and together we benefit.”

46. At the launch of the Platform, Facebook’s CEO Zuckerberg promised, “Facebook will allow [developers] to make money, such as selling ads or conducting transactions.... [Developers] get to keep all the revenue and choose whatever ad delivery system they want.”

47. Zuckerberg further promised not to impose limitations on how developers could make money on the Facebook Platform, “they can sell sponsorships, they can have ads, they can sell things, they can link off to another site—we are just agnostic.”

48. Based on Facebook’s promises, hundreds of developers created games for the Facebook Platform and hired thousands of employees, and investors invested hundreds of millions or billions of dollars in those businesses.

49. The Facebook Platform provides developers with a unique opportunity to create games in which players can play, cooperate, and compete with their real-world friends. This is because the players have already made those connections in Facebook’s social network. And because games on Facebook.com are played in the user’s web browser while visiting Facebook’s website, users need not install or configure additional software or leave the website to play social games. Instead, they can simultaneously play games, continue to interact with their Facebook connections, and enjoy other features on Facebook.com.

B. Social games published on Facebook.com using the Platform fueled Facebook’s growth.

50. The Platform had the desired effect—as the number of applications on Facebook.com increased, Facebook’s user base grew exponentially.

51. Within six months of the Platform’s launch, 7,000 applications had been developed.

52. By July 2008, there were 33,000 applications and 400,000 developers on the Platform.

53. Facebook's Platform played an important role in Facebook's ability to overtake MySpace as the dominant social-networking website by December 2008.

54. By May 2010, the Platform had more than 1,000,000 developers and more than 550,000 applications. Facebook had 50-million monthly active users shortly before the Platform launched in 2007. Since then, Facebook has grown to more than one-billion users.

55. Facebook became the dominant participant in the Social-Game Network market in part because of businesses like Super Rewards that invested in and fostered the early Virtual-Currency Services market by providing services to monetize social games.

C. The Virtual-Currency Services market began to thrive.

56. With the proliferation of social games that accompanied the launch and growth of the Platform, social-game developers began to devise ingenious methods of monetizing social games and began to generate considerable and increasing revenues.

57. Social-game developers realized that selling virtual currency and virtual goods was a profitable way to monetize their games.

58. Social-game developers attract massive audiences by offering free gameplay. Once a player is engaged, the social-game developer can offer in-game enhancements in exchange for virtual currency, which the player must earn or purchase.

59. For example in Zynga's popular line of FarmVille social games, available on Facebook, players are given tools to build and manage virtual farms. But some of the animals and features available to upgrade these virtual farms are not free—they must be purchased with in-game virtual currency.

60. For social-game players, there are only a few ways to obtain virtual currency. The player can purchase virtual currency with real money, earn virtual currency by participating in in-game offers, or earn virtual currency by accomplishing in-game objectives. For example, in Zynga's FarmVille games, players earn in-game virtual currency by raising and selling virtual crops or completing other in-game tasks.

61. Operating a successful virtual-currency system is complex and requires specialized expertise and focus. Virtual-Currency Service Providers must process and track the various methods of acquiring virtual currency, and maintain relationships with advertisers and third-party payment processors. This requires the technology to analyze transactions and advertising offers and to dynamically adjust pricing strategies, the capability to manage advertising campaigns 24 hours a day in real-time, and the ability to detect and combat fraud. And it requires providing effective customer support in connection with these services.

62. Those responsibilities are beyond the primary expertise of the typical social-game developer. So instead of developing their own virtual-currency systems and maintaining relationships with payment processors and advertisers, most social-game developers hired Virtual-Currency Service Providers, such as Super Rewards.

63. Until Facebook destroyed the competitive Virtual-Currency Services market as discussed below, social-game developers could shop for the most effective and cost-efficient Virtual-Currency Service Provider. A social-game developer could fire one provider and switch to another based on service or price, or even use multiple providers.

64. As a result, a vibrant and competitive Virtual-Currency Services market rapidly emerged.

D. Super Rewards was a successful Virtual-Currency Service Provider.

65. In late 2007, Social Ranger's predecessor offered the Super Rewards virtual-currency system to social-game developers on Facebook.com and MySpace, then the two leading social networks. Super Rewards was among the earliest providers of Virtual-Currency Services to social-game developers.

66. Super Rewards provided numerous services and features to social-game developers. Super Rewards issued virtual currency to a social-game player in exchange for either (1) direct payment by credit card, stored value or debit card, PayPal transfer, bank transfer, mobile billing, or other payment source; or (2) responding to an advertisement or offer from one of Super Rewards' advertisers.

67. Super Rewards provided an "Offer Wall" that a developer could make available to players within the game as a way to obtain virtual currency. The Offer Wall featured ads from third-party advertisers who agreed to pay a fee if a player responded to an offer. Offers included viewing an online video about a merchant's product in exchange for virtual currency, or registering for a product trial in exchange for virtual currency.

68. The social-game-developer community recognized Super Rewards for its exceptional customer service. Super Rewards handled millions of customer inquiries, most of which involved game players asking about virtual-currency issues. Super Rewards managed game-user inquiries about their virtual-currency balance, transactions, and particular offers.

69. Super Rewards developed a system to allow Facebook to "approve" advertising offers before they became available in games published on Facebook.com.

70. By handling virtual-currency management and customer service, and by offering custom integration, Super Rewards allowed social-game developers to focus on making better games while still generating revenue.

71. Super Rewards competed on price, undercutting many of its competitors. After Super Rewards received payment from the user or advertiser, it generally paid the social-game developer 80–90 percent of the proceeds after making various deductions.

E. In May 2009, Facebook announced its own Virtual-Currency Service, Facebook Credits, which did not gain significant market share when developers had a choice.

72. The rising profits and growing businesses of Super Rewards and other Virtual-Currency Service Providers coincided with Facebook’s increasing need for revenue as it approached an initial public offering.

73. Facebook recognized the revenue opportunities in the Virtual-Currency Services market. So it began a deliberate campaign to enter and dominate that market.

74. In May 2009, Facebook launched Facebook Credits, a Virtual-Currency Service for social-game developers on Facebook.com.

75. Facebook charged social-game developers much higher commissions for its Virtual-Currency Services than did Super Rewards and its competitors. Facebook charged 30%, whereas third-party Virtual-Currency Service Providers like Super Rewards charged 10–20%.

76. Facebook also offered fewer services than Super Rewards and its competitors.

77. With Facebook Credits pricing so high and service quality so low, most social-game developers continued to use Virtual-Currency Services provided by third-party providers like Super Rewards.

F. Facebook forced the largest social-game developers on Facebook.com to start using Credits.

78. Throughout 2009, the markets for Social-Game Networks and Virtual-Currency Services continued to expand quickly. Facebook publicly acknowledged that Virtual-Currency Service Providers provided value to social-game developers. For example, in a post on Facebook's website for Platform developers, Facebook stated:

Applications on Facebook Platform are businesses, and we want those businesses to succeed. That's why there is a variety of ways to monetize your applications, including using third-party providers offering services to help you along the way....

79. In that same post, Facebook also provided a list of Virtual-Currency Service Providers that it encouraged social-game developers to use:

We have also updated the list of other known third party providers that are available to help you monetize your application. These providers are not affiliated with Facebook and, therefore, it is your responsibility as the developer to ensure compliance with all Facebook policies and advertising guidelines when using their services on our platform.

80. At the same time, Facebook was in the midst of a year-long campaign to monetize its Platform in anticipation of its initial public offering, and the Credits roll-out was a major component.

81. Facebook's strategy included getting the largest social-game developers to use Credits exclusively.

82. In early November 2009, Facebook began talks with the largest social-game developers about adopting Credits.

83. In February 2010, Facebook announced the public launch of Credits, which had previously been available only to select social-game developers.

84. But because the Virtual-Currency Services market was robustly competitive and well-functioning—and because Facebook charged a fee substantially higher than its competitors while offering fewer services—Credits was initially unsuccessful. So Facebook resorted to strong-arm tactics with the largest social-game developers.

85. Zynga was the largest social-game developer at the time. Facebook pressured Zynga to adopt Credits for all Virtual-Currency Services. Zynga initially refused to accede to Facebook's requests. So Facebook demanded that Zynga agree within 24 hours to use Credits exclusively or else Facebook would "shut down Zynga's games altogether."

86. Zynga ultimately capitulated and agreed to transition to Credits exclusively. Zynga later disclosed that Facebook forced it to switch to Credits, and that Zynga was harmed as a result. Zynga reported it had no choice but to comply because of Facebook's dominance and control over the Social-Game Network market.

87. Facebook successfully forced similar arrangements on other large social-game developers.

G. In 2011, Facebook eliminated competition in the Virtual-Currency Services market.

88. By the end of 2010, Facebook had coerced some major social-game developers to accept its overpriced Credits. As a result, Facebook was positioned to take the decisive step in its march toward dominating the Virtual-Currency Services market by making Credits the mandatory and exclusive Virtual-Currency Service for all social games on Facebook.com.

89. In January 2011, Facebook announced on its developer website that by July 2011 all social-game developers on Facebook.com would be required to use Facebook's Credits.

Facebook stated that developers' exclusive use of Credits would be a condition to access Facebook's Platform and the irreplaceable Facebook.com social-networking website.

90. Social-game developers could still use their own in-game currency, but could not accept any payment from a user for virtual currency, except through Credits. This meant developers could not monetize their games through direct-payment transactions or advertising offers, except through Credits.

91. Facebook's stated purpose for the policy change was to provide players with a safe and simple user experience and social-game developers with improved monetization.

92. Social-game developers were skeptical of Facebook's claimed purpose. But because Facebook controlled the dominant social-networking website that offered games—and therefore social-game developers' access to players—social-game developers had to comply with Facebook's costly new requirement.

H. Super Rewards' customers were forced to switch to Facebook's inferior and more expensive Credits.

93. After Facebook's public announcement, Super Rewards' clients began reluctantly migrating their games to using only Credits in advance of Facebook's July 1, 2011 deadline.

94. On June 23, 2011, in advance of the Credits-only policy, the CEO of the company that operated Super Rewards wrote to Facebook's General Counsel in an attempt to avoid the anticipated destruction of the Super Rewards business:

We operate a business which is a leading provider of virtual currency on the Facebook platform today. Due to Facebook's policy change on July 1st to make Facebook Credits mandatory and exclusive, we will be losing over \$70M a year in revenue when game developers that we represent will be forced to use Credits.

Since we aren't in the business of suing partners, I'd prefer to have a conversation with you to share some of this data and how we're thinking about our options. I'd like to understand your perspective on this issue and share ours as well. I'd prefer

to keep the conversation at a business level, and not involve lawyers or discuss legal merits.

95. After a phone call in which Facebook clarified some issues, Super Rewards wrote again on June 27, 2011 in an effort to determine whether the Credits policy would prohibit social-game developers from using third-party Virtual-Currency Service Providers like Super Rewards:

Although we're in agreement that Facebook is requiring its game developers to use Facebook Credits after July 1st, I still remain unclear as to whether Facebook is mandating "exclusivity" with these same developers, thereby requiring them to not use other payment methods after this date, such as [Super Rewards].

Facebook's posted Credits policy does not mention that such "exclusivity" is being required (<https://developers.facebook.com/policy/credits/>), but its other publications to the developer community do: (<http://www.facebook.com/help/?faq=131884160222181>), (<http://developers.facebook.com/attachment/FacebookCreditsIntegrationGuidev1.pdf>, slide 6, footnote at bottom), and (<http://developers.facebook.com/blog/post/516/>).

Because of these publications by Facebook, our developers are under the impression that Facebook has prohibited them from using our products on your platform after July 1st. If that's the case, then we lose nearly \$100M a year in revenue which has been growing rapidly. If that's not the case, would you please clarify so that we can contact our developers in an effort to save our business?

96. On June 28, 2011 Facebook responded, confirming that effective July 1, 2011, game developers on Facebook.com would "not be able to use" Super Rewards.

97. On June 28, 2011, Super Rewards responded to thank Facebook for clarifying the policy and to request that Facebook provide an explanation about its legal position:

As I'm sure you saw, the Washington Post ran an article today expressing concern about antitrust violations and Facebook Credits ([link below](#)). Since pressure is building on this topic, I need to be able to explain to our board that even though we're losing \$100M a year in revenue due to this change, Facebook is in compliance with law and it's in our best interest to be partners moving forward.

While I believe you when you said you were "very comfortable" with Facebook's legal position, I need to better understand that position to clearly communicate it to our shareholders and move past this issue. Would you mind spending an hour, or having someone on your team spend an hour, with our counsel to explain why Credits is in compliance with law? My guess is we're missing something.

Again, thanks for your help. I know this is an atypical request, but I'll return the favor if I can.

98. The next day, Facebook's General Counsel wrote that Facebook would not provide any explanation or participate in a phone call:

Thanks for the email. I think you have a good sense of where we stand, based on a number of conversations with your team over the past several months. With all respect, I don't think another call would be a productive use of time.

99. As predicted, Facebook's exclusive Credits policy destroyed the Super Rewards business.

I. Facebook destroyed the Super Rewards business and the competitive Virtual-Currency Services market, harming social-game developers and players.

100. Effective July 1, 2011, Facebook revised its Platform Policies—the contract between a social-game developer and Facebook that allowed the developer to access the Platform—to require developers to use only Credits for payments in games on Facebook.com:

9. Games on [Facebook.com] must use Facebook Credits as their sole and exclusive payment method for all virtual goods and currencies made available to users within the game. All other payment options are prohibited within games on Canvas Pages unless they go through Facebook Credits rather than directly through that payment option. By "Payment Method" we mean any method that allows a user to complete a transaction where the user receives virtual currency or virtual goods in a game on [Facebook.com] in exchange for anything of value, including, without limitation, by exchanging monetary value for virtual currency or virtual goods, whether directly at the time of purchase or via any previous transaction such as the user's earlier purchase of a prepaid gift card or electronic code. In-game rewards of virtual currency or virtual goods earned by users through game-play activity alone are exempt from this definition.

101. Facebook's revised Platform Policies also prohibited social-game developers from rewarding players with virtual currency in exchange for responding to offers—except through Facebook Credits:

10. Applications may reward users with virtual currency or virtual goods in exchange for user actions that do not involve third parties, but rewards for user

actions that involve third parties must be powered by Facebook Credits by integrating Facebook Credits offers. For example, you may not reward users with virtual currency or virtual goods in exchange for any action in which personally identifiable information is shared with a third party, you may not reward users with virtual currency or virtual goods in exchange for third party downloads, such as toolbars or ringtones, and you may not reward users with virtual currency for engaging in passive actions offered by third parties, such as watching a video, playing a mini-game, or taking an anonymous poll.

102. The revised Platform Policies provided that Facebook could prohibit a developer from accessing the Platform for any perceived violation by Facebook:

V. Enforcement. We can take enforcement action against you and any or all of your applications if we determine in our sole judgment that you or your application violates Facebook Platform Terms and Policies. Enforcement action is both automated and manual, and can include disabling your application, restricting you and your application's access to Platform functionality, terminating our agreements with you, or any other action as we in our sole discretion deem appropriate.

103. The revised Platform Policies incorporated the Facebook Credits Terms, which were now mandatory for all social-game developers with in-game payments.

104. Facebook blog posts and other public statements confirmed that as of July 1, 2011, games on Facebook.com could only process payments through Credits.

105. Super Rewards' business—the vast majority of which was with Facebook.com social-game developers—plummeted with days.

106. Facebook harmed Super Rewards through monopolization and illegal tying of the Virtual-Currency Services market. Facebook entirely foreclosed Super Rewards (and its former competitors) from that market and effectively shut down the competitive marketplace.

107. Similarly, social-game developers—the consumers of the Virtual-Currency Services—lost money because Facebook forced them to use the higher-priced Credits. As a result, social-game developers had to reduce expenses—e.g. by laying off employees, closing

offices, or producing lower-quality games—or increase costs they were charging consumer game players.

108. By eliminating competition, Facebook could charge social-game developers high prices for its Virtual-Currency Services without the risk of losing business to competitors. As a result of its exclusive Credits policy, Facebook’s revenue from fees charged to social-game developers on Facebook.com skyrocketed.

109. The now-mandatory Credits Terms also imposed a range of restrictions on social-game developers’ ability to conduct business outside of the Facebook.com social networking site.

110. For example, the Credits Terms prohibited social-game developers from charging a purchaser a “higher effective price in Credits for a good or service than [they] would for any other payment method that [they] accept for that good or service” outside of Facebook.

111. The Facebook Credits policy also harmed game players because the overall effect was higher prices for virtual goods and social gaming.

J. Facebook maintained its stranglehold on the Virtual-Currency Services market.

112. In June 2012, after Facebook seized the billion-dollar Virtual-Currency Services market, Facebook announced it would stop offering Credits as a site-wide virtual currency. However, it maintained its monopoly of the Virtual-Currency Services market.

113. Facebook explained that the supposed primary benefit of its July 2011 exclusive Credits policy—a single Facebook-wide virtual currency that would benefit both users and social-game developers—was no longer relevant:

Q: How is payments changing? Why is Facebook doing this?

A: Since we introduced Credits in 2009, most games on Facebook have implemented their own virtual currencies, reducing the need for a platform-wide

virtual currency. As a result, we are updating our payments product to support pricing in local currency (ex: US dollar, British pound and Japanese yen) instead of Credits.

114. The result of discontinuing Credits was requiring social-game developers to share 30% of all revenue with Facebook. But Facebook stopped providing services that the Virtual-Currency Services market competitively provided before Facebook captured it.

115. Despite no longer providing these services, Facebook continues to require that social-game developers exclusively use Facebook's payment system for any transaction involving real money. And Facebook still charges a 30-percent fee on those transactions.

116. Facebook advises social-game developers to develop, manage, and sell their own "in-app currency" using Facebook's payments system.

117. So while Facebook still charges social-game developers the steep 30-percent fee, they get little in return, just basic payment processing. Social-game developers must now also bear the cost of providing functionality that third-party providers such as Super Rewards included before Facebook drove them out of business.

118. Since July 2011, Facebook has generated nearly \$3 billion in revenue from fees charged to social-game developers on Facebook.com.

K. Social Ranger is prepared to enter the Virtual-Currency Services market and is suffering continuing injury due to Facebook's illegal actions.

119. Although Facebook essentially destroyed the Super Rewards business, along with the entire competitive marketplace of Virtual-Currency Service Providers, Social Ranger intends and is prepared to enter the market by offering Virtual-Currency Services to social-game developers on Facebook.com.

120. Social Ranger has the ability to finance a Virtual-Currency Services business.

121. Social Ranger and its affiliates already have all of the necessary facilities and equipment to operate a Virtual-Currency Services business or the ability to purchase or implement them.

122. Social Ranger and its affiliates have existing contracts for key infrastructure services and with advertisers and payment processors that would be used in a Virtual-Currency Services business.

123. Social Ranger's management, commonly-controlled companies, and affiliates are among the most experienced and successful in the world in developing and operating innovative online advertising and monetization businesses, including the former Super Rewards business.

First Cause of Action
Illegal Monopolization Under 15 U.S.C. § 2

124. Social Ranger incorporates Paragraphs 1–123 of this complaint by reference.

125. Facebook willfully acquired and maintained monopoly power in the Virtual-Currency Services market through its anticompetitive conduct described above. In so doing, Facebook inflicted substantial antitrust injury on Super Rewards in violation of the Sherman Act, § 2.

A. Facebook possesses monopoly power in the relevant market for Virtual-Currency Services.

126. Facebook's ability to control prices and exclude competition in the Virtual-Currency Services market is direct evidence of its monopoly power.

127. Facebook charges supracompetitive prices, a 30-percent commission on all in-game transactions on Facebook.com. Formerly competing Virtual-Currency Service Providers charged much less in exchange for a wider range of services.

128. As a result of its coercion of social-game developers, Facebook destroyed a vibrant and competitive marketplace for Virtual-Currency Services.

129. Facebook has monopoly power in the Virtual-Currency Services market.

130. Ninety percent or more of virtual-currency transactions in games on social-networking websites occur on Facebook.com.

131. Since July 2011 when Facebook imposed its revised Platform Policies and Credits Terms, Facebook has been the sole provider of Virtual-Currency Services for all games on Facebook.com.

132. Facebook effectively controls 90 percent or more of the Virtual-Currency Services market, sufficient to establish monopoly power as a matter of law.

133. Significant entry barriers to the Virtual-Currency Services market exist.

134. Most importantly, because Facebook prohibits social-game developers from using third-party Virtual-Currency Service Providers in games on Facebook.com, any potential virtual-currency competitors—are banned from social games on the Facebook.com social-networking website.

135. Essentially all social-game developers, the potential customers of a Virtual-Currency Service Provider, publish their games on Facebook.

136. Additionally, by requiring social-game developers to offer the same price on Facebook.com for in-game virtual currency or virtual goods as they do in games on other social networking websites, Facebook essentially prevented social-game developers from migrating to another social-networking website by offering lower prices for consumers.

137. Since Facebook imposed its exclusive Credits policy, no other Social-Game Network has been able to challenge Facebook's dominance.

138. No competitors can enter the Virtual-Currency Services market to impose price discipline on Facebook.

B. Facebook willfully acquired and maintained monopoly power in the Virtual-Currency Services market.

139. Facebook may have gained a monopoly in the Social-Game Network market through competition on the merits. But Facebook abused this market power to gain a monopoly in a separate market—the Virtual-Currency Services market.

140. Facebook exploited its dominance in the Social-Game Network market to obtain control over the Virtual-Currency Services market. Facebook forced social-game developers to use Facebook’s Credits and prohibited them from using services provided by Super Rewards and its competitors.

141. Facebook’s anticompetitive conduct in requiring social-game developers on its Platform to use Credits exclusively reflects a willful acquisition and maintenance of monopoly power.

142. Any purported procompetitive justification Facebook might raise to rationalize its anticompetitive conduct fails because it is pretextual or because the conduct is unjustifiable given the availability of reasonable less-restrictive alternatives.

143. Facebook claims it forced social-game developers to exclusively use Credits to create a “safe” and “seamless” user experience. These purported justifications are pretextual and unjustifiable.

144. User “safety” is pretextual. Third-party Virtual-Currency Service Providers generated nearly all of their revenue from in-game transactions. Any supposed issues with user safety would likely be related to the quality of advertising offers. But Facebook forced social-game

developers to exclusively use Credits for in-game payments—which is not relevant to offer quality.

145. The goal of promoting user safety could have been accomplished in numerous less-restrictive means than by forcing social-game developers on Facebook.com to use Credits exclusively. For example, Facebook could have used the offer “approval” system that Super Rewards created and stricken any ads it did not approve. Facebook could have enforced its third-party Ad Guidelines against advertisers. It could have implemented its separate approved-ad-provider policy. Or better yet, Facebook could have competed on the merits against Super Rewards and its competitors.

146. Additionally, the exclusive Credits policy prohibited developers from using Virtual-Currency Service Providers for payment processing, which accounted for about 90 percent of Super Rewards’ revenue. To address purported “safety” concerns, Facebook could have passed policies addressing advertising without impacting payment-processing services.

147. Similarly, the purported need to move to Credits to promote a “seamless” experience allowing users to use one currency across all games on Facebook.com is pretextual. In 2012, once Facebook had eliminated potential competitors, it acknowledged that the supposed benefits to users and social-game developers of a Facebook-wide currency had been irrelevant since 2009 and announced it would stop providing Credits. Yet it still forces social-game developers to only use Facebook’s system for transactions in games on the Facebook.com social-networking website, and still charges the same 30-percent fee.

148. Yet even this goal could have been achieved with far less-restrictive means. Even if Facebook was correct that users and social-game developers wanted a currency that worked

across games on Facebook.com, it could have required that all games on Facebook.com support Credits without also prohibiting others.

149. Facebook was motivated by a desire to eliminate competitors in the Virtual-Currency Services market—not because of concerns over user “safety” or vague supposed benefits of a site-wide virtual currency. Facebook intended to monopolize the lucrative Virtual-Currency Services market and capture the revenues earned by providers in the Virtual-Currency Services market for itself.

C. Facebook’s illegal monopolization inflicted antitrust injury on Super Rewards.

150. But for Facebook’s unjustified requirement that social-game developers on Facebook.com use Credits exclusively, Super Rewards would have continued as a leading Virtual-Currency Service Provider. Facebook precluded Super Rewards from earning the share of revenues in this market it would rightfully have earned.

151. Facebook has engaged in illegal monopolization of the Virtual-Currency Services market in violation of § 2 of the Sherman Act and is liable to Social Ranger for damages in an amount to be determined at trial.

**Second Cause of Action
Attempted Monopolization Under 15 U.S.C. § 2**

152. Social Ranger incorporates Paragraphs 1–151 of this complaint by reference.

153. Facebook has engaged in illegal attempted monopolization of the Virtual-Currency Services market in violation of the Sherman Act, § 2.

A. Facebook's requirement that social-game developers use Credits as the exclusive Virtual-Currency Service on Facebook.com was unjustly anticompetitive.

154. Facebook's monopoly power in the Social-Game Network market does not exempt its conduct in the separate Virtual-Currency Services market from the antitrust laws. If Facebook wants to win a monopolist's share of the Virtual-Currency Services market, it must do so as it may have done in the upstream markets: through competition on the merits.

155. Leveraging Facebook's monopoly power in the Social-Game Network market to compel social-game developers on Facebook.com to exclusively use Credits was not competition on the merits. The anticompetitive practices are inexcusable shortcuts that, in conjunction with the following elements, give rise to antitrust liability for attempted monopolization.

B. Facebook specifically intended to monopolize the Virtual-Currency Services market.

156. Although direct evidence of specific intent to monopolize is rarely available, especially prior to discovery, specific intent may be inferred from a defendant's anticompetitive conduct.

157. In this case, Facebook's intent is evident from its comprehensive campaign to monopolize the Virtual-Currency Services market. Facebook spent much of 2009 ramping up Credits, but was unable to gain market share competing on the merits.

158. So Facebook coerced the largest social-game developers to adopt Credits by threatening to exclude them from Facebook's dominant social-networking website.

159. Facebook was able to make Credits the mandatory and exclusive virtual-currency service for games on Facebook.com.

160. Facebook's July 2011 revised Platform Policies and Credits Terms went beyond making Credits the exclusive virtual-currency service for social games on Facebook.com. Facebook also prohibited social-game developers from offering virtual currency or virtual goods at lower prices on other social-networking websites offering social games.

161. This last term effectively prevents social-game developers from migrating players away from the Facebook.com versions of their games to other platforms, where the developer could hire a competing Virtual-Currency Service Provider and offer lower prices to players.

162. The coercion of large social-game developers and the onerous nature of Facebook's July 2011 Platform Policies are circumstantial evidence of Facebook's specific intent to monopolize the Virtual-Currency Services market.

C. If Facebook has not already monopolized the Virtual-Currency Services market, there is a dangerously high probability that it will.

163. Facebook now has a monopoly share of the Virtual-Currency Services market. But before Facebook attained its monopoly share of this market, Facebook's actions reflected its intent to remove competition from the Virtual-Currency Services market and created a dangerous probability that Facebook would monopolize the market.

164. By banning all third-party Virtual-Currency Service Providers from Facebook.com, Facebook created a dangerous probability that it would monopolize the Virtual-Currency Services market. This risk was particularly dangerous given the high barriers to entry in this market due to network effects and switching costs, as well as the inability of competitors to expand output.

165. Facebook's purported procompetitive justification fails because it is pretextual or because the conduct is unjustifiable given the availability of reasonable less-restrictive alternatives.

166. Facebook's actions were arbitrary and heavy handed in several ways that undermine any claim that its conduct was reasonable. Facebook's intent was to monopolize the market to reap monopoly rents, not to create a "safe and seamless" user experience.

D. Facebook's attempt to monopolize the Virtual-Currency Services market inflicted antitrust injury on Super Rewards.

167. But for Facebook's banning of competing Virtual-Currency Service Providers for games on Facebook.com, Super Rewards would have continued to be a leading provider of Virtual-Currency Services to social-game developers. Facebook illegally attempted to monopolize the Virtual-Currency Services market and precluded Super Rewards from the share of revenues it would have earned in this market.

168. Facebook has engaged in illegal attempted monopolization in violation of § 2 of the Sherman Act and is liable to Social Ranger for damages in an amount to be determined at trial.

**Third Cause of Action
Illegal Tying Under 15 U.S.C. § 1**

169. Social Ranger incorporates Paragraphs 1-168 of its Complaint by reference.

170. When Facebook imposed its exclusive Credits policy requiring social-game developers to use Credits "as their sole and exclusive payment method for all virtual goods and currencies made available to users" in games on Facebook.com it engaged in an illegal tying arrangement.

171. This tying arrangement serves no legitimate purpose. Rather, Facebook implemented the policy to capture a monopoly in the separate Virtual-Currency Services market and to extract supracompetitive fees from the social-game-developer consumers in this market.

172. Facebook has sufficient power in the Social-Game Network market to unreasonably restrain competition in the Virtual-Currency Services market. By tying access to its social-game platform to the use of Credits, Facebook unjustly diverted hundreds of millions of dollars from social-game developers and Virtual-Currency Service Providers in the separate market.

173. Accordingly, Facebook has engaged in a *per se* illegal tying arrangement and the Court does not need to engage in a detailed assessment of the anticompetitive effects of Facebook's conduct or any proffered justifications.

174. Facebook's tying arrangement is also illegal under a rule-of-reason analysis.

A. Facebook has imposed a *per se* illegal tying arrangement.

1. Facebook has sufficient power in the market for the tying product (the Social-Game Network market) to restrain competition unreasonably in the market for the tied product (the Virtual-Currency Services market).

175. The tying product in this case is Facebook's social-networking website which offers social games to users. The relevant market for this product is the Social-Game Network market in the United States.

176. Facebook enjoys 90-percent market share in the Social-Game Network market. There are high barriers to entry in this market due to network effects and switching costs.

177. Network effects prevent competing social-networking websites from gaining market share. In order for a social-networking website to compete with Facebook in the Social-Game Network market, it must simultaneously increase its user base and increase the number of available games. Because Facebook already has the most users, social-game developers, and

games, it is far easier for Facebook to attract new users and new social-game developers (and to retain existing users and social-game developers) than it is for competing social-networking websites (such as Google+, MySpace, Bebo, Orkut, or Hi5) with fewer users and fewer social-game developers.

178. Because Facebook has a far greater number of users than competing social-networking websites that offer social games, network effects ensure that consumers will continue to prefer social games on Facebook.com over those on other social-networking websites.

179. Social-game developers will continue to prefer to develop and publish games on Facebook.com rather than another social-networking website.

180. Social-game users want to be on a social-networking website that has both a large number of potential players (including their real-world friends) and lots of available games. The more users there are on a social-networking website offering a full slate of social games, the more likely it is that any given user will have a significant number of friends also playing games on that social-networking website, thus enhancing the unique interconnected experience of social games on that social-networking website.

181. Similarly, social-game developers want to create games for social-networking websites with more users because more users means more potential players. And more players means more in-game purchases and advertising revenue, and therefore more revenue for the developer.

182. Additionally, switching costs faced by both users and social-game developers prevent competing social-networking websites from gaining market share. Facebook users have invested time and energy establishing their connections on Facebook. Switching to a competing social-

networking website would be burdensome and time consuming for users. That effort might be futile anyway—other social-networking websites that offer social games have much smaller user bases than Facebook, so it is unlikely that all of a user’s Facebook connections would already be there, inherently undermining a principal feature of social games.

183. Similarly, social-game developers who invested in games published on Facebook.com are less willing to make investments in games for use on a competing social-networking website, particularly those that do not offer ready access to the large number of users available through Facebook.

184. The tied product (Virtual-Currency Services) is distinct from the tying product (Facebook’s social-networking website which offers social games to users) because, when given the choice, social-game developers preferred to shop for Virtual-Currency Services independently of their decision to develop and publish games on a particular social-network website. This was demonstrated by the vibrant and competitive Virtual-Currency Services market that existed before Facebook engaged in the tying arrangement giving rise to this action.

185. By tying social-game developers’ access to its Facebook.com social-networking website to Credits—and by restricting social-game developers on Facebook.com from using third-party Virtual-Currency Services—Facebook unreasonably restrained trade. Facebook’s conduct eliminated competition in the Virtual-Currency Services market and caused third-party Virtual-Currency Service Providers to lose hundreds of millions of dollars in revenue.

2. Facebook’s illegal tying arrangement affects a substantial amount of interstate commerce.

186. By forcing social-game developers to use Credits exclusively for games on Facebook.com, Facebook precluded other Virtual-Currency Service Providers from offering their

services to social-game developers on Facebook.com. Facebook's conduct had a substantial effect on interstate commerce. In 2011, with Credits mandatory for only half the year, Facebook received \$557 million in revenue from its Virtual-Currency Services. Since Facebook first imposed its exclusive-Credits policy in July 2011, it has received nearly \$3 billion in fees from charging its 30-percent fee to social-game developers for transactions on Facebook.com.

187. This tying arrangement had a substantial negative impact on Super Rewards. As a leading provider of Virtual-Currency Services, Super Rewards stood to earn hundreds of millions of dollars from the growing Virtual-Currency Services market. By foreclosing the ability of social-game developers from obtaining Virtual-Currency Services other than those provided by Facebook, Facebook is able to charge a supracompetitive price that harms social-game developers and ultimately harms the consumers who play their games.

B. Facebook's tying arrangement is also illegal under the rule of reason.

188. Facebook's tying of access to its Facebook.com social-networking website to social-game developers' exclusive use of Credits for games on Facebook.com (and later to their exclusive use of Facebook's Payments system after it stopped offering Credits) also violates Section 1 of the Sherman Act under the "rule of reason."

189. Facebook imposed unreasonable restraints on trade. Less competition exists in the Virtual-Currency Services market now than before Facebook's tying arrangement went into effect. Competing Virtual-Currency Service Providers have been foreclosed from the market, and the price that social-game developers pay Facebook for those services has increased dramatically. By imposing the condition that social-game developers "may not incentivize logged-in Facebook users to make a purchase on your website or in an app on another platform by, for example,

providing free or discounted goods or services that are not available to purchasers on Facebook,” Facebook further reduced competition in the Virtual-Currency Services market.

190. The Social-Game Network market (the tying market) is distinct from other means through which other types of games are made available to users, such as dedicated websites, mobile devices, and stores that sell console games. A principal reason for this is that social games offered on social-networking websites differ in material ways, for both social-game developers and players, from games available through other types of marketplaces. Thus, the Social-Game Network market is not interchangeable with marketplaces for other game types.

191. With over 90-percent share of the Social-Game Network market, Facebook had market power, which it used it to foreclose competition in the separate Virtual-Currency Services market. Facebook conditioned social-game developers’ access to its Facebook.com social-networking website on their exclusive use of Facebook’s virtual-currency service in games on Facebook.com. By doing so, Facebook eradicated an entire competitive market. Facebook’s ability to impose a substantial increase by demanding a 30-percent fee for all transactions is direct evidence of the anticompetitive effect on social-game developers. Consumers also experienced price increases in the form of lower-quality virtual goods and social gaming.

192. Facebook has offered purported procompetitive justifications for its conduct (*e.g.*, the need for a safe and seamless user experience or a single, site-wide virtual currency), but these purported justifications fail because there are reasonable, less-restrictive alternatives available that would address Facebook’s alleged justifications.

C. Facebook's illegal tying inflicted antitrust injury on Super Rewards.

193. When Facebook imposed its illegal tying arrangement on social-game developers, it precluded Super Rewards from the share of the revenues in the Virtual-Currency Services market it would rightfully have earned.

194. Facebook has engaged in an illegal tying arrangement in violation of § 1 of the Sherman Act and is liable to Social Ranger for damages in an amount to be determined at trial.

Demand for Jury Trial

Under Rule 38 of the Federal Rules of Civil Procedure, Plaintiff Social Ranger, LLC demands a trial by jury of all issues so triable.

Relief Requested

WHEREFORE, Plaintiff Social Ranger, LLC asks this Court to enter judgment against Defendant Facebook, Inc., and against its subsidiaries, affiliates, agents, servants, employees, and all persons in active concert or participation with them, granting the following relief:

1. A judgment or order declaring Facebook's conduct, as alleged, unlawful under § 2 of the Sherman Act;
2. A judgment, order, or award of damages adequate to compensate Social Ranger for Facebook's illegal monopolization of the Virtual-Currency Services market, or its attempted monopolization thereof, based on lost sales, lost profits, price erosion, loss of market share, or any other applicable theory, together with prejudgment interest from the date the illegal monopolization began;
3. A permanent injunction prohibiting Facebook from further illegal monopolization and attempted monopolization of the Virtual-Currency Services market;
4. A judgment or order declaring Facebook's conduct, as alleged, unlawful under § 1 of

the Sherman Act;

5. A judgment, order, or award of damages adequate to compensate Social Ranger for Facebook's illegal tying arrangement, based on lost sales, lost profits, price erosion, loss of market share, loss of equity value, or any other applicable theory, together with prejudgment interest from the date the illegal tying arrangement began;
6. A permanent injunction prohibiting Facebook from further illegal tying of access to Facebook's social-networking website to Facebook's Virtual-Currency Services or from excluding the use of other Virtual-Currency Service Providers by social-game developers on Facebook's social-networking website;
7. An award to Social Ranger of its reasonable attorney's fees and costs under 15 U.S.C. § 15;
8. Treble damages under 15 U.S.C. § 15; and
9. Such other and further relief as this Court or a jury may deem proper and just.

Dated: December 29, 2014

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