

Data, Digital Identity and Antitrust Law: An Exploratory Study of Facebook's Novi Digital Wallet

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Abstract : Facebook has monopoly power in the social networking market. It has grown and entrenched its monopoly power through the capture of its users' data value chains. However, antitrust law's consumer welfare roots have prevented it from effectively addressing the role of data capture in Facebook's market dominance. These regulatory blind spots are augmented in Facebook's proposed Diem cryptocurrency project and its Novi Digital wallet. Novi, which is Diem's digital identity component, shall enable Facebook to collect an unprecedented volume of consumer data. Consequently, Novi has seismic implications on internet identity as the network effects of Facebook's large user base could establish it as the de facto internet identity layer. Moreover, the large tracts of data Facebook shall collect through Novi shall further entrench Facebook's market power. As such, the attendant lock-in effects of this project shall be very difficult to reverse. Urgent regulatory action is therefore required to prevent this expansion of Facebook's data resources and monopoly power. This research thus highlights the importance of data capture to competition and market health in the social networking industry. It utilizes interviews with key experts to empirically interrogate the impact of Facebook's data capture and control of its users' data value chains on its market power. This inquiry is contextualized against Novi's expansive effect on Facebook's data value chains. It thus addresses the novel antitrust issues arising at the nexus of Facebook's monopoly power and the privacy of its users' data. It also explores the impact of platform design principles, specifically data portability and data interoperability, in mitigating Facebook's anti-competitive practices. As such, this study finds that Facebook is a powerful monopoly that dominates the social media industry to the detriment of potential competitors. Facebook derives its power from its size, annexure of the consumer data value chain, and control of its users' social graphs. Additionally, the platform design principles of data interoperability and data portability are not a panacea to restoring competition in the social networking market. Their success depends on the establishment of robust technical standards and regulatory frameworks.

Keywords : antitrust law, data protection law, data portability, data interoperability, digital identity, Facebook

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