Meta

The FTC's Attempt to Block Meta's Acquisition of Within Is Wrong on the Facts and the Law

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Takeaways

- Meta's acquisition of Within would be good for people and developers and would spark further interest in fitness as a growth area in VR.
- This deal brings more competition and innovation to VR more generally.
- The FTC is wrong on the facts and the law.

Today, the Federal Trade Commission (FTC) filed a lawsuit seeking to block Meta's planned acquisition of Within, the company behind the VR fitness app *Supernatural.*

The FTC's case is based on ideology and speculation, not evidence. The idea that this acquisition would lead to anticompetitive outcomes in a dynamic space with as much entry and growth as online and connected fitness is simply not credible. By attacking this deal in a 3-2 vote, the FTC is sending a chilling message to anyone who wishes to innovate in VR. We are confident that our acquisition of Within will be good for people, developers and the VR space.

There is No Merit to the FTC's Case

Under US law, the FTC is required to prove that an acquisition would "substantially lessen competition" in order to successfully block a deal. We believe it's clear that neither the evidence nor the well-established law will support such a result.

It's always been clear that our acquisition of Within will inject new investment into the VR fitness space, improve the Quest platform to better support all fitness apps and expand the VR ecosystem as a whole – all to the benefit of people and developers alike. The FTC rests its arguments on a number of flawed premises and unsupported assumptions that do not stand up to scrutiny.

First, they allege that *Supernatural* competes closely with Meta's *Beat Saber* app, which is a music and rhythm game, and that people would be harmed by bringing them together. But this position misunderstands the nature of the space entirely and ignores the market realities. *Beat Saber* is a game people play to have fun and it has many competitors. *Supernatural* couldn't be more different. It is a subscription-based virtual exercise service that offers boxing, flow, meditation and stretching workouts in the context of trainer-led sessions for a full body and wellness experience.

Supernatural competes far more closely with the many other fitness-specific VR apps (like *FitXR*, *Liteboxer*, and *Les Mills Body Combat*) and connected fitness more broadly (such as Peloton and many others). In reality, *Beat Saber* and *Supernatural* are fundamentally different products with different user bases, different use cases and different competitive dynamics. And this is not just our take – Within's leadership team strongly believes its competitors are the Pelotons and other established fitness brands of the world, not *Beat Saber* or other casual VR games.

Second, the FTC asserts, seemingly based on little more than Meta's size, that we would either build a fitness-specific service like *Supernatural* from scratch or somehow convert *Beat Saber* into such a service. But given the vastly different uses and audiences for these apps, and the fact that many other well-established brands like Apple and Peloton are far better positioned than Meta to bring their existing fitness products and content to VR, doing so wouldn't make any sense. Indeed, we looked into building a fitness-specific service and decided we simply weren't in a position to do so.

Third, the FTC believes that just the possibility that we might eventually develop our own VR fitness app somehow keeps existing participants in check and is reason enough to block this deal. But this ignores the reality that fitness-specific app developers, including *Supernatural*, don't see us as their current or future competition and are focused on the strong existing players in the space, the well-positioned recent actual entrants and the far more likely future entry from established online and connected fitness brands.

The FTC also insinuates that Meta is trying to buy VR apps in an effort to "control" the VR ecosystem. To the contrary: We have spent nearly a decade and invested billions of dollars in expanding the VR space, supporting and growing a viable and sustainable ecosystem for developers. With over a thousand apps having been built for Quest and the number earning over a million dollars in revenue having doubled year over year, it is clear that the ecosystem we are building is creating meaningful innovation opportunities. Unlike many of our competitors, we don't force developers or users into our store. We offer options like sideloading, linking to play VR content from PC, and App Lab, because we want to foster choice and competition in the VR ecosystem.

Finally, and maybe most importantly, VR is a rapidly growing and evolving space, and the fact that there are so many firms developing hardware and software shows that there is widespread belief in the promise of the technology. We've always recognized that success for the entire industry depends on having a vibrant and interconnected hardware and developer community. In such a world, the FTC has no answer to the most basic question — how could Meta's acquisition of a single fitness app in a dynamic space with many existing and future players possibly harm competition?

The FTC's Burden

The FTC must prove that our deal violates the law and that people and competition will be harmed. We don't believe their case can withstand the required scrutiny. The FTC has had nine months to investigate and we've cooperated throughout, including by producing millions of documents and reams of data in response to the FTC's Second Request, plus hundreds of pages of written responses. We also postponed the closing date of this transaction to August 1, 2022 at the FTC's request to give them even more time to consider this matter.

We are confident this transaction does not reduce competition in any way, will bring countless benefits to people and VR developers, and should therefore be allowed to proceed. At the end of the day, attempting to bar Meta from making acquisitions at all benefits *no one* — especially if the goal is to encourage innovation and competition. If this deal is allowed to go forward, we intend to invest significant resources in growing *Supernatural* to bring more innovation to a new and rapidly developing space, with room for many participants.

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