

Facebook Seeks Contract, E-Mails in 'Scam' Ownership Suit

By Bob Van Voris - Jun 2, 2011 5:16 PM PT

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Facebook Inc. and its co-founder [Mark Zuckerberg](#) asked a court to order [Paul Ceglia](#), the New York man who claims half of Zuckerberg's holdings, to turn over the original contract and e-mails on which he bases his suit, saying the steps are needed to short-circuit a fraud on the court.

Facebook today asked a federal judge in Buffalo for an order requiring Ceglia, 37, to provide expedited fact-finding, or discovery, in the case. The company said forensic examination of the documents will support its claim that the contract is "an amateurish forgery" and the e-mails are fabricated.

 Enlarge image



Paul Ceglia poses for a photo outside his home in Wellsville, New York. Photographer: Bob Van Voris/Bloomberg

"This discovery will bring this case to an immediate end by establishing that the purported contract and e-mails are forgeries," Facebook and Zuckerberg said today in the court filing. "The contract is a cut-and-paste job, the e-mails are complete fabrications and this entire lawsuit is a fraud."

Facebook asked for an order forcing Ceglia to immediately produce the original April 2003 signed contract and all e-mails referred to in his complaint. The company also asked the court to seize Ceglia's computers and otherwise to delay the exchange of evidence in the case until the documents are turned over and inspected.

Facebook Experts

Facebook presented the conclusions of a computer forensics firm, a linguistics expert and a document authentication expert in support of its argument that Ceglia's claim is fraudulent. A former [New York](#) Police Department lieutenant commander claimed Ceglia has a history of fraud including an Internet scam to sell land in New York and [Florida](#).

"Mr. Ceglia welcomes the opportunity to expedite discovery in this case and disagrees with the opinions within the filing, which have been made by those who have not examined the actual contract at issue in this case or any of the other relevant evidence," Ceglia's lawyers said in a statement today.

In an amended complaint filed in April, Ceglia quoted from e-mails he said he exchanged with Zuckerberg, which he said support his claim that the two men formed a partnership that gave Ceglia half-ownership of Facebook when it was started in 2004.

Ceglia said he is entitled to a multibillion-dollar stake in Facebook. The closely held company is valued at as much as \$55 billion, according to [Sharespost.com](#), an online marketplace for investments in companies that aren't publicly traded. [Palo Alto](#), California-based Facebook runs the world's biggest social-networking site.

Zuckerberg Testimony

In a sworn statement filed with the motion today, Zuckerberg said he provided web-development services for StreetFax, a business Ceglia was trying to start at the time, after responding to an Internet job listing in 2003. Zuckerberg, then a student at [Harvard University](#), signed a contract drafted by Ceglia, which referred only to the StreetFax work, he said.

The contract didn't mention Facebook, which Zuckerberg started months later, he said in the statement. Zuckerberg didn't sign the alleged contract put forward by Ceglia and didn't write or receive any of the e-mails cited in Ceglia's complaint, he said.

Facebook and Zuckerberg said in today's filing that Zuckerberg's Harvard e-mail account contained more than 175 e-mails between him and others affiliated with StreetFax from 2003 to 2004. None of the e-mails referred to Facebook, they said. The e-mail exchange shows Zuckerberg demanding payment for his work while Ceglia gives excuses for delaying, they said.

'Authentic' E-Mails

"The authentic Ceglia e-mails -- which show Ceglia apologizing, begging Zuckerberg's forgiveness, offering excuse after excuse, asking for more time, even promising to sell his property to raise the money he owed Zuckerberg -- demonstrate that the narrative in Ceglia's complaint is utter fiction," Facebook and Zuckerberg said.

Facebook attached print-outs of some of the e-mails in court papers. In a Feb. 16, 2004, e-mail, a copy of which was attached to Facebook's papers, Ceglia wrote: "If there is any way I can assure you that I have absolutely every intention of paying you what is owed plus some when we finally catch up to our sales goals it would be appreciated to a level I can't express in words."

Cameron and Tyler Winklevoss, two former Harvard schoolmates of Zuckerberg, are trying to get Facebook to produce evidence including instant messages from 2003, which they claim Facebook may have improperly withheld in their lawsuit claiming Zuckerberg stole the idea for Facebook from them.

In its papers today, Facebook submitted a declaration from Donald Henne, a managing director at Kroll Associates Inc., which conducted a background investigation of Ceglia after he filed his suit. Henne, a former New York police lieutenant commander hired as an expert by Facebook, detailed a number of criminal arrests and fraud claims that have been made against Ceglia.

'Land Scam'

Henne said Kroll reviewed property records and interviewed several people who agreed to buy properties from Ceglia. Henne claimed Ceglia conducted a "wide-ranging land scam" from 2005 to 2008, selling worthless properties in Florida and New York on [EBay Inc. \(EBAY\)](#)'s auction website.

Court records reviewed by Bloomberg News show that Ceglia was arrested in [Texas](#) in 1997 and pleaded guilty to possession of hallucinogenic mushrooms. He was fined \$15,000 and permitted to return to his home in New York.

In 2005, Ceglia was arrested for trespassing on land in Polk County, Florida. According to court records, he was fined \$265.

Ceglia was also arrested at his home in Wellsville, New York, in 2009 after more than two dozen customers of his startup wood-pellet business claimed they paid for pellets to heat their homes and didn't receive any. According to court records, Ceglia received an adjournment in contemplation of dismissal and the charges were later dropped.

Wood Pellets

A fraud lawsuit filed by New York's former attorney general, [Andrew Cuomo](#), shut down the wood-pellet business in December 2009. The suit was resolved with Ceglia agreeing to pay \$106,000 in restitution and a \$25,000 fine.

In its motion, Facebook said Ceglia "has spent the past seven years as a hustler engaged in various land swindles and wood-pellet scams."

Trial judges often exclude evidence of previous "bad acts" by parties to guard against unfairly prejudicing jurors, said Bryan Freedman, a litigator with the firm Freedman & Taitelman LLP in [Los Angeles](#). When the evidence shows a pattern or habit of acts related to the case on trial, judges often let the jury hear it, he said.

Facebook may also be trying "to sway public opinion or the judge's opinion" against Ceglia, Freedman said.

The case is Ceglia v. Zuckerberg, 1:10-cv-00569, U.S. District Court, Western District of New York (Buffalo).

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