

Facebook saga grows with new legal drama

April 12 2011, by Glenn Chapman



Facebook founder and CEO Mark Zuckerberg looks on during a news conference at Facebook headquarters in 2010 in Palo Alto, California. The drama of the Facebook story heightened on Tuesday as a man with a shady past used old emails and a powerful law firm to press his claim to half the online social networking firm.

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A legal claim filed last year by Paul Ceglia and deemed dubious by many was being re-evaluated after lawyers at DLA Piper amended the complaint to include emails that appear to back the New York State man's position.

Ceglia contended that he hired then Harvard University student Mark Zuckerberg in 2003 to do software coding for a StreetFax website and

wound up providing seed money for what Zuckerberg than called "the face book."

Evidence presented by Ceglia, whose background includes criminal charges for fraud and a conviction for possession of hallucinogenic mushrooms, included a signed contract and email exchanges.

"This is a fraudulent lawsuit brought by a convicted felon, and we look forward to defending it in court," Facebook lawyer Orin Syder of Gibson, Dunn & Crutcher said in a statement.

"From the outset, we've said that this scam artist's claims are ridiculous and this newest complaint is no better."

Ceglia claims he provided Zuckerberg with \$2,000 in exchange for half of what is now Facebook, which boasts more than 600 million members and was recently valued at \$50 billion.

DLA Piper has defended the integrity of the email, saying it conducted tests to confirm the exchanges were not altered.

Zuckerberg reportedly did work on StreetFax for Ceglia, but Facebook wasn't part of the deal.

Zuckerberg signed a contract with Ceglia in April 2003 for "the purchase and design" of a live Harvard yearbook website with the working title of "The Face Book," according to the lawsuit.

Ceglia has maintained that he forgot about the matter until coming across the contract while defending himself against charges that he defrauded customers of his wood pellet business.

Ceglia's amended complaint was separate from a lawsuit by Tyler and

Cameron Winklevoss that became fodder for Hollywood film "The Social Network."

A US appeals court ruled on Monday that the Winklevoss twins can't back out of the settlement deal they made in a lawsuit charging that Zuckerberg stole their idea for Facebook.

"The Winklevosses are not the first parties bested by a competitor who then seek to gain through litigation what they were unable to achieve in the marketplace," the 9th US Circuit Court of Appeals said.

"At some point, litigation must come to an end," the court said. "That point has now been reached."



File photo of Tyler (R) and Cameron (L) Winklevoss, founders of social networking website ConnectU. A US appeals court ruled on Monday that the Winklevoss twins can't back out of the settlement deal they made in a lawsuit charging that Zuckerberg stole their idea for Facebook.

The Winklevoss brothers claim they enlisted Zuckerberg to finish software code for their ConnectU social-networking website while they

were all students at Harvard University in 2003.

Zuckerberg, a second year student at the time, took their code and their idea and launched Facebook in February 2004 instead of holding up his end of the deal, according to the brothers. Facebook rejects that account.

The twins inked a settlement two years ago that got them \$20 million in cash and \$45 million worth of stock valued at \$36 per share.

The value of that yet-to-be-issued stock has skyrocketed along with Facebook's estimated market value, the judges noted in their ruling.

The brothers challenged the settlement, which was supposed to be confidential, on the grounds that Zuckerberg suckered them during settlement talks by not revealing Facebook internally valued the stock at \$9.

The lower figure would have resulted in the Winklevoss twins getting many more shares.

The Winklevoss brothers based the value of Facebook stock on news that months earlier technology giant Microsoft had bought a small piece of the social networking star in a deal that valued the stock at just shy of \$36 and the company at \$15 billion.

While the cases are not related, forensic analysis of Zuckerberg's computer hard drives and emails could wind up used to either back up or debunk Ceglia's claim in court.

Computers Ceglia used for any exchanges with Zuckerberg would also be fair game as potential evidence.

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