

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

TIKTOK INC. and BYTEDANCE LTD.,

Plaintiffs,

v.

DONALD J. TRUMP, in his official capacity as
President of the United States; WILBUR L.
ROSS, JR., in his official capacity as Secretary
of Commerce; and U.S. DEPARTMENT OF
COMMERCE,

Defendants.

Civil Case No. 20-cv-2658

DECLARATION OF VANESSA PAPPAS

I, Vanessa Pappas, under penalty of perjury, hereby declare as follows:

1. I am the head of TikTok Inc. and the interim head of the global TikTok business for ByteDance Ltd. (“ByteDance”), TikTok Inc.’s parent company. My responsibilities include overseeing the content, product, operations, and marketing teams for TikTok’s global platform, and direct oversight of our U.S. Safety team. For clarity, references in this declaration to “TikTok Inc.” are to the U.S. corporate entity and references to “TikTok” are to the software application and business unit.

2. The purpose of this declaration is to discuss the effects of President Trump’s Executive Order dated August 6, 2020 regarding TikTok and the actions taken by the Department of Commerce on September 18, 2020, which I will refer to collectively as the “TikTok Ban” or “Ban.”

3. This declaration is based upon my personal knowledge and belief and/or upon my review of business records of TikTok Inc. and ByteDance.

A. TikTok's Business

4. TikTok is a video-sharing platform designed to provide a creative and entertaining forum for our users to express themselves and make connections with other content creators and viewers. TikTok enables hundreds of millions of users to share expressive content ranging from humorous videos to artistic, political, and religious speech.

5. TikTok Inc. is a U.S. company with hundreds of U.S. employees. Its headquarters are located in Los Angeles, California.

6. TikTok Inc. is led by a U.S.-based leadership team. I am based in the United States, along with our Global Chief Security Officer (Roland Cloutier), our Head of Safety (Eric Han), and our General Counsel (Erich Andersen). Our leadership team is deeply committed to protecting U.S. user data privacy and security, promoting U.S.-led content moderation and localized community guidelines, and cooperating with the U.S. government in accordance with the law.

7. TikTok Inc. is committed to hiring U.S. personnel beyond the highest levels of leadership as well—we have already hired dozens of employees with years of experience from other leading U.S. technology companies.

8. TikTok Inc. is owned by ByteDance, a global company incorporated in the Cayman Islands with offices in the United States, China, Singapore, and the United Kingdom, among other locations. TikTok has been offered in more than 200 countries, but it is not and has never been offered in China, and there is no connection between TikTok Inc. and the Chinese government.

9. TikTok's user base in the United States has grown at a rapid pace. In August 2018, we had 14,579,171 monthly active users. By February 2019, we reached 26,739,143 monthly active users, and by October of that same year, our total number of monthly active users in the United States had climbed to 39,897,768. As of August 18, 2020, TikTok had 92,762,039 monthly

active users in the United States. Today, based on quarterly usage, over 100 million Americans use TikTok.¹

10. TikTok's international growth has followed a similar trajectory. By January 2018, we had 54,793,729 global active users. By December of that year, the number of global active users rose to 271,188,301. As of July 2020, TikTok had 689,174,209 global active users, and by August 18, 2020, TikTok had 2,426,446,959 global downloads.

11. TikTok's initial growth was spurred by its appeal to those who value the blend of light entertainment and humor that our app provides. But today, TikTok has also become a forum for all types of political speech. Many content creators use our app to express solidarity with social movements, highlight their political preferences and candidates of choice, and speak out on today's many pressing political issues, all to an audience of millions of viewers.

12. In addition, especially during the COVID-19 pandemic as in-person entertainment and communication forums have declined or disappeared, TikTok has become a very important source of income for innovative communicators and content creators in the United States. For example, creators can enter into partnerships with brands who pay to sponsor their content, use the livestream feature of the app and receive monetary gifts from the audience, and can link their personal websites for goods and merchandise to their TikTok profile.

13. To support the creators who rely upon TikTok for their livelihoods, we have announced the launch of the Creator Fund, which will provide one billion dollars over the next three years to invest in more than a million creators in the United States. We have also funded

¹ These monthly and quarterly active users figures have not been de-duplicated, to account, for example, for the same user on multiple devices.

creators who make educational content as part of our Creative Learning Fund, and we help to connect creators with brands for sponsorships.

14. TikTok Inc. has always invested heavily in data privacy and security protections for our users, as well as protections to help ensure a safe online experience on TikTok. Maintaining a safe and supportive environment for our users is a critical priority for us. Our business model rests on the principle that a safe environment is essential to helping people feel comfortable with expressing themselves openly and creatively. We take steps to protect the privacy and security of U.S. user data in our collection and use of data, including industry-standard encryption to protect user data and security controls to protect the integrity of our source code and safeguard against data breaches, hackers, and other malicious actors.

15. We also aim to cultivate an environment for authentic interactions by making focused efforts to keep deceptive content and accounts off TikTok. Our U.S. content moderation is led by a U.S.-based team and operates independently from China. To my knowledge, there has never been a request from the Chinese government to moderate content on TikTok, and we would reject such a request for content moderation if we received one.

B. The Impact of the TikTok Ban on Our Business

16. Our business model is not complicated: We provide a platform for our community of users to create and share content. To survive, we need to be able to do two related things: grow our users and continue to enable the development of good content. Those two things feed the economic foundations of our business: advertising revenue, attraction of talent (both as employees and among creators on our platform), and continued investment in our platform. The TikTok Ban irreversibly harms us by destroying our ability to grow and maintain users, develop content, earn revenue from advertisers, and attract and retain business partners and employees.

17. First, the TikTok Ban will cause our user base to stagnate and then precipitously decline. Before the Ban, TikTok was one of the fastest growing apps in the United States, and we were on a growth trajectory that enabled our platform to directly compete with major social media platforms like Instagram. For TikTok to remain competitive, continued growth at this stage in our development is critical. New users are the lifeblood of a social media application like TikTok; without new users, we cannot compete with other platforms.

18. As the first step of the TikTok Ban, the Commerce Department has ordered the removal of TikTok from the U.S. app stores as of September 27, 2020. Removing the app from U.S. app stores will halt the influx of any new U.S. users, immediately foreclosing the hundreds of millions of Americans who have not yet downloaded the app from joining the TikTok community. Until July 1, when rumors of a ban first began to circulate, TikTok was adding approximately 424,000 new daily U.S. users each day. Eliminating this influx of new U.S. users would cripple our growth and immediately cut into our market share.

19. Notwithstanding the superior technology and innovations that have made TikTok such an overwhelming success, our experience reveals that users and content creators will shift to less attractive and less functional substitutes if TikTok becomes unavailable to new users. When the remaining Commerce Department restrictions come into effect on November 12, 2020, and TikTok is shut down entirely in the United States, this erosion of our competitive position will significantly accelerate. Based on data from the Indian government's two-week ban on TikTok in 2019, our modeling indicates that 40–50% of our daily active users before the U.S. government's TikTok Ban will not return to TikTok even if the Ban is lifted after two months; if the Ban is in place for six months, 80–90% of daily active users will not return. Accordingly, even if the TikTok Ban is later lifted, we would not be able to make up for lost ground, because people who would

have downloaded TikTok will have already turned to other competing platforms such as Byte, Triller, Zynn, and the Reels feature on Instagram to post and consume short-video content to fill the void left behind in the wake of the TikTok Ban.

20. The TikTok Ban in the United States will also have a major impact on TikTok's global growth. Because content created and shared by U.S. users is highly exportable to other English-speaking markets like the United Kingdom, Canada, and Australia, U.S. content can comprise as much as 60% of the content in TikTok's non-U.S. markets. TikTok's success in these markets currently relies heavily on U.S. content. Banning TikTok in the United States will result in a massive decrease in content available globally, which will decrease business and impact both our new users and core user base worldwide. Here too, even if the TikTok Ban were later reversed, there would be no recovering from the harm that even a temporary disruption would cause.

21. Second, removing TikTok from the app stores will cut into our existing user base, and the subsequent shutdown ordered on November 12 will eliminate our user base entirely. As soon as TikTok is removed from the app stores, our competitors will have a window to entice TikTok creators to switch platforms and to knock TikTok out of the market. Even before the Commerce Department took action, TikTok was under intense competitive pressure. When Secretary of State Pompeo first announced that President Trump was considering a ban of TikTok, we saw a significant drop in our user base, with a reduction of over 500,000 daily active users. Meanwhile, just days after President Trump made his own threat to ban TikTok, Instagram launched a directly competing feature called Reels. Other applications such as Byte, Triller, Zynn, Clash, YouTube Shorts, and Snapchat also are competitors, and several of these apps have topped the app stores in the weeks since the August 6 executive order.

22. These competing services are seizing the opportunity to capitalize on the uncertainty surrounding TikTok and to recruit our current creators, with some platforms going as far as to offer millions of dollars and exclusive deals to our creators.² For example, Triller recently signed TikTok's largest creator, Charli D'Amelio.³ As prominent creators leave TikTok for other platforms in response to the Ban, their departure will have cascading effects on TikTok's user base—because of the halo effect associated with major personalities on the TikTok app, the departure of even one top creator can lead thousands of members of their fan base to the next platform as well.

23. Third, the TikTok Ban will dramatically undercut the commercial goodwill associated with the TikTok application and impede our ability to form and maintain commercial partnerships. Our commercial partners want to work with us because of the vibrant TikTok community. By destroying that community—first by shutting TikTok out of the app stores and then by shutting down TikTok entirely—the TikTok Ban will deal a heavy blow to our reputation and attractiveness as a commercial partner. This collapse of goodwill will harm our revenues from existing partnerships and prevent us from realizing revenue from future opportunities, as prospective partners forge relationships with our competitors instead.

24. This breakdown of TikTok's goodwill and reputation is particularly harmful in relation to U.S. advertisers. Businesses like TikTok place a premium on U.S. advertisers, which

² Deepa Seetharaman & Euirim Choi, *World News: Ban Threat Opens Door to Rival Platforms*, Wall St. J. (Aug. 5, 2020), <https://www.wsj.com/articles/tiktok-users-drawn-to-rival-platforms-as-trump-threatens-u-s-ban-11596555375>.

³ Julia Alexander, *TikTok's most popular creator, Charli D'Amelio, has joined rival app Triller*, The Verge (Sept. 15, 2020), <https://www.theverge.com/2020/9/15/21438111/charli-damelio-tiktok-triller-app-rival-dixie-marc-heidi>.

are often the most successful at generating revenue for TikTok because they typically pay better rates for views of their advertisements than do advertisers in other markets. Advertising is a relationship-based business; if we are perceived to be an unreliable partner in the marketplace, advertisers will build partnerships with other platforms. In fact, the August 6 executive order began to destabilize our relationships with advertisers even before the implementing regulations took effect. After President Trump issued the executive order, companies started to turn down or pull back from agreements we were pursuing with them. Approximately a dozen brands, including some of the largest consumer goods companies in the United States, cancelled or delayed their planned advertising for August. This loss of stability has already impacted our business: even before the Commerce Department identified the prohibited transactions that officially implemented the executive order, we lost \$10 million of revenue in the month of August alone.

25. The reputation damage caused by the TikTok Ban will also impact our deals with some of our marquee content partners, especially major media conglomerates and major sports leagues. Our relationships with these entities generate goodwill, positive brand impact, and media exposure for TikTok. As the loss of these partnerships accelerates as the TikTok Ban takes effect, we will experience a deep, unquantifiable harm to TikTok's credibility and competitiveness in the U.S. market and worldwide, which makes it unlikely that these relationships could be salvaged even if the TikTok Ban is later lifted.

26. Fourth, the TikTok Ban will devastate our U.S. workforce, permanently harming our ability to recruit and retain talent. TikTok is a technology company, and we compete fiercely for the software engineers and other talent we rely upon to run our business. These candidates often have multiple offers from other companies, and our competitors have been aggressively trying to recruit our talent since the TikTok Ban was first announced. Meanwhile, we have been

hampered in our ability to attract talent. Since July 1, 2020, 52 candidates have declined offers of employment with ByteDance and TikTok Inc. specifically due to the perceived uncertainty caused by the government's investigation of and threats against TikTok. As the TikTok Ban comes into effect, these problems with recruitment and retention will be greatly magnified, given that the business these employees support would be banned in the United States.

Pursuant to 28 U.S.C. § 1746 and under penalty of perjury, I affirm that the foregoing facts are true and correct to the best of my knowledge.

Executed this 23rd day of September, 2020.

DocuSigned by:
Vanessa Pappas
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Vanessa Pappas