Out of scope

BRIEFING NOTE

- Mark Zuckerberg, META; 23/09, 12:30-14:00
  - DSA (including protection of minors)
  - Disinformation
  - DMA
  - AI Act
  - Virtual worlds

Out of scope
Out of scope
Scene setter

- Meta has been actively engaged with the Commission services in the preparation phases for both the Digital Services Act (DSA) and the Digital Markets Act (DMA).
- On 25 April the Commission formally designated Facebook and Instagram respectively as a Very Large Online Platform (VLOP) under the DSA.
- Meta has now until the 29 August to comply with the obligations for VLOPs under the DSA.
Ongoing decision-making process

Objectives

Commercial interests and ongoing decision-making process

Commercial interests and ongoing decision-making process

Meta is a signatory of the Code of Practice on Disinformation and actively participates in all work-strands under the Code, including regular exchanges on the war in Ukraine.

In January 2023, Meta submitted its first baseline report.
Commercial interests and ongoing decision-making process
On the DMA

- As you are well aware, the DMA entered into force in November 2022 and started to apply on 2 May 2023.
- Companies meeting the quantitative thresholds of the DMA such as Meta now have until 3 July to notify their relevant turnover and user figures to the Commission, and designation decisions will be adopted by the Commission within 45 working days, i.e. by 6 September the latest.
- 6 months after designation, i.e. by 6 March 2024 the latest, the DMA obligations will start to apply to designated gatekeepers.

On implementing DMA obligations:

- We are also starting to consider possible solutions in view of ensuring effective compliance by gatekeepers with the DMA. To this end we welcome the readiness of Meta to explain its compliance considerations in a number of pre-compliance discussions we have had to date.
- Some of the compliance solutions by potential gatekeepers, including Meta, have been discussed and tested in our technical workshops that were attended not only by potential gatekeepers including Meta, but also by their business customers, consumer associations and civil society organisations.
- We are also currently consulting the public on the draft template for gatekeepers to submit their mandatory annual DMA compliance reports. Meta is of course welcome to provide a contribution.

On the Commission preparing for vigorous enforcement:

- In terms of internal organization, we have recruited new staff and adapted our organization chart to reflect DMA enforcement as a top priority.
- Apart from these organisational measures, we have adopted an Implementing Regulation on procedural aspects of DMA enforcement which will ensure lean and effective proceedings,
taking into account the need for speed in enforcement of platform regulation while safeguarding gatekeepers’ fundamental procedural rights.

Ongoing decision-making process

Virtual Worlds

The EU pursues long-term goals. Foster opportunities for entrepreneurs and companies will be key in our endeavour to make the EU an attractive place to work in and on virtual worlds and Web 4.0.

The Single Market should continue to provide an enabling environment for our businesses, without having to further legislate at this point.

The good legislative framework in place protects EU users and ensures that SMEs benefit from market developments in virtual worlds. The DSA and DMA apply to many key features that may be included in virtual worlds.

Virtual worlds must be open and interoperable, reflecting EU values and respecting EU rules, where users can freely move between virtual worlds and choose when and how to use their digital identity, data and assets. However, we should avoid that metaverse platforms lock consumers into closed systems. It is equally important to try to limit the spread and impact of false content.

Defensives
• The DSA and DMA is not aimed at a specific country, specific company or specific business model. It is about establishing objective, non-discriminatory rules for the EU Single Market.

• You will see from the list of designated VLOPs and VLOSEs that they comprise US as well as Asian and European platforms.

• The EU is exercising its sovereign right to establish its own rules for its informational space, through a democratic process.

• These rules are grounded in objective, non-discriminatory criteria that will apply regardless of the origin of the companies.

• US, European, Asian: the single market online remains open to all tech companies, provided they respect our rules.

International relations and ongoing decision-making process
International relations and ongoing decision-making process
Ongoing decision-making process

Background

Digital Services Act

Commercial interests and ongoing decision-making process

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Commercial interests and ongoing decision-making process

- Commercial interests
  - [List of commercial interests]
  - [Detailed description of commercial interests]
  - [Further discussion on the implications of commercial interests]
  - [Conclusion or recommendations]

[Additional relevant text or notes]

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Meta’s AI research activity

- Meta is one of the major AI research players globally with its AI lab called Meta AI (founded in 2013 as Facebook AI Research (FAIR) group). In 2015, it opened a research centre in Paris and launched smaller satellite research labs in Seattle, Pittsburgh, Tel Aviv, Montreal and London. Its current research covers computer vision, natural language processing and conversational AI, ranking and recommendations, systems research and theory. The Meta AI’s open-science approach makes it attractive to AI researchers because it allows them to publish more freely than other large US technology companies.

- Meta’s VP & Chief AI Scientist Yann LeCun is a well-known researcher in AI, having advanced important aspects of the modern machine learning approach (Convolutional Neural Networks). In 2022, he presented a research agenda to make AI systems learn and reason like animals and humans. He is critical of the current approach building bigger AI models with more data and proposes instead to work on the ability to learn “world models”, i.e. internal models of how the world works.

- Meta is planning to build the next generation of infrastructure specifically designed for AI. This initiative aims to support the company’s growing AI compute needs as they push the boundaries of AI research, develop cutting-edge AI applications, and realize their vision of the metaverse. The projects announced include the development of a custom chip for AI models, an AI-optimized data centre design, and the expansion of their 16,000 GPU supercomputer for AI research.

- Meta AI recently launched a new project called “Massively Multilingual Speech (MMS)”. This project aims to address the lack of accessible speech technology for a vast number of languages, with existing models covering only a fraction of the 7,000+ known languages spoken worldwide. The project combines self-supervised learning and a specially curated dataset to develop speech recognition and synthesis models that cover over 1,100 languages and language identification for over 4,000 languages, with the aim of improving language accessibility and preserving linguistic
diversity. The project’s models outperform existing models, covering 10 times as many languages, and demonstrate significant improvements in speech recognition and synthesis tasks. The goal is to preserve language diversity and make information accessible in people’s preferred languages, with the vision of a single model that can handle multiple speech tasks for all languages.

**Meta’s activities in the field of large language models**

- In May 2022, Meta launched its Open Pre-Trained Transformer (OPT-175B), which is the first 175-billionparameter LLM made available to the broader AI research community. The release includes both the pretrained models and the code needed to train and use them. Its performance is estimated to be comparable to GPT-3.
- In November 2022, Meta released the LLM Galactica, designed to assist scientists. Due to criticism about its incorrect and biased output, META took down the online demo just few days after its release.
- In February 2023, Meta AI launched LLaMA (Large Language Model Meta AI), a large language model designed to help researchers advance their work in this subfield of AI. Meta AI pitched LLaMA as a smaller, more performant model that is also more open than other models, hoping to democratise the research field. Meta provides access to LLaMA for researchers upon request. Within a week, it was leaked to the public. Thanks to its open nature LLaMA has become a very relevant model in the large AI research field.
META’s views on the FAIR CONTRIBUTION debate

META’s contribution to the exploratory consultation on the future of the electronic communications sector and its infrastructure, and in particular, its position on the fair contribution debate is summarised below:

1. META and other CAPS make substantial investments to make the internet ecosystem more reliable and efficient.
   - Since 2017, Meta alone has invested more than €90 billion of capex and opex in global digital infrastructure, including billions of euros in Europe. In 2022 alone, Meta invested over €27 billion globally in digital infrastructure, with a capex to revenue ratio in line with or higher than that of major European telecom operators.
   - Meta has invested with partners in submarine cables (e.g. Marea, Havfrue, Havhingsten, and Amitie), and transatlantic capacity has increased approximately fourfold since 2016.
   - META has invested to build and deploy a Content Delivery Network (CDN), including an extensive European fibre network, enabling over 99% of user-requested content to be delivered more efficiently.
2. **Network fees' proposal would contravene net neutrality principles** and harm consumers without any guarantee of more investment in networks.

- Network fees may require CAPs to reduce investment in their services or raise prices, which would be detrimental to consumers.
- Network fees would incentivise telcos to reduce network investment, and the need to anticipate consumer demand and make timely investments in next generation network technologies, or innovate,
- There is no guarantee that network fees will be invested where it is required in networks or reduce retail prices.
- Network fees would enable integrated telcos to increase costs for their competitors.
- The largest European telcos operate online content services that would not be subject to network fees.

3. For META, **the Commission has not asked basic questions necessary to determine whether there is an actual need for substantial additional network investment**, e.g., is there a market failure? are substantial new, additional investments in network infrastructure needed? What is the impact of additional data on networks? traffic levels in telco networks measured against capacity - what is the telcos’ average network capacity utilisation for the past 30 years? etc.

4. META submits that **if**, despite the significant evidence to the contrary, **network fees were introduced**, before awarding such subsidies:

- The Commission should require telcos to demonstrate that they have first engaged with CAPs in **good faith** to reach technical, non-subsidy solutions to any capacity concerns;
- The Commission should introduce a **strong regulatory oversight** over telcos to ensure that any subsidies not diverted to unintended purposes; and,
- Any subsidies should be awarded by competitive tender to ensure availability to all network operators, not just the large, incumbent telcos.
Commercial interests and ongoing decision-making process

- Commercial interests
- Ongoing decision-making process
International relations, commercial interests and ongoing decision-making process
International relations, commercial interests and ongoing decision-making process
International relations, commercial interests and ongoing decision-making process

- International relations
- Commercial interests
- Ongoing decision-making process
EC Initiative on virtual worlds

- Included in the Commission's Work Programme 2023, the non-legislative initiative on virtual worlds, such as metaverse is tentatively scheduled for adoption on 11/07/2023 (latest info from Cab)

- Since 2020, the Commission is organising the extended reality and virtual-worlds ecosystem with actors from the whole value chain: hardware producers, technology developers, content creators and user industries.

- The Commission has consulted industry and citizens to better understand the gaps and opportunities of virtual-worlds technologies. Following the example of the conference on the Future of Europe, the European Citizens' Virtual Worlds Panel provided recommendations, guiding principles and actions for fair virtual worlds that fed into the initiative.
• Meta has met different Commission CNECT services to discuss policy files such as the initiative on virtual worlds, the connectivity infrastructure, and the DSA, DMA and AI acts.

*Meta’s strategy and investments*

• Meta has positioned itself very strongly on this market. “The metaverse will be the successor to the mobile internet,” Mark Zuckerberg said in November 2021 when he renamed the company from Facebook to Meta.

• Since then, Meta has invested more than 36 billion USD to acquire and develop both hardware (XR devices) and software (virtual-world technology) for the metaverse.

• However, Meta’s Reality Labs unit, which is responsible for developing the AR and VR technologies underpinning its metaverse lost 13.72 billion USD in 2022, and 4 billion USD in the first quarter this year¹⁴.

• Other platforms developed by Meta are Meta Reels – Meta for creators, Presence platform – for creators (MR) and Spark AR – for creators. It has also developed a Creator bonus program to allow creators to make money by selling digital assets and experiences.

• Mark Zuckerberg proclaimed 2023 the “year of efficiency” for Meta in the face of growing worries from investors that the ambitious metaverse project is draining too many resources without profit to show. The strategy has paid off as Meta shares have surged more than 50% since the start of the year.¹⁵

• In this context Meta, has shifted focus on AI, in particular generative AI, with expected capital expenditures to between 30 billion and 33 billion USD¹⁶.

• He said: “Building the metaverse is a long-term project, but the rationale for it remains the same, and we remain committed to it”

• Investments in the metaverse worth 19.2 billion USD in 2023¹⁷ were announced by Meta.

• Moreover, beginning of June, Meta unveiled Quest 3 – claimed to be the “most powerful headset yet” - to be launched in autumn 2023. It has MR features (mixed reality, i.e. both AR and VR) allowing users to interact in fully digital environments as well as graphics overlaid on to the real world.

¹⁴ Meta lost $13.7 billion on Reality Labs in 2022 after metaverse pivot (cnbc.com)


¹⁶ https://www.fool.com/investing/2023/03/21/meta-generative-ai-efforts-are-already-paying-off/

Personal data

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Out of scope