Rejecting Billions, Tech Start-Up Expects a Better Offer

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Julie A. Ask, an analyst at Forrester Research. "Snapchat must believe the bird-in-bush is bigger."

There are some suggestions about why Snapchat thinks it will be worth far more later than it is now. For one thing, Snapchat's leaders think it might be one of the first social media companies in the United States to build its business largely around revenue beyond advertising.

On stage at an industry event in September, Mr. Spiegel said that he wanted to duplicate the success of overseas chatting applications like WeChat.

Many such companies, particularly WeChat and Line, have found ways to make money from their applications through virtual goods and games. WeChat, which is based in China and operated by a company called Tencent, allows its users to subscribe to brands like Starbucks and Nike and receive messages from them. Line, a Japanese messaging app, has $10 million a month in revenue from selling stickers that users can send to each other while chatting with friends.

But the decision appears to have also been influenced by one of Snapchat's big venture backers, Benchmark Capital, according to a person close to the talks. Before leading an investment in Snapchat, Benchmark led an early bet on Instagram, a photo service, and was disappointed when Instagram's founders decided to sell to Facebook for $1 billion last year. Despite the high price tag, the firm thought Instagram could have succeeded as a stand-alone company, or at least could have brought a higher offer.

Eight months after the Instagram sale, Benchmark switched tactics and placed an initial $13 million bet on Snapchat. Benchmark executives thought they might be able to profit from Facebook fatigue by investing in services like Snapchat that offered users — particularly teenagers — greater privacy.

It is those teenagers who most interest Facebook. In an earnings call this month, Facebook said that its youngest users were using its service less.

Still, the news about Snapchat rejecting Facebook's offer, first reported by The Wall Street Journal on Wednesday, sent a small shock through the industry. Both Snapchat and Facebook declined to comment.

Snapchat and applications like it represent a coming sea change in social media, one not necessarily defined by shared or public interactions. These services present an antidote to mainstream services that are meant to capture life moments so they can be shared, liked and commented on. Snapchat's appeal lies largely in the lack of permanence. It offers a reprieve from worrying about awkward or unflattering photos turning up unexpectedly.

Snapchat recently said that it now processed upward of 350 million messages a day. In February, the company was processing only 60 million a day.

Other messaging services similar to Snapchat are also quickly gaining in popularity. WhatsApp, KakaoTalk, Kik, WeChat and Line, to name a few, have added hundreds of millions of users in the last few years, and each continues to grow.

That rocketlike growth has emboldened Snapchat's leaders to hold out for a better deal, and with a suitor of their choice, at least for now. One person with knowledge of the talks, who would speak only on the condition of anonymity, said one roadblock in the talks with Facebook was that Mr. Spiegel questioned whether he wanted to work for Mark Zuckerberg, Facebook's young billionaire chief executive.

In addition, Snapchat relishes being a successful company outside Silicon Valley. In December, when the company was still getting its footing in the social media market, Mr. Zuckerberg requested a meeting. But he traveled to Venice, Calif., to meet with the company, according to Snapchat's founders, instead of them visiting him at his headquarters in Northern California.

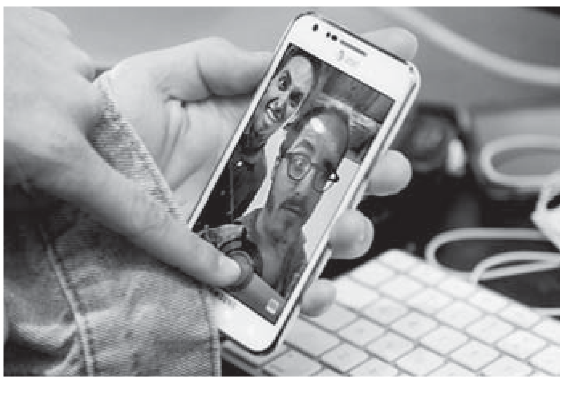
Shortly after the meeting, Facebook started a similar product called Poke. But Poke never took off. Even Facebook's stand-alone messaging product, called Messenger, has struggled to attain the same kind of momentum that rivals have gained. Facebook released a new Messenger mobile app on Wednesday.

And in Silicon Valley, where something new could pop up at any time, tech companies and investors are often compelled to act when they can — sometimes with fear and little regard for the number of zeros involved.

Another potential suitor for Snapchat is Tencent, one of the three Internet giants in China. In September, Pony Ma, one of the founders of Tencent, spoke of that constant tension when discussing his interest in Snapchat.

"I'm facing a crisis in this industry," said Mr. Ma. "Young people, the things they like on the Internet, increasingly I don't understand it. This is my biggest worry."

Nick Bilton, David Gelles, Vindu Goel, Nicole Perlroth and Shanshan Wang contributed reporting.



PHOTOGRAPHS BY J. EMILIO FLORES FOR THE NEW YORK TIMES

Above, developers at Snapchat headquarters in Venice, Calif. Left, using the Snapchat application, which can send photo or video messages. The company was founded in 2011.

Drug to Treat Blood Cancer Gains F.D.A. Approval

By ANDREW POLLACK

A new cancer drug that has attracted considerable attention from doctors and investors won approval from the Food and Drug Administration on Wednesday.

The drug, which will be called Imbruvica, was approved as a treatment for relapses of a rare blood cancer called mantle cell lymphoma. But the companies that developed it, Pharmacyclics and Johnson & Johnson, have also applied for approval to treat a more common cancer, chronic lymphocytic leukemia, or C.L.L.

"In two diseases that are very hard to treat, it induces durable remissions," Dr. John C. Byrd, director of hematology at the Ohio State University Comprehensive Cancer Center, said in an interview. "This is really beating the pants off anything we have right now."

Some Wall Street analysts have projected sales of several billion dollars a year for Imbruvica, which is known generically as ibrutinib.

Shares of Pharmacyclics, based in Sunnyvale, Calif., jumped $4.15, or 3.5 percent, to close at $123.82 on Wednesday, giving the company a market value of $9.1 billion. The stock of the 22-year-old company, which has not gotten a drug to market until now, was trading for less than $1 in 2008, shortly before clinical trials of ibrutinib began. It is now up more than 140 percent over the last year.

Imbruvica will cost about $91 a pill, with four pills taken together once a day. That works out to about $10,900 a month, or more than $130,000 a year, in line with the recent trend of ever-increasing cancer drug prices.

A breakthrough in treating a rare disease, mantle cell lymphoma.

Robert W. Duggan, chief executive of Pharmacyclics, said the price reflected that "mantle cell is an orphan disease" and that the two companies had spent close to $1 billion to bring Imbruvica to market. He said that for C.L.L., which requires fewer pills, the price would be $8,200 a month. The companies will offer financial assistance to many patients.

The F.D.A. had designated Imbruvica a "breakthrough therapy" for three types of cancer under a program established by Congress last year. That designation contributed to the drug's approval more than three months before the F.D.A.'s deadline in late February.

Mantle cell lymphoma accounts for about 6 percent of cases of non-Hodgkin's lymphoma, according to the F.D.A. There are about 11,000 people with the disease in the United States and nearly 3,000 new cases a year, according to Pharmacyclics.

Celgene's Revlimid and Takeda's Velcade are also approved to treat the disease. Chemotherapy and Genentech's Rituxan are also used.

Imbruvica was approved based on a clinical trial testing it in 111 patients whose cancer had recurred after at least one prior therapy. The cancer shrank in about 49 percent of patients and disappeared in 17 percent. These responses lasted a median of 17.5 months. It is not yet clear if the drug prolongs lives.

Side effects included diarrhea, infections and bleeding or bruising and decreases in platelets and infection-fighting white blood cells.

There was some concern among investors that the drug was not approved for C.L.L. on Wednesday. Executives at Pharmacyclics and Johnson & Johnson said the F.D.A. was continuing to evaluate that application.

Imbruvica is the first approved drug that works by inhibiting Bruton's tyrosine kinase, a protein that contributes to the proliferation and survival of B cells, which are the white blood cells that turn malignant in mantle cell lymphoma.

NBCUniversal Takes Full Ownership of Sprout Cable Network

By ELIZABETH JENSEN

The NBCUniversal Cable Entertainment Group said on Wednesday that it had acquired full ownership of the fast-growing preschool cable network PBS Kids Sprout, signaling its intent to more aggressively build up its children's and family entertainment business, which already encompasses theme parks and movies.

The company, which a year ago owned 40 percent of the network, said it bought out the ownership stakes of two partners, PBS and HIT Television Ventures, which is owned by Apax Funds. No terms were disclosed. Another former partner, Sesame Workshop, sold its stake to NBCUniversal in December 2012.

As a result of the ownership change, the network will now be known as Sprout, and the PBS name will be removed, said Sandy Wax, the network's president, in a telephone interview.

In a statement, Anne W. Bentley, a PBS spokeswoman, noted that "a great deal has changed since Sprout launched eight years ago," leaving PBS as the sole noncommercial entity with an ownership stake. "These and other developments in the media landscape have resulted in the original Sprout partners having different goals," the statement said.

NBCUniversal took over management of Sprout in 2011, after NBCUniversal was acquired by the cable system operator Comcast, which was the network's first managing partner. Initially intended as a home for reruns of shows owned by the partners, Sprout has invested more heavily in original programming in the last year.

Under NBCUniversal, Sprout shows like "The Chica Show" have gotten increased visibility as part of NBC's Saturday morning children's lineup. NBCUniversal also integrated Sprout's sales operations into its upfront presentations for advertisers last spring, and upfront sales gained in the double digits, Ms. Wax said.

Nonetheless, Sprout's audience still lags those of its rivals Nick Jr. and Disney Jr. The network, which is in about 60 million cable homes, up from 53 million a year ago, has yet to invest heavily in mobile applications, even as preschoolers and their parents are gravitating to the technology.

That is expected to change. In recent months, the network has announced four new shows, to be introduced in 2014 and 2015, including one to be produced with Scholastic. With original programming, "from a rights perspective, you can do much more digitally," and control how the shows are introduced on different platforms, Ms. Wax said.

She emphasized, however, that the current lineup of repeats, including "Sesame Street," "Caillou" and "Barney," will continue to be broadcast for the near future, under extended license agreements.

Lawyer Concedes Mistakes in Chevron Pollution Case in Ecuador

From First Business Page

ry of human rights litigation."

With Mr. Donziger's guidance, Ecuadorean rain forest villagers won a judgment in 2011 of more than $18 billion in a provincial Ecuadorean court against Chevron, a decision that was affirmed this week by Ecuador's highest court, although it reduced the penalties to $9.5 billion.

Chevron has virtually no assets in Ecuador, so lawyers for the Ecuadorean villagers hope to persuade courts in Argentina, Brazil and Canada to confiscate company assets for payment. Chevron hopes that a victory in the nonjury trial in Manhattan will strengthen its argument in foreign courts against enforcing the judgment.

In his prepared testimony, Mr. Donziger repeated his long insistence that Texaco, before it was bought by Chevron, spilled millions of gallons of toxic wastewater into rivers of the Ecuadorean Amazon in the 1970s and '80s and left behind unlined waste pits filled with toxic sludge, badly damaging the lives and culture of several indigenous groups. He cites numerous efforts by Chevron to settle out of court.

Chevron disagrees and has waged a withering counterattack in court. Randy Mastro, a lawyer for Chevron, accused Mr. Donziger of leading a "racketeering enterprise" intended to "coerce a big payday against a big company until the pain went away." If Mr. Donziger is allowed to succeed, Mr. Mastro said, it will jeopardize American corporations' ability to work in many countries with imperfect judicial systems.

Chevron has said that Texaco complied with an agreement it negotiated with the Ecuadorean government to clean up its area of operations, and Texaco's former partner Petroecuador is responsible for pollution that was left behind. The company refuses to pay any damages, contending that Ecuadorean courts, with the prodding of the Ecuadorean president, Rafael Correa, were prejudiced as well as corrupted by Mr. Donziger and his associates.

Mr. Donziger, who graduated from Harvard Law School, has become something of a hero to many environmentalists who praise him for his dogged pursuit of the case.

The trial has so far been dominated by witnesses who have accused Mr. Donziger of a series of ethical shortcomings.

Chevron's star witness has been the former Ecuadorean judge Alberto Guerra, who testified that plaintiffs paid him $1,000 a month to ghostwrite favorable opinions for the presiding judge, Nicolas Zambrano. He also testified that Mr. Zambrano told him that Mr. Donziger and his allies promised to pay Mr. Zambrano $500,000 out of the eventual damages as long as he agreed to a favorable verdict.

Mr. Guerra said Mr. Donziger thanked him for his work in a 2009 meeting at a restaurant in Quito, Ecuador. In his court testimony, Mr. Zambrano denied he took money.

"I did not bribe Judge Zambrano," Mr. Donziger said in his written testimony. "Chevron has no evidence that I had any involvement in bribing any judge apart from Guerra's thoroughly false and corrupt testimony."

Mr. Donziger said that at the meeting in Quito, where he hoped to pick up "useful tidbits of courthouse gossip," "Mr. Guerra openly asked for a bribe. I immediately and unequivocally refused."

Much of the trial so far has delved into a report written by an expert witness named Richard Cabrera, appointed by the Ecuadorean court.

The lawyer Joseph Kohn, formerly a major financier of the suit, testified that Mr. Donziger had withheld information from him about the suspected ghostwriting of the report.

"Mr. Donziger lied to me," Mr. Kohn said. Cross-examining his former associate, Mr. Donziger suggested Mr. Kohn knew nothing about Ecuadorean legal customs, which allowed for the plaintiffs' collaboration with a court expert.

But Jeffrey Shinder, a lawyer who had briefly been retained by Mr. Donziger in 2010, said he was shocked to learn from a consultant working on the case that the consultant had written significant sections of the Cabrera report. Mr. Shinder withdrew from the case and the consultant, Douglas Beltman, has since renounced his work.

"It still bothers me," Mr. Shinder said, "that we'll never know if there was a case to be made against Chevron."

In his testimony, Mr. Donziger describes at length his involvement with the Cabrera report, which he said was based on extensive fieldwork. While acknowledging that an executive summary and annexes "were drafted by others," Mr. Donziger insisted in the draft of his testimony that Mr. Cabrera exercised independent judgment when signing the report.

He conceded that he had concealed his relationship with Mr. Cabrera in part because "our local counsel felt Chevron would mischaracterize the contacts if it found out about them, or file numerous motions to further delay the trial." He also conceded that the plaintiffs paid Mr. Cabrera "outside the court process" because the payments were made when the court was "effectively shut down by what I considered to be Chevron's abusive litigation tactics." They were not bribes, he said, as Chevron has claimed.

"Although I have often been confused about the issues involved, I now believe the process used to create the executive summary of the Cabrera report was fundamentally consistent with Ecuador law, custom and practice," Mr. Donziger added. He said, "At no time did I act with fraudulent or criminal intent."

ERIC THAYER/REUTERS

The former Ecuadorean judge Alberto Guerra, left, leaving Federal District Court in Manhattan after a hearing in October.

Remember the Neediest!