

Local class action lawsuit could affect Facebook IPO

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By [Kasev Joyce](#)

St. Louis (KSDK) - It's a company estimated to be worth up to \$100 billion, it has 800 million users, and now Facebook is looking to go public.

But a local class action lawsuit might have an effect on the initial public offering.

"We think IPO purchasers should know that," said attorney Steven Katz of Korein Tillery law firm. "The business model as it relates to those under 18 has a really big problem."

That problem is at the crux of a federal lawsuit filed by two Metro East moms. They don't want their children used in ads on Facebook. Those ads are generated when a user "checks in" or presses like.

"Say you saw your daughter in a billboard and it said I like these jeans," Katz explained. "Most parents would be really upset about that. That's exactly what's happening on Facebook, but on a much bigger scale."

The lawsuit alleges that by law, minors enter into a contract, so they can't agree to be a part of advertisements like that, even if they sign the terms and conditions for Facebook.

Under California law, every time Facebook violates that by posting an advertisement or a check in with a minor, they can be charged a \$750 penalty. Multiply that times Facebook's estimated 14 million minor users in America, and it can really add up.

"The way the lawsuit is filed and structured it is in the tens of billions," Katz said.

That would be a potentially huge liability for anyone considering buying Facebook's [stock](#). As for Facebook, they opted not to comment on the suit or the pending initial public offering. Facebook's legal team has filed two motions in the case: one to get it dismissed, and another to get the case transferred to California. Both requests are still pending.