

Social Media By [David Cohen](#) on September 6, 2011 10:06 AM

## CRE Files FTC Petition Regarding Facebook, Twitter, Google

[Comment Now!](#)

[Share](#)

37

0

[Like](#)

[Send](#)

Regulatory watchdog the [Center for Regulatory Effectiveness](#) is picking up the scent of Facebook, Twitter, and Google, filing a [petition](#) with the [Federal Trade Commission](#) urging the agency to impose trade regulations on the three Internet giants.



The CRE pointed out that the FTC is already investigating Google and Twitter, and that Facebook is the subject of a petition asking that the commission investigate the social network.

The watchdog group added that Web companies such as Facebook, Twitter, and Google must operate in two-sided markets and deal with two distinct groups of clients.

From the CRE petition:

Google, Facebook, and Twitter have much in common. All three firms are very popular Web-based firms that have pioneered or reinvented their primary area of expertise. All three businesses are American companies that have changed how the world uses the Internet. Of particular note, all three companies provide their primary services to consumers for free.

Also of note, all three firms are reported to be either under FTC investigation (Google and Twitter) or the subject of a petition to the FTC to be investigated (Facebook).

Google, Facebook, and Twitter share another commonality, one that has direct implications for assessing their business practices and that sets them apart from many other IT-related firms — all three companies are examples of businesses that operate in two-sided markets serving two interdependent sets of customers.

The defining characteristic of firms operating in two-sided markets is that they have two distinct supply and demand curves, one set for each side of the market, newspapers being a classic example. No one would expect newspaper subscribers and advertisers to share the same elasticity of demand since advertisers value and pay more for access to the newspaper (and its readers) than readers are willing to pay for the paper and access to its advertisers.

The trade regulation developed by the commission should take into account that Web-service companies need to appeal to, and bring together, two distinct groups of clients.

It is premature for the FTC to proceed into any investigation of Web-based services until the petitioned-for rules are developed through a notice and comment process.

In summary, the commission needs to develop and publish for public comment a proposed trade regulation, consistent with the statutory requirement that a practice may not be determined unfair unless it "causes or is likely to cause substantial injury to consumers, which is not reasonably avoidable by consumers themselves and not outweighed by countervailing benefits to consumers or to competition."