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Facebook Daily News- Friday Morning
October 5th, 2012
Full Text Articles

Must Read

Facebook: The Making of 1 Billion Users
Bloomberg Businessweek
By Ashlee Vance
October 5th, 2012

http://www.businessweek.com/articles/2012-10-04/facebook-the-making-of-1-billion-users

The team in charge of tracking Facebook's (FB) growth works on the second floor of Building 17. Most days, the offices are like anywhere else at Facebook: whiteboards, toys on desks, shorts and flip-flops, pretty low-key. Around noon on Sept. 14, the second floor was packed. In one of the common areas, a giant screen showed the number of active Facebook users worldwide. About 100 people, including Mark Zuckerberg and his top lieutenants, watched the numbers run up by about a thousand users per minute: 999,980,000 … 999,990,000 … 1,000,000,000. The counter paused for a moment when it rounded 10 digits, as if to emphasize the point: 1 billion users.

The celebration was less exuberant than one might imagine given that Facebook had just officially registered one-seventh of earth's population. Zuckerberg had thought about doing the whole balloons-and-visit-from-Ryan-Seacrest thing when they located lucky user No. 1,000,000,000. The problem, though, was that the occasion was really more of a notional event, like when the United Nations announces the world's population. Facebook's vast array of computers handles so many users doing so many things, the best they can do is make a statistical calculation. After a few minutes of hoots, high-fives, and good cheer, Zuckerberg and his employees did what they usually do after major achievements: They went back to work.

"I don't even know if we knew who the billionth person was," Zuckerberg says about two weeks later. He's sitting outside at the company's sprawling Menlo Park (Calif.) campus, resting his arms on a tiny café table. In his usual rapid-fire delivery, Facebook's 28-year-old chief executive officer explains that his aversion to overt jubilance goes back to the earliest days of his company, when it was still a dorm room operation at Harvard. "We have this ethos where we want to be a culture of builders, right? We don't want to overly celebrate any particular milestone," he says. He knew even in college that a company would soon unite a huge portion of humanity via a single social service, he just wasn't sure it would be his. "We were just these college students, and who were we to build this big thing?" he says. "Clearly, there were other companies used to building software at scale, and one of them would do it."

Facebook got there first for a lot of reasons, many of them familiar to anyone who saw the movie The Social Network: Zuckerberg's ambition, knack for addictive widgets, and what some would call supreme ruthlessness. The more impressive reasons, though, have to do with the culture he established, which is expressed in the motivational posters around the company's offices: "Move Fast and Break Things."

Facebook absorbed Silicon Valley's hacker ethos and amplified it. Tech companies normally do controlled beta versions of their technologies; Facebook doesn't beta anything. It runs as an unending

series of quick, on-the-fly tests with actual customers. Engineers race to put up new features, see if they work, and make tweaks to fix them if they don't. Even trainees who haven't finished their six-week indoctrination program are asked to work on the live site. The live site, by the way, runs on custom-designed hardware and software housed in Facebook's superefficient, and experimental, data centers. Every now and again the whole site crashes, but Zuckerberg can live with that. "The faster we learn, the better we're going to get to the model of where we should be," he says.

The learn-on-the-go philosophy regularly blows up in Zuckerberg's face. He and his team periodically revamp Facebook's privacy policy, triggering a predictable chain reaction: consumer outrage, company walkback, adjusted policy, re-release, lessened outrage, and so forth until the furor dies down. Unlike with computer algorithms that temporarily crash the system, however, these iterations are apt to leave lasting damage to Facebook's reputation.

Then there's the initial public offering, perhaps Facebook's biggest face plant. The company set out to maximize its offering price and succeeded, raising $16 billion when it went public last May. Then it watched the stock sink from $38 a share all the way to less than $20, slicing its market value in half. The foundering stock price has hardened doubts about the strength of its business model, and may make it difficult for Facebook to retain talent. Regulators are looking at whether the banks underwriting the offering selectively shared information with top clients. Multiple plaintiff groups have filed suits in federal and state courts, alleging that Zuckerberg, Facebook, and its investment banks misled investors about the social network's revenue outlook. Facebook says the suits lack merit.

"The performance has obviously been disappointing. I mean, we care about all the investors, and that's really important," Zuckerberg says. "I suppose there could be short-term things that we could do, but we're not going to focus on those; we're going to focus on the long-term stuff."

If the Hacker Way, as Zuckerberg calls Facebook's culture, is an awkward tool for dealing with Washington and Wall Street, it's been extremely effective for building a service that can handle the social needs of a billion people. Sites such as Google (GOOG) and Amazon.com (AMZN) have the luxury of preparing the majority of the user experience in advance. Google catalogs the Web and has already decided what to show you before you even search for something. At Amazon, a box of pretzels is a box of pretzels; the pretzel page doesn't upload videos of itself, crowdsource for beverage pairings, or share wedding pictures.

Facebook builds a custom Web page every time you visit. It pores over all the actions your friends have taken—their photos, their friends, the songs they listen to, the products they like—and determines in two-hundredths of a second which items you might wish to see, and in what order. Each day, Facebook processes 2.7 billion "Likes," 300 million photo uploads, 2.5 billion status updates and check-ins, and countless other bits of data, and uses that mass of transactions to guesstimate which ads to serve up. To manage the load, Facebook has created the world's largest, most efficient data-crunching machine.

"I think Facebook has the hardest information technology problem on the planet," says Mike Stonebraker, a computer scientist and longtime professor at the University of California at Berkeley. "A

company like Google certainly does innovative stuff, but Facebook solves the harder problem." The company is essentially building a system that will serve as the model for the next wave of computing in which trillions of sensors, smartphones, and medical devices issue streams of data that must be analyzed instantly. So far, Facebook actually has this monstrosity working.

Before Facebook moved in last year, the campus in Menlo Park was the headquarters of Sun Microsystems. It pushes up against marshlands and salt ponds along the San Francisco Bay, which gives the air a faint stench when the wind blows a certain way. Zuckerberg nevertheless likes to take meetings outside and today holds forth in the central courtyard. He has a speechwriter now, and his answers have been molded by a few years of intensive media training. "It's really humbling to get a billion people to do anything," he says.

Zuckerberg visibly relaxes as the conversation turns to Mike Schroepfer, his vice president of engineering. While much of the world knows Sheryl Sandberg, Facebook's chief operating officer, they do not know Schroepfer, whose desk is right next to Zuckerberg's.

Schrep, as everyone at Facebook calls him, arrived four years ago from Mozilla, where he led the development of the Firefox Web browser. No person outside of Zuckerberg has had more influence on Facebook's engineers and the construction of the company's massive and growing infrastructure. "He's the cultural center of the engineering team," Zuckerberg says. Facebook's engineers have taken to decorating their pages with Schrep images fashioned to look like the iconic Obama posters from the 2008 campaign. "People just, like, love him," says Zuckerberg.

It's Schroepfer who ensures the tweaking never stops. He's been instrumental in developing the company's obsession with what's known in Silicon Valley as A/B testing. This is the process by which engineers compare one version of a Web page to another to see which generates the most interest. You might make one version of a menu red and another blue, then run data analysis to gauge their performance. At any given moment, Facebook has tens of thousands of A/B tests running. It may be trying to decide which version of an ad plays best to a particular crowd or how to word the options in a menu. This is how Facebook discovered that people got stressed out and left the site when they were asked if they wanted to "reject" a friend request. The engineers found the noncommittal "not now" kept people logged on. "Engineers understand data," Schroepfer says. "The trick is some of these details really matter and some don't."

During a meeting in a conference room near his desk, Schroepfer leads a group of engineers in a half-hour debate over the design of a restaurant review feature. Should it have a five-star rating option, a Like button, or both? Should there be animation? Does it feel natural? At the end of the meeting, Schroepfer and one other guy remain at odds over the Like vs. Stars question. "This is probably just a data gap between your brain and my brain," Schroepfer says. The A/B tests have since begun.

The de facto proctor of these tests is Chuck Rossi. In a company full of people trying to establish their wackiness, Rossi stands out. To the left of his desk he has a large, fully stocked Tiki bar with a lot of Scotch. Used targets have been stapled to the bar—Rossi is a competitive marksman, and sometimes conducts offsites at shooting ranges. "The booze we do separately," he hastens to add.

Rossi is Facebook's release engineer, the overlord of a ritual the company calls "the push." This is the moment when Facebook refreshes its source code with a new version. In the past, it wasn't uncommon for the push to bring down all of Facebook, but now things tend to run more smoothly. Most software

companies take months to pull together the code in their flagship products, check it for errors, and get it ready to ship. Rossi used to have a similar job at Google, and says that famously fast-moving company did its equivalent of the push every couple of weeks while he was there. Facebook redoes its site once a day, usually at around 4:30 p.m. West Coast time.

As push time approaches one evening in August, Rossi is relatively calm. All day, Facebook's engineers have been sending him new bits of code they want added to the site. The company's engineers typically submit about 300 tweaks per push. On Tuesdays, there's a bigger push that incorporates thousands of changes.

Rossi and a handful of other people review the tweaks, approve some, and kick back the rest for improvement. The engineers, proud of their ideas, often try to charm Rossi into approving their code. They gather in chat rooms to try to convince him that it's crucial that their changes go in today's push. When tomorrow is absolutely not an option, the engineers leave their desks and make their way to Rossi with an offering—hence the Scotch selection at the Tiki bar. "A little bribe never hurts," he says. "I love cupcakes, too."

Facebook has developed dozens of tools to catch the mistakes of its engineers. Rossi's computer screens—which he's programmed to look like The Matrix, with green text cascading down a black background—have them all on display. One tool analyzes code to see how dramatic a change is and what mechanisms it will affect. The same program tells Rossi about the level of discussion among product teams about the merits of this new feature. Was it rejected once, fixed, and then accepted? Or did it have 32 comments, 11 updates, and 6 rejections before reaching him? Another application alerts him if something is likely to break. "I actually think as we've gotten more mature, we've focused a little bit less on the 'break things' part of 'break things and move fast,'" Zuckerberg says. "One of the things that we've realized is that as we've gotten bigger, it is possible to make so many mistakes that you're actually moving slower because you're spending a lot of time fixing mistakes."

As the afternoon wears on, Rossi decides—Scotch and cupcakes be damned—that he's got to stop taking new changes. He begins the push by releasing the updated site first to Facebook employees, and then to about 2 percent of Facebook's users. He brings up another set of windows to see how long the tasks are taking, how well Facebook's servers are running, and whether there's any unusual surge of hostile tweets. When something goes wrong, an alarm sounds and the affected window on his screen turns red. "If this board is green, we are good," Rossi says. A screen flashes green. He patters on his keyboard, and today's Facebook push goes out to all 1 billion users. "It's like giving birth," he says.

From their first day of employment, Facebook engineers are expected to dig into the software that runs the site. Trainees in the six-week Boot Camp sit in a large workroom amid huge banks of desks with massive Dell (DELL) monitors. Under the supervision of "code mentors," easily spotted by their giant sombreros and other outlandish hats, new hires hunt for minor glitches in the 1.5 gigabytes of source code that runs Facebook.

Some Boot Campers break stuff. Jocelyn Goldfein came to Facebook in mid-2010 from VMware (VMW). Despite an impressive résumé, she still had to go through Boot Camp with the college kids. Near the end of her six weeks, she activated the product she'd been working on, and it flooded Facebook's internal network with meaningless traffic, taking down the e-mail system for an entire day. "I turned off Mark Zuckerberg's e-mail," she says, still shuddering. "This is not how I wanted to introduce myself." No one reprimanded her. "People showed up and were curious about why this was happening and wanted to

know what I was trying to accomplish," she says. "No one was like, 'How dare you!' And that was unique in my experience."

At some point during their training, the engineers are divided into groups of about 30. They're taken past a kitchen with free candy bars, a video game arcade, and a vending machine that spits out free keyboards and memory sticks. The recruits end up in a conference room, plop down in plastic chairs, and await a lecture from Schroepfer.

Schrep makes his way to the front of the room and pushes his black glasses up his nose. Of average build and with an orthodontist's countenance, he's known as that supersmart guy you want to impress. The recruits—all but a couple are male—go quiet as Schroepfer's first PowerPoint slide hits the projection screen. He begins by asking the employees where they last went to school or worked: Stanford, Northwestern, Princeton, Duke; CBS Interactive (CBS), Microsoft (MSFT), Yahoo! Research (YHOO), Google, and Amazon.com. "I want to talk about how Facebook is different than any organization you have been in," he says.

Schroepfer explains that in Facebook's olden days—that would be 2008—the engineering team had 150 people. Everyone knew each other, hopping from project to project was easy, and the site adapted quickly to competitive threats. The company now has 1,000 engineers and expects to add hundreds more this year. Boot Camp, Schroepfer explains, is an attempt to fight the natural creep of bureaucracy that comes with rapid expansion. He says big tech companies typically spend a day or a week indoctrinating new employees, mostly to explain 401(k) options and how to file expense reports. "Then, boom, you're deposited in your team." The employees become part of "warring tribes" that fixate on a single product, he says.

During Boot Camp, the Facebook hires see the company's entire code base. They're asked to work on Timeline for a bit and then to try out the Mobile app and familiarize themselves with the inner workings of News Feed. At the end of the process, they choose which product team to join. "We don't assign you to a team," Schroepfer says. "We want to make sure you are working on something you are good at and passionate about." At Facebook, he says, you can come up with a new idea today and "half a billion people will use your product tomorrow."

Facebook has grown from 600 employees in 2008 to 3,976 as of June 2012. "We have this stat that we throw out all the time," says Zuckerberg. "There is on the order of 1,000 engineers and now on the order of a billion users, so each engineer is responsible for a million users."

Even as it expanded its engineering corps, Facebook had to expand its hardware, and three years ago Zuckerberg and Schroepfer decided that the company should stop leasing data center space and build its own facilities. They put together a team of about a dozen people. A few months later, Facebook began constructing a 330,000-square-foot complex in Prineville, Ore., a sparsely populated farming and ranching town that has cheap power and plenty of broadband access.

Building another megadata center wasn't enough for Zuckerberg and Schroepfer, however. They wanted to experiment with a different design. Instead of using massive air conditioning systems to keep thousands of servers from overheating, the Prineville facility has giant, slatted vents on its sides that let in air as needed. A series of fans, filters, and water misters then clear the air, cool it, adjust its humidity, and guide it deeper into the building. Eventually the air flows to the rows of server racks below. All this happens automatically, with computers deciding how to guide the process.

Most of the software running these data centers was likewise built from the ground up or modified by Facebook engineers. The company has invented ways to get thousands of computers to work in unison. It also has several labs at its headquarters where it designs servers and storage systems. Its engineers strip out nonessential components and test various motherboard configurations to see how much heat and power they can withstand. Instead of buying its computers from a Dell or Hewlett-Packard (HPQ), Facebook has them manufactured by Asian suppliers.

The Prineville data center may be the most energy-efficient in the world. According to a standard measurement developed by an industry consortium, almost all the electricity goes to the computers as opposed to powering cooling systems or dissipating as heat. The company is building a half-dozen similar centers in Oregon, North Carolina, and Sweden.

As those come online, Facebook will be able to handle more Likes, pictures, and status updates, and the ads that go along with them. "There is this Facebook equivalent of Moore's Law," Zuckerberg says. "Each year the amount of stuff that each individual shares is growing at this exponential rate. And that lets us project into the future and say, 'OK, two years from now people are going to be sharing twice as much, [in] three years, four times [as much], four years, eight times as much.'"

The more Facebook grows, the more expansive its services can become. "We are trying to map out the graph of everything in the world and how it relates to each other," says Mike Vernal, one of the company's top engineers. The goal, he says, is to record every book, film, and song a person has ever consumed, then build a spectacular model of other things that person could enjoy. Take that vision to its logical end: You show up in a strange city and Facebook tells you what bar to go to. When you get there the bartender has your favorite drink waiting, and you're able to look around the room and see if anyone there went to your college or likes the San Francisco Giants. You may find this kind of universal social mapping exciting, or creepy. Zuckerberg describes it as inevitable. "At some point," he says, "that will start to be a better map of how you navigate the Web than the traditional link structure." By "traditional link structure," he clearly means the basis of Google searches.

Zuckerberg says he hopes to bring Facebook to China, where it's currently banned by the government, though he doesn't think that will happen soon. The company's biggest growth opportunity is mobile: "There are actually already 600 million people using Facebook on phones, so that's growing really quickly. And as more phones become smartphones, it's just this massive opportunity."

Zuckerberg's embrace of mobile will strike some shareholders as late in coming. In February, Facebook disclosed in an S1 regulatory filing that mobile usage didn't generate meaningful revenue. More recently, executives have tried to reverse that sentiment by touting preliminary test results that show the company's ads on mobile phones are 13 times more likely to be clicked on than ads on the desktop. Renewed faith in the company's mobile ads has been partly responsible for a mini-rally in its stock, pushing the price above the more dignified threshold of $20 for the first time since mid-August.

"We make more mistakes than other companies do," Zuckerberg says. "You can't have everything, so you just have to choose what your values are and where you want to be. For example, Microsoft has a huge focus on really rigorous, bug-free code. That's cool. I think that's the right decision for a lot of the markets they're in. But for us, this is the right way to go."

FB-01381971

In December 2010, Facebook users who were paying attention began noticing something strange about the site. Some people were able to see a new product called Memories, while others noticed a new interface for Photos. The site seemed to be rolling out dozens of products, and many looked unfinished. For about 30 minutes, people filled Twitter with chatter, trying to figure out what was going on.

At its headquarters, people were freaking out. The move-fast culture had resulted in one engineer accidentally releasing all of Facebook's top-secret projects to the public. Memories, for example, was an early version of what would become Timeline. Most companies keep sensitive projects cordoned off on special systems. Facebook, remember, gives every engineer equal access to its code.

The engineers flew to their internal chat system and tried to devise a plan for fixing the breach. The problem, though, was that Facebook runs on thousands upon thousands of servers. Try as they might, the engineers could not recall the leaked features. Jay Parikh, vice president of infrastructure engineering, decided to take the drastic step of disconnecting Facebook from the Internet. He logged into one of the social network's central servers and erased all the Internet addresses people would use to get to Facebook.com.

Once he made Facebook invisible to the world, Parikh knew he had to tell Zuckerberg. Not pleasant, even at a company where failure is an option. "I ran upstairs to talk to Mark," Parikh says. Zuckerberg replied, "That sucks."

A short while later, Zuckerberg tried to ease the tension. "I got all my direct reports together," he says. "They were all a little nervous. I was like, 'Guys, I told you NOT to ship everything. Maybe I'll say the "not" a little louder next time.'"

Facebook (FB) Celebrates a Billion Users With a New Advertisement
ABC News
By Joanna Stern
October 4th, 2012

http://abcnews.go.com/Technology/facebook-fb-celebrates-billion-users-advertisement/story?id=17395596#.UG7Y_BxLomp

"Chairs Are Like Facebook." That's just one of the tag lines in Facebook's new ad released today on the web to celebrate the company's milestone of hitting one billion users.

Mark Zuckerberg announced the major achievement on Facebook this morning. "This morning, there are more than one billion people using Facebook actively each month," Zuckerberg wrote in the blog post. "If you're reading this: thank you for giving me and my little team the honor of serving you."

Facebook actually reached the billion-user record last month on Sept. 14. With that stat, Facebook is also pointing out that there have been over 1.13 trillion likes, 140.3 billion friend connections, 219 billion photos uploaded since the launch of the service in February 2009.

Facebook
Facebook's first ad, which appeared, Oct. 4,... View Full Size

Pittsburgh Hostage Taker Posts on Facebook Watch Video

Facebook Stock: Should Zuckerberg End Honeymoon? Watch Video

Facebook CEO Mark Zuckerberg Speaks for First Time Since IPO Watch Video
The 90-second ad, which you can view here, will appear on Facebook.com for now, but according to AllThingsD it might see some TV airtime and some placement on other websites in the future. It was created by Wieden+Kennedy, the the same agency responsible for Nike's ads. Alejandro González Iñárritu, who directed "Amores Perros," was the director, says Ad Age.

The ad and the milestone come as Facebook continues to face pressure from Wall Street and the public about its disappointing IPO (Mark Zuckerberg's adjective, not ours). When the company first sold stock on May 18, it offered a price of $38 per share, but the stock quickly fell about 50 percent. Yesterday, the stock closed at $21.83.

Earlier this week, Facebook's new advertising policies raised some privacy concerns. The new Custom Audiences advertising feature allows marketers to target their ad or sponsored story to a specific set of users using phone numbers or email addresses posted on the site.

Facebook COO Sheryl Sandberg defended the new feature and stated that "we never sell user information, we don't make money when you share more, and we do not give your information to marketers."

She added: "People will on use Facebook if they trust us."

Whether each of its billion users trust Facebook is a story unto itself, but like chairs, Facebook is providing a place for people to sit and get together on the web.

Facebook Related

Facebook IPO Suits To Be Handled In New York
The Wall Street Journal
By Telis Demos and Aaron Lucchetti
October 5th, 2012

http://professional.wsj.com/article/SB10000872396390444223104578037321776713546.html?mg=reno64-wsj

A federal judicial panel ruled that a variety of lawsuits pertaining to the Facebook Inc. initial public offering would be handled in the U.S. District Court for the Southern District of New York, giving the social-media company a procedural victory in the closely watched cases.

The U.S. Judicial Panel on Multidistrict Litigation disclosed in an order Thursday that "the Southern District of New York is an appropriate transferee district for pretrial proceedings." It noted that 26 of the actions involving the Facebook IPO are already pending in that court before Judge Robert Sweet, including seven of the eight cases involving Nasdaq OMX Group, which owns the exchange where Facebook stock trades.

The various cases involving the botched IPO concern system errors on Nasdaq which led to confusion about investors' orders on Facebook's first day of trading, as well as allegations that Facebook and its underwriters didn't disclose enough about trends in the company's mobile applications that many analysts believed might hamper Facebook's expected earnings growth.

Facebook and others argued the cases should be consolidated in one court. The panel noted that there is some factual overlap between the two sets of cases and many of the underwriters and Nasdaq are located in New York.

In a statement, a Facebook spokeswoman said: "We are pleased the MDL Panel granted our motion to transfer these actions to the Southern District of New York. As we've said from the outset, we believe these lawsuits are without merit and will defend ourselves vigorously."

A Nasdaq spokesman couldn't be reached for comment. Nasdaq has said previously that it is willing to cover certain losses on the first day of trading.

After being offered at $38 a share in May, Facebook shares closed Thursday at $21.95 in Nasdaq trading.

Joe Lockhart To Leave Facebook To Consult
Politico
By Mike Allen and Elizabeth Wasserman
October 5th, 2012

http://www.politico.com/news/stories/1012/82067.html?hp=r3

Joe Lockhart is changing his status update at Facebook: He's leaving the social network to head back East to consulting.

The former White House press secretary under Bill Clinton has served as Facebook's vice president of global communications for nearly 15 months in Silicon Valley, but he will soon depart the company but likely continue to do consulting work for Facebook, a friend told POLITICO

"Joe ultimately came to the decision that he didn't want to leave the East Coast, and obviously we understand that decision. ... His roots on the East Coast are very deep," a Facebook official said.

Lockhart's departure date has not yet been confirmed. Lockhart's departure was first reported by AllThingsD.

Lockhart recently attended both the Republican and Democratic Party conventions on behalf of Facebook.

He was hired at Facebook in July 2011, as the company was battling issues in Washington concerning its protection of consumer privacy online and preparing to go public. The company's IPO in May was rocky and share prices have dropped up to 40 percent off the opening price of $38 per share.

Lockhart is most well-known for building the press office during the second Clinton term in the White House. After the administration ended, Lockhart went on to become one of the founding members of

the Glover Park Group, a D.C.-based consultancy firm which has worked on campaigns for Microsoft, Verizon and Pfizer.

The decision to leave Facebook comes as Lockhart is hesitant about spending more time at the company's headquarters in California, sources told POLITICO.

Lockhart had remained in Washington, with frequent trips to Facebook headquarters in Menlo Park, Calif.

Zynga Is In Trouble: And That's Great For Facebook
CNBC
By Julia Boorstin
October 5th, 2012

http://www.cnbc.com/id/49300267

Zynga is in trouble, and that's not great for Facebook, which can thank Zynga for 14 percent of its revenue in the first six months of 2012.

Getty Images
Zynga stock [ZNGA 2.815   ] is plummeting to new lows on news that its core social games are underperforming, which means dismal results in the second half of the year. This is yet another nail in social gaming's coffin — it follows a number of executive departures and disappointing second-quarter results that have brought the stock down.

After the bell Thursday the social game maker lowered its outlook and announced preliminary third-quarter results, to soften the blow of the earnings announcement scheduled on Oct. 24.

Zynga lowered its projections for the second half of 2012, cutting its estimated bookings by about $100 million, to a range of $1.09 billion to $1.1 billion, down from a $1.15 billion to $1.23 billion range. The company said it expects to report a net loss between $90 million and $105 million on revenue in the $300 to $305 million range. It is also taking a serious write-off on its acquisition of "Draw Something" maker OMG Pop, taking an $85 to $95 million impairment charge.

This is already hitting Facebook's stock [FB 21.9475   ], and a handful of analysts have issued reports on Facebook warning about the impact. (Read More: Will Facebook's New Focus on Revenue Boost Its Stock?)

JPMorgan lowered estimates for Facebook's payments revenue, now expecting it to decline 28 percent. JPMorgan warned that Zynga accounted for about 54 percent of Facebook's payments in the second quarter — about 9 percent of Facebook's total revenue. Barclays lowered its payments estimates for Facebook, noting that "social gaming on mobile devices is growing at the expense of desktop, which is where FB derives the majority of its payments revenue." (Read More: Facebook Hits Milestone, but Real News Is in Mobile.)

What happened? Games that were once Zynga's bread and butter — such as "FarmVille" (Zygna calls them the "invest and express" category) are performing worse than expected. Why? With the proliferation of mobile games, and people spending more time on smartphones, social games have lost their luster. Even if people are playing social games, Zygna has failed to convince more people to pay to play — paying gamers represent less than 5 percent of Zynga's user base.

Zynga CEO Mark Pincus posted some color on the company's blog about why the company issued preliminary results and lowered its outlook. He stressed that the company is investing in other genres — like gambling games, where it has the hit "Zynga Poker." He announced some new metrics, saying each of the company's three new games has achieved top 10 status, with more than 6 million daily players. Within its first five weeks, "ChefVille" has become a mainstay for 45 million monthly players, and "FarmVille 2" became the most popular social game within three days of network launch.

But the problems will add up to a weak fourth quarter. Pincus writes in his blog: "The reduced performance of some of our live web games is continuing to impact results and we have several new games which are at risk of launching later than expected." It also sounds like Pincus is getting ready to do some layoffs, saying, "We're addressing these near-term challenges by targeted cost reductions and focusing our new game pipeline to reflect our strategic priorities."

Zynga sees its future in mobile. More from the blog: "At the same time, we are continuing to invest in our mobile business where we have one of the strongest positions in the industry. These actions support our strategy to transition from being a first-party web game developer to a multi-platform game network."

He added: "Let's not lose sight of the bigger picture. The world is playing games, and is increasingly choosing social games. Zynga has become synonymous with social gaming, serving 311 million monthly active users — the largest player network on web and mobile. When we offer our players highly engaging content they respond. 'FarmVille 2' has been our most successful launch since 'CastleVille.' Our 'With Friends' franchise is defining social play on mobile where Zynga represents 3 of the top 5 most popular mobile games in terms of time spent in the U.S. according to Nielsen. While we're encouraged by our strong starting position on mobile, developing this new growth market to the scale of our web business will take time."

Why The Ad Tech Guys Are Going Nuts About Facebook Exchange, And Why That Matters
All Things Digital
By Peter Kafka
October 5th, 2012

http://allthingsd.com/20121005/why-the-ad-tech-guys-are-going-nuts-about-facebook-exchange-and-why-that-matters/

This summer, Facebook launched its own ad exchange. If you're in the ad tech world, that's a really big deal.

And the rest of you have probably never heard of it. That's in part because Facebook itself hasn't said much about it. It kept its partners under a tight gag order throughout the summer until last month, when it allowed them to hand out a few upbeat anecdotes. And none of that stuff will make sense to a regular human being.

So we asked Triggit CEO Zach Coelius to try to explain what Facebook is up to, using as much plain English as possible.

Coelius isn't close to being a neutral observer, because he's been an enthusiastic Facebook partner. But he's a good explainer, and relatively candid.

One scenario to keep in mind as you read the interview: If Coelius is right, and the Exchange adds dramatic value to the cheap ads Facebook is using it for right now, what would happen if the company relented and offered the Exchange on all of its ads?

Two theories, which aren't mutually exclusive:

Facebook's overall revenue shoots up, as the company conforms to the way most of the Web ad world does business.
Facebook's value flattens or drops, because Facebook will have conceded that it hasn't been able to figure out a revolutionary new way to sell ads. Instead, it's just like any other big Web publisher with lots of inventory. Like, say, Yahoo or AOL. That doesn't mean it's a bad business, but it's a whole lot less exciting than a world-changing one.
Kafka: Let's go over the basics of ad retargeting, and how Facebook's exchange uses that technique.

Coelius: Retargeting lets advertisers utilize data they have about their customers. When I go to Backcountry.com and I look at a pair of skis, in the same way that Backcountry.com might send me an email saying "Hey, you know these skis are on sale, you should buy them," or the way that they would change their site to show me the skis that I looked at the last time, when I visit again — they can also do the same thing with their ads. So that, when they show you their ads, they can show ads about things that you're interested in. So, on Facebook, they're now enabling those advertisers to do that, too.

So you're buying the ads from Facebook and reselling them to your advertisers?

Coelius: We work with the exchanges, and they use a technology called real-time bidding, which means that in real time, as the page is loading, the exchange will call to us and say, "Hey, Triggit, this user ID [which represents an anonymous Web surfer] is available, are you interested in showing them an ad?" And we say, "Oh, yeah, this guy wants to buy a pair of skis from Backcountry — we think he does, he looked at a pair of skis recently — let's show him a Backcountry ad with a pair of skis in it."

And how do the Facebook exchange ads perform against those you buy on other exchanges, like Google's?

We kind of went into this in the beginning saying, "Facebook's huge, and they're opening up to data-driven advertising, and if it performs just as well as everything else we do, we're going to be very happy." And, for us, it has been an amazing and wonderful surprise — the performance has been so much better than anything else we've ever done.

Why?

There's a number of reasons for that. The ad units actually are very good — they're always "in view," there's no fraud …

These are the small "marketplace" ads you see on the right side of the page, right?

At this point. Those ads are small, but they're actually good ads, relative to some of the other ads we've bought.

Really? Because some buyers I've talked to have complained that those small ads don't give them enough room to do anything compelling.

The ad units are smaller than some of the others that we have, and if they were bigger they would work better. But they're definitely not limited, and they're not working poorly. They're working incredibly well. I could only imagine what we could do if they gave us a bigger canvas to paint on.

Why else do you think the Facebook ads work?

On most of the other exchanges that we buy, the traffic patterns and the usage of those Web sites is either often search-driven traffic or browsing traffic. Traffic where the user is looking to do something, or looking to find something, or read about something. Facebook is a communication utility; it's something that people always have open, and they're there. And what we're finding is that when they do engage with the ads, they're converting at much higher rates. If they stop what they're doing on Facebook and turn and click on an ad, and go to our customer's Web sites — they buy.

Really? Because that's the standard advertising critique of Facebook — that people aren't there to buy anything. They're there because they want to hang out with their friends, and they don't want to see ads, and they don't respond to them.

We never bought on Facebook before they opened up to real-time bidding, so we can't speak to what went on before. But what we've always seen is that when you provide users with ads around the things that they're interested in, they engage with those ads.

But, to beat this into the ground: The whole premise of your industry is that Web sites don't matter, people do. That you can find interested customers for your clients all across the Web, and that the data about those people is more important than what site they're on.

I don't always say it's one or the other. I would say the site, at least in this case, with Facebook, definitely matters. But being able to know what a user is interested in, and show them ads around that, definitely makes them better and more relevant.

So, how big can the exchange and retargeting get for Facebook?

Obviously Facebook is gigantic — 25 to 35 percent of the entire Web. So they're big. The volume at this point is ramping incredibly quickly. We haven't gotten to the full scale that is Facebook, but the dial is turning very quickly, and Q4 is coming up. And I would be very surprised if we don't go to full scale in relatively short order.

Do you think they'll end up allowing retargeting on all their ads?

I have no idea. They have grand plans, and they're going to do grand things. I hope they open this up more broadly. There's no reason why they can't apply the data to sponsored stories or premium ads or mobile — we could apply it across the board.

Facebook Is Not 'Liking' Pages For You
Los Angeles Times
By Salvador Rodriguez
Ovtober 4th, 2012

http://www.latimes.com/business/technology/la-fi-tn-facebook-glitch-20121004,0,626711.story

Facebook is fixing a glitch with its social plugins, but contrary to a report going around the Web, Facebook is not "liking" pages for you.

The glitch was discovered and shared on Hacker News this week. The site found that if you share a Web page on Facebook that has a "like" or "recommend" button, the page gets credit for two likes. Many commercial and individual sites now use those button to help boost their popularity.

But the count, in that case, should go up by only one.

News of the glitch led Gizmodo to post an article titled "Facebook Is Reading Your Messages and Liking Things For You." The article said that private messages sharing URLs for Facebook Pages -- such as the ones used on the social network to promote a movie or a celebrity -- causes Facebook to "like" that page in the name of you and your friend.

Fortunately, that's not true.

Picture Gallery: Fresh Facebook Features

A spokesman for Facebook told The Times that the social network will not like a Facebook Page for you just because you send someone its URL.

So you can feel safe sending someone a link to Justin Bieber's Page without fearing Facebook will like it for you -- which would, of course, be quite embarrassing.

In the meantime, Facebook is fixing the glitch, the spokesman said.

Facebook: 1 Billion Users- And Doubters
MarketWatch
October 4th, 2012

http://articles.marketwatch.com/2012-10-04/commentary/34250004_1_mark-zuckerberg-facebook-user-marketwatch

NEW YORK (MarketWatch) — Mark Zuckerberg, chief executive officer of Facebook, is trumpeting that his social-media company has passed the 1 billion milestone in users.

Big deal.

Facebook's stock, which has greatly disappointed investors since its debut, only rose by a few pennies on Thursday morning following the news of the 1-billion mark.

The investment community isn't so easily impressed by big numbers. It recognizes that no matter how many users join Facebook (US:FB), Zuckerberg remains under pressure to show that his company can monetize all of those loyalists, especially, by capitalizing on the global societal shift to using mobile devices.

Of course, Zuckerberg will take good news anywhere he can get it. He is trying to improve on his questionable media strategy of keeping a low profile even as the price of his company's stock nosedived. The shares which began trading on May 18, are trading about 42% below their $38 initial public offering price. Even as his shareholders suffered, he didn't attempt to make public proclamations to reassure them.

Zuckerberg is clearly trying to prop up his image and take a more public stance. The 28-year-old Zuckerberg went on NBC's (US:CMCSA) "Today" show on Thursday morning and tried to inject some fresh hope into the gloomy Facebook picture. "We're in a tough cycle now and that doesn't help morale, but people are focused on what they're building."

While Facebook does have many supporters among investment firms' ranks of analysts, they are often drowned out by the pessimists. Barron's recently shook up Wall Street by publishing a front-page piece proclaiming that Facebook's stock was worth $15. Further, MarketWatch columnist Mark Hulbert took an even harder line, writing that it's merely a $13.80 stock. (Barron's and MarketWatch are owned by News Corp.)

Sure, it makes good media copy for Zuckerberg to tell the world that he now boasts 1 billion "friends." But there it still must seem as if for every Facebook user, there are just about as many doubters that the company can conquer Wall Street.

Facebook Scans Private Conversations To Pad Likes
E-Commerce Times
By Peter Suciu
October 5th, 2012

http://www.ecommercetimes.com/story/Facebook-Scans-Private-Conversations-to-Pad-Likes-76320.html

It isn't too hard to see what Facebook users Like, but on Thursday reports surfaced online about something few if any users would find likeable. It appears that sending links via private messages through the social network results in extra Likes for the link targets -- never mind that the link you're sharing may concern something you abhor. Call it a case of Like fraud.

This is all the more worrisome to users because Facebook is culling links from seemingly private messages and converting them into very public Likes. This raises the question of whether private information could be made public, but Facebook denies that possibility.

"Absolutely no private information has been exposed. Each time a person shares a URL to Facebook, including through messages, the number of shares displayed on the social plugin for that website increases," said Facebook spokesperson Devon Corvasce.

"Our systems parse the URL being shared in order to render the appropriate preview, and to also ensure that the message is not spam. These counts do not affect the privacy settings of content, and URLs shared through private messages are not attributed publicly with user profiles," she told the E-Commerce Times.

"We did recently find a bug with our social plugins where at times the count for the share or Like goes up by two, and we are working on fix to solve the issue now," she added. "To be clear, this only affects social plugins off of Facebook and is not related to Facebook page Likes. This bug does not impact the user experience with messages or what appears on their timelines."

Latest Faceplant

The issue of privacy on Facebook has come up before, and this latest debacle is one that could make users question what they do through the social network.

"They're not helping themselves when they tell users that they will safeguard privacy and take privacy seriously and then seem to contradict those claims with this kind of behavior," said Greg Sterling, principal analyst of Sterling Market Research. "Assuming the reports are correct, Facebook appears to be data mining activities that users clearly intend to [keep] private. This is another privacy misstep for Facebook, and they'll be forced to discontinue the practice."

Still, it's questionable whether Facebook actually did anything wrong if it didn't share information, as it maintains, but merely added Likes for sites that users seemed to be talking about. It isn't as though the Likes were tied back to an individual or specific Facebook account. Is this something Facebook is -- or should be -- allowed to do?

"While I believe that Facebook's policy is intrusive and distasteful, it seems to be within the bounds of company policies," said Charles King, principal analyst for Pund-IT. "As I understand it, any material Facebook users post on the site, including personal photos, comments, etc., become, by policy, the property of Facebook."

"The company likely considers the rifling of users' private conversations and assigning Likes as it sees fit to simply be a matter of efficiently leveraging its assets," King told the E-Commerce Times.

"Plus, the practice also reflects Facebook CEO Mark Zuckerberg's stated belief -- after controversies surfaced about the company's privacy policy changes in 2010 -- that users' participation in an open environment like Facebook means that they prefer their data to be public," he noted.

Losing Face

Whether the fallout from this turn of events, which is just the latest in a string of privacy-related concerns, will have people turning away from Facebook is yet to be seen.

"This is really an abuse of our trust," said Alan Wlasuk, managing partner of software development firm WDDInc.

"Is Facebook going to be a responsible parent with our data?" he wondered. "What are they doing with our data that we expect that they will protect?"

This could show that Facebook isn't as much a community of users as it is a horde of users unwittingly contributing to the goal of making the owners money.

"This latest practice is simply a brutal reminder that Facebook's customers are not users -- but rather the businesses that buy the company's advertising services," emphasized King.

It could be scenarios such as this one that make users examine alternatives, including the recently designed MySpace.

"It is a fickle user group out there, and if they lose enough user confidence, it will open the door for someone else to come in," Wlasuk told the E-Commerce Times. "That could be MySpace or a new startup. But this certainly opens the door."

IPOs Shake Off The Facebook Funk
USA TODAY
By Matt Krantz
October 4th, 2012

http://www.usatoday.com/story/money/markets/2012/10/04/ipos-facebook-stocks-debacle/1613667/

The IPO market's black eye from the Facebook debacle is finally starting to fade.

Next week, nine initial public offerings are slated to start trading, making it potentially the busiest week for deals all year, says Greg Leffert, analyst at Renaissance Capital. And that's coming off the busiest week for IPOs in more than two months. There have been 104 IPOs this year, which is running 3% ahead of last year.

"The market has come alive with the sound of IPOs," says John Fitzgibbon of IPOScoop.com

Seeing the IPOs come back to life is a relief to market watchers, who saw the market shrivel up after the hyped and ultimately disappointing IPO in May of the largest social-networking company.

Not a single company had a successful IPO for 35 days following the Facebook offering, Leffert says.

But now, IPO investors are being lured in with:

-- Offerings from a range of industries. The week's deals hail from a mix of businesses ranging from biotech Regulus Therapeutics, which went public Thursday, to container maker Berry Plastics and identity protector LifeLock. "It's all over the place," says Francis Gaskins of IPO Desktop Premium.

-- Stronger IPO performance. After Facebook's bravado at boosting its price range and increasing the size of its offering, companies have been more timid and conservative. The results have been better after-IPO returns. The FTSE Renaissance US IPO index, a gauge of the performance of recent IPOs, is up 6.3% over the past four weeks. That tops the 3.9% gain by the S&P 500 during that same period. And just two of the 27 IPOs during the third quarter are down from their IPO prices, Leffert says.

-- Less volatility in broad market. A steadily rising stock market is the best friend to IPOs, Fitzgibbon says. And that's what's been powering the recent recovery even though the market bottomed this year in early June.

Investors, though, need to be choosy as there are still misfires. LifeLock Thursday fell an additional 2% to $8.19. It's down nearly 10% from its $10-a-share offering price. And late Thursday, restaurant Dave & Buster's canceled its IPO. Next week, there are several biotechs, including Kythera and Intercept, but deals in that sector have been mixed, Gaskins says.

The good news is that IPO investors are finally forgetting about Facebook. "Facebook is history at this point," Gaskins says.

Facebook Shutters The Cool Hunter For Copyright Issues
CNet
By Dara Kerr
October 4th, 2012

http://news.cnet.com/8301-1023_3-57526539-93/facebook-shutters-the-cool-hunter-for-copyright-issues/

Facebook has cracked the whip on The Cool Hunter. After little warning the social network shuttered the design and pop-culture Web site's Facebook page eight weeks ago, leaving both the founder and its 788,000 fans wondering what went wrong.

In a blog post this week, founder Bill Tikos bemoaned the shutdown and said that it has severely hurt the site's business. According to Tikos, its Facebook fan base grew by 1,500 to 2,500 per day and also generated more than 10,000 click-throughs to the site per day. Overall, The Cool Hunter has 2.1 million monthly site visits, along with hundreds of thousands of Twitter and Instagram followers.

Here's more from Tikos:

 Our Facebook presence has been a unique and extremely important part of our strategy. It is the water cooler of our global community. Losing our FB page is not just a minor hick-up. It is a serious loss of connection and interaction, and of a massive amount of content.

We post items on FB that may not make it to the actual blog, giving hundreds of artists and designers exposure, and thousands of fans something new to see. Our FB page provides the interaction, comments and ideas that help us keep our editorial fresh. It helps us generate ideas for our weekend playlists, gives us tips for our world tours on what to do and see in each city. Most important, our FB community keeps us on our toes, generates great ideas and feedback, and lets us know when we are on the right track.

In the blog post, Tikos openly questioned why Facebook decided to shutter its account. According to The Next Web, the social network disabled The Cool Hunter's page because of "repeat copyright infringement."

Tikos wrote that he had no idea what his company was infringing upon and that it never "intentionally" broke any Facebook rules, but he did admit that there were two images that possibly could have qualified under copyright infringement. He also said there may have been times when appropriate image credit wasn't given because the company couldn't "find that information."

Facebook's terms of service explicitly state that users cannot "post content or take any action on Facebook that infringes or violates someone else's rights or otherwise violates the law."

Tikos desperately wants its Facebook account reinstated and he said he will do whatever necessary to make that happen. But, according to The Next Web, the social network isn't budging. A spokesperson told the news source that the disabling of The Cool Hunter's account was a "permanent removal." CNET contacted Facebook for comment. We'll update the story when we get more information.

General Tech

Twitter: Victim Of Own Success?
Politico
By Jonathan Allen
October 4th, 2012

http://www.politico.com/news/stories/1012/82052.html?hp=t1

Twitter is so two seconds ago.

The hot social network has become so huge that it chalked up 10.3 million debate-related tweets in 90 minutes Wednesday night. That's 1,907 TPS, or tweets per second — faster than the human eye can read.

All that noise had some of Twitter's biggest users complaining or even hopping off for the show, leaving a sour taste in some mouths on a banner night for the company. And Twitter knows it.

If the experience changes permanently — from a lively conversation to a yelling match — Twitter could lose some of its cachet with the smart set.

But, so far the sentiment is more frustration with a favorite tool rather than a desire to find a new one.

Company officials say their biggest product-development challenge is reducing the "signal to noise ratio" for users. That means making sure users get what they want from the Twitterverse without being overloaded with junk Tweets.

"We continue to experiment with how to surface the most relevant tweets to users during large events like the debates," said Twitter spokeswoman Rachael Horwitz. She noted that the overload issue isn't much of a problem for average users, who "weren't quite as overwhelmed and they probably really enjoyed seeing what folks ... had to say in real time."

They've also been experimenting with events pages, which were used for NASCAR races, the London Olympics, the political conventions and last night's presidential debate. The algorithms are complex, but the concept is simple. Twitter picks a list of relevant users on a topic — say, political journalists, commentators and campaign officials for a debate — and populates the page with Tweets from their accounts. The system is set up to start capturing popular themes that arise spontaneously during the debate from accounts that weren't originally on the list. It's in this way that Twitter hopes to provide a better experience for users who want to follow a major national or world event without having to sort through their feeds for relevant insights.

Indeed, many Twitter users seemed to enjoy all the talk about the debate, and some tweeted that they watched their feeds rather than the television to keep up with what the candidates, the surrogates and their own friends had to say about each zinger and facial expression. While the political class fretted about the overload, the typical user doesn't follow everyone who has ever run for office, written a national political story or worked on a campaign.

"#debate boring. Listening to debate while reading Twitter feed awesome," wrote @andymatkovich, who follows 224 people.

Twitter uses big events like the presidential debate to expand its network, allowing folks to see tweets without having already registered with the site, as @realstrangerec pointed out in signing up on Wednesday night. "Joining #twitter because the tweets on the #debate! Awesome stuff!!" he wrote.

The service is starting to supplant the post-debate spin room as a gauge of how the candidates are doing. Tweets from liberals criticizing moderator Jim Lehrer's performance were a sure sign that their guy, President Barack Obama, wasn't winning the night. Mitt Romney, on the other hand, got early kudos from Republicans and many political analysts. It was possible for just about anyone — even #BigBird — to watch the ebb and flow of the event just by keeping an eye on their Twitter feed. For some users, it got to be too much.

"I just added the #debate feed and it's moving WAY too fast for me," @sammydavis22 tweeted Wednesday night. "Oh dear."

Ditto for @drgrist: "My twitter feed is almost too fast for me to follow, already, 45 minutes before the debate. This is going to make my head hurt."

That kind of talk crops up from time to time, says Lance Ulanoff of the social media news site Mashable.

"This feeling of Twitter not being up to the task occasionally happens during these high-impact events. It's frustrating and high-profile users will often vent their frustration," he said. "Still, most Twitter users are neither advanced nor high-profile and probably don't even notice the slowdown. The advanced users notice and complain, but are too devoted to the platform to leave."

Plus, it could be worse. Twitter reports that 40 percent of its 140 million members never Tweet at all.

Google Says Motorola Cuts Will Cost More Than Expected
The New York Times
By Claire Cain Miller

October 4th, 2012

http://bits.blogs.nytimes.com/2012/10/04/google-says-motorola-cuts-will-cost-more-than-expected/

Google will cut deeper and spend more money on cuts than it originally expected as it restructures Motorola Mobility, the ailing cellphone maker it bought for $12.5 billion.

Google will spend $300 million on severance and other charges related to layoffs, the company said in a filing with the Securities and Exchange Commission on Thursday, an increase of $25 million from the $275 million that Google originally said layoffs would cost. But it does not plan to lay off more people than the 4,000 employees it originally announced.

It will also spend $90 million closing offices and factories and leaving certain markets, the company said, and plans to leave more areas outside the United States than it originally said it would. In August, it said it would close about one-third of its 94 offices worldwide, focusing on cuts in Asia and India.

The company did not provide more details beyond the government filing. In a statement, Google said, "This filing was made to provide updated information around Motorola Mobility's cost reductions that were announced earlier this summer."

In August, Google announced the layoffs and cuts as part of its broader plan to turn around Motorola Mobility, which has been unprofitable for 14 of the last 16 quarters. In addition to using Motorola's patents to defend Google's Android mobile operating system, the company said it planned to focus on just a few smartphones instead of dozens, stop making low-end devices and make its phones more cutting-edge with innovations like longer battery life and artificial intelligence.

The $300 million charge and $40 million of the $90 million charge would affect Google's third-quarter earnings this year, the company said in the filing.

Samsung Expected To Reach End Of Record Run
Reuters
October 5th, 2012

http://www.nytimes.com/2012/10/06/technology/samsung-expected-to-reach-end-of-record-run.html

SEOUL — Samsung Electronics reported a record quarterly profit of 8.1 trillion South Korean won, nearly double the figure of last year, as strong sales of high-end televisions and Galaxy smartphones more than offset reduced orders for chips and screens from Apple, its main rival and leading customer.

Most analysts, however, expect a run of four record quarters — the most recent worth $7.3 billion — to end in December, as the South Korean group, one of the world's leading makers of smartphones, televisions and memory chips, increases its marketing, countering the new Apple iPhone 5 and other products in a crowded smartphone market, valued at $200 billion globally.

Credit Suisse Group, an international financial services company, estimated that Samsung might have spent about $2.7 billion on marketing in July to September alone during the Olympic Games in London and on Galaxy promotions.

The expected record profit of 28 trillion won would mean higher payouts for performance to many of Samsung's 206,000 staff members early next year. And Samsung may have to set money aside this quarter if it fails to overturn an appeal of a U.S. court verdict that awarded more than $1 billion in damages to Apple on Aug. 24 for patent infringements by Samsung.

"Fourth-quarter profit will be pressured by one-off expenses: performance payouts and some $1 billion in legal provisioning relating to the Apple litigation," said Lee Sun-tae, an analyst at NH Investment & Securities.

"Excluding those, core earnings will remain solid, and a swing factor is how much Samsung spends on marketing."

Analysts expect earnings to decline until the second quarter of next year as a slump in computer sales and a weak global economy sap demand for chips and electronics products.

"The biggest risk for Samsung is competitive product lineups from its rivals, such as the iPhone 5," said Byun Han-joon, an analyst at KB Investment & Securities.

"Because handsets drive most of its profits, one misstep in handsets could result in losses for the whole Samsung group," Mr. Byun said.

Profit at Samsung's mobile division is likely to have more than doubled in the July-to-September period to about 5 trillion won as smartphone shipments topped 58 million, including as many as 20 million of the Galaxy S III.

Ahead of full quarterly results due Oct. 26, Samsung estimated that its July to September operating profit jumped to 8.1 trillion won from a year ago, beating an average forecast of 7.6 trillion won in a survey of analysts.

Strong handset sales made up for reduced profits from its chip business. Prices of dynamic random access memory, or DRAM, chips — used in computers and mobile phones — dropped 14 percent in the September quarter. Such chips now trade below what it costs most contract manufacturers to make them and will squeeze near-term earnings, analysts say. Tablets and smartphones, the real growth areas, use far smaller memory storage.

Samsung is expected to invest less in chips next year because of the drop in demand, which could be bad news for equipment manufacturers. Kwon Oh-hyun, who became chief executive of Samsung in June, said late last month that the group had yet to complete its 2013 investment plans.

Samsung is strengthening its product lineup, with its latest phone-tablet, the Galaxy Note, expected to go on sale in the United States this month; its ATIV smartphones, which run on Microsoft's new Windows system, will compete with Nokia's Lumia series.

Fake Antivirus Ringleader Must Pay $163 Million
Information Week
By Matthew Schwartz
October 3rd, 2012

FB-01381987

Acting on a Federal Trade Commission complaint, a federal court has imposed a $163 million judgment on a woman who allegedly helped run a scareware ring that tricked over one million consumers across six countries into purchasing fake security software.

That decision, announced by the FTC Tuesday, came after a two-day bench trial last month. U.S. District Judge Richard D. Bennett, who presided over the case, also wrote in his related judgment that the defendant, Kristy Ross, "shall be permanently restrained and enjoined from the marketing and sale of computer security software and software that interferes with consumers' computer use as well as from engaging in any form of deceptive marketing."

The fake software in question--often referred to as scareware, fake antivirus, or fake AV--is part a social-engineering scam designed to trick users into thinking their PC contains viruses, system errors, spyware, or pornography. The software then advertises information security software to help, which is available for immediate download. But in reality, the results of the system scan, as well as security software's cleaning power, is fake.

[Cyber crooks' use of server-side infrastructure used to infect PCs is increasing. Read more at Online Criminals' Best Friends: Malnets.]

According to the FTC, Kristy Ross, together with defendants Sam Jain, Daniel Sundin, Marc D'Souza, and James Reno, served as officers and directors of two businesses: Belize-based Innovative Marketing, Inc. (IMI), and a subsidiary, Cincinnati-based ByteHosting Internet Services. The businesses were used "to conduct a massive 'scareware' scheme that marketed a variety of computer security software via deceptive advertising."

According to the FTC, the operation "used elaborate and technologically sophisticated Internet advertisements placed with advertising networks and many popular commercial websites," which purported to display the results of a "'system scan' that invariably detected a host of malicious or otherwise dangerous files and programs on consumers' computers." The scanner then urged consumers to buy software, priced between $40 and $60, to remediate the issue.

In the wake of the FTC's complaint, which accused eight defendants in total of having violated the FTC Act, the U.S. District Court for the District of Maryland immediately granted the FTC a temporary restraining order requiring IMI to cease marketing and selling its software, which was sold under such names as WinFixer, WinAntivirus, DriveCleaner, ErrorSafe, and XP Antivirus. The court also froze the assets of the businesses involved.

Last month, Ross argued in court that the judgment of $163 million proposed by the FTC against her "was grossly overinflated and that she should be held liable only for the ads and products she herself marketed at MyGeek," wrote Bennett in his judgment. But the judge said that he found the amount, which had been calculated by the FTC, was "a reasonable approximation of consumer redress." Bennett also ruled that Ross would be jointly liable for the "consumer redress" amount with defendants Sam Jain, Daniel Sundin, and IMI.

Of all of the people charged by the FTC in this case, Ross was the only remaining defendant. Four of the others already settled with the agency, including Marc D'Souza and his father, Maurice D'Souza, who in 2011 agreed to a settlement requiring that they return $8.2 million in what the FTC dubbed as "ill-gotten gains." The other three defendants in the case, meanwhile, had judgments entered against them by default because they failed to appear in court and participate in the litigation.

Miscellaneous

Apple Posts A Video Remembering Steve Jobs And Highlighting His Greatest Achievements
TechCrunch
By Darrell Etherington
October 5th, 2012

http://techcrunch.com/2012/10/05/apple-posts-a-video-remember-steve-jobs-and-highlighting-his-greatest-achievements/

Apple has posted a video on its homepage today, with footage of Steve Jobs over the years speaking at keynotes and Apple events, showing images of him and the products he created that changed the way we think about and use computers and mobile devices. The video begins with the famous Wayne Gretzky quote that pretty much defines Jobs' career: "I skate to where the puck is going to be, not where it has been."

Steve Jobs passed away October 5, 2011, after a battle with pancreatic cancer. His life was maybe the ultimate comeback story, having founded Apple in 1976, only to be pushed out in 1985, and then to return to the company when it was in serious trouble in 1997 to lead it to where it is today.

A message from Apple CEO Tim Cook follows the video, marking the occasion and discussing Steve and what he's meant, and will continue to mean for the company. Here's the letter in full:

A message from Tim Cook, Apple's CEO

Steve's passing one year ago today was a sad and difficult time for all of us. I hope that today everyone will reflect on his extraordinary life and the many ways he made the world a better place.

One of the greatest gifts Steve gave to the world is Apple. No company has ever inspired such creativity or set such high standards for itself. Our values originated from Steve and his spirit will forever be the foundation of Apple. We share the great privilege and responsibility of carrying his legacy into the future.

I'm incredibly proud of the work we are doing, delivering products that our customers love and dreaming up new ones that will delight them down the road. It's a wonderful tribute to Steve's memory and everything he stood for.