



BUSINESS DAY

Europe Challenges Google, Seeing Violations of Its Antitrust Law

By JAMES KANTER and MARK SCOTT APRIL 15, 2015

BRUSSELS — The [European Union](#)'s antitrust chief on Wednesday formally accused [Google](#) of abusing its dominance in web searches, bringing charges that could limit the giant American tech company's money-making prowess.

The case is the first time that antitrust charges have been brought against [Google](#), despite a yearslong face-off between the company and regulators here. It will almost certainly increase pressure on Google to address complaints that the company favors its own products in search results over its rivals' services.

And in a sign that the pressure in Europe would probably expand to other areas of Google's business, the antitrust regulator, Margrethe Vestager, also said she had opened a formal antitrust investigation into the company's Android smartphone software.

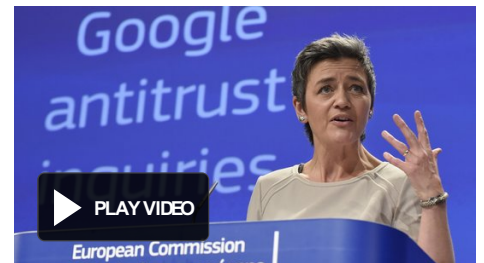
"If the investigation confirmed our concerns, Google would have to face the legal consequences and change the way it does business in Europe," said Ms. Vestager, the European Union's competition commissioner, referring to Google's search practices.

The regulators have focused on accusations that Google diverts traffic from competitors rivals to favor its own comparison shopping site. That led the European Commission to issue a set of formal charges, known as a statement of objections.

How Google responds in the case — the biggest since the case against Microsoft in the 2000s — and to what degree the

accusations hamper its own business or aid its rivals remain to be seen. Google holds a roughly 90 percent share in the region's search market, and the company contends that in both web searches and Android software it plays fair.

The company could still settle the matter. But whatever Google might negotiate with the commission, analysts say, the deal will have a greater impact on its business than three previous attempts to settle with Ms. Vestager's



Google Accused of Cheating Competitors

By Reuters on April 15, 2015. Photo by John Thys/Agence France-Presse — Getty Images.

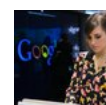
Market Dominance

The European Union is investigating whether Google is using its dominant market share in search and in smartphone operating systems to gain an unfair advantage over competitors.

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European market share

SEARCH ENGINES	As of March '15	
	Google	92%
	Bing	3
	Yahoo	2
	Yandex	1
MOBILE OPERATING SYSTEMS	Other	2
	In 2014	
	Android	71%
	iOS	21
	Windows Phone 7	
	BlackBerry OS	1
	Other	0.14

Note: Figures are rounded.
Sources: StatCounter (search engines); IDC (operating systems)



Google’s European headquarters in Dublin. Europe has taken a more aggressive regulatory stance against American tech companies than the United States.
Paulo Nunes dos Santos for The New York Times

predecessor, Joaquín Almunia. The inquiry could also expand beyond shopping sites, to areas like online searches for restaurants and travel.

If Google fails to rebut the formal charges, Ms. Vestager could levy a fine that could exceed €6 billion — about 10 percent of Google’s most recent annual revenue. But the largest single fine yet levied in such a case falls well short of that mark: The record is €1.1 billion in 2009 against Intel for abusing its dominance of the computer chip market.

On Wednesday, Google defended its business practices.

“While Google may be the most-used search engine, people can now find and access information in numerous different ways — and allegations of harm, for consumers and competitors, have proved to be wide of the mark,” the company [said in a blog post](#).

Ms. Vestager insisted on Wednesday that she was on the side of “consumer choice and innovation” on the Internet. “We are not here to take the side of rivals — we are here to take the side of competition,” she said.

The action by Ms. Vestager highlighted once again how European regulators have taken a more aggressive regulatory stance against American tech companies than their counterparts in the United States.

Europe’s antitrust officials are reviewing low-tax arrangements granted to Apple in Ireland and Amazon in Luxembourg, and privacy watchdogs are looking into how securely companies like Facebook are protecting people’s online data.

Policy makers are investigating whether American Internet platforms like Amazon have too much control over how Europeans gain access to online services. And in response to a court order, Google in the European Union is having to remove some links in online searches in response to people’s declared “right to be forgotten.”



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A Google search Wednesday morning for laptop computers displayed a module for Google's comparison shopping service, which the European Commission has said is unfairly promoted.

In the United States, the Federal Trade Commission investigated antitrust complaints against Google, but closed that inquiry in 2013 without reaching a formal finding of wrongdoing — despite an agency staff report, which subsequently surfaced, recommending stronger action. The action in Brussels on Wednesday is not expected to change Washington's position that Google's search business does not violate antitrust laws.

The European case could increase political tensions between the European Union and United States. In February, President Obama warned Europe against making “commercially driven” decisions to penalize companies like Google and Facebook.

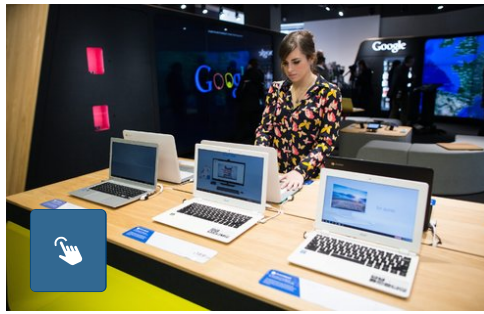
On Wednesday, shortly before Ms. Vestager made her announcement, Daniel A. Sepulveda, a deputy assistant secretary in United States State Department's Bureau of Economic and Business Affairs, told reporters in Brussels that Washington respected European law enforcement in the case concerning Google.

But he added a warning. “It's important,” Mr. Sepulveda said, “that the process of identifying competitive markets and remedies be based on impartial findings and not be politicized.”

Ms. Vestager seemed intent Wednesday on staving off criticism that the European Union was being [protectionist](#) and anti-American, saying that the case was solely about antitrust considerations and obeying European competition laws. Many of the companies that have complained about Google to European officials are American, including the technology giant Microsoft.

How Europe Is Going After U.S. Tech Giants

The biggest American tech companies face intensifying scrutiny by European regulators, with — pressure that could potentially curb their sizable profits in the region and affect how they operate around the world.



“The decision by the commission to position itself as the lead competition authority for the digital age may trigger anger among some U.S. politicians, and there is no denying that the U.S. industry has been at the forefront of technology,” said Emanuela Lecchi, a partner in London at the law firm Watson Farley & Williams.

“But this is only half the story,” she said, “because there are American major players including Microsoft and TripAdvisor that have been very vociferous against Google, too.”

Google will have 10 weeks to make a formal response to the charges. The company can also request a formal hearing during a procedure that commonly takes a couple of years and often results in companies’ eventually making appeals at the Court of Justice of the European Union, the bloc’s main tribunal in Luxembourg.

The Google case is the most weighty decision by Ms. Vestager since she took office late last year. But the decision to open a separate investigation, into whether Google’s use of its Android operating system, might turn out to be as significant. Regulators will look into whether Google abused its dominant position by pre-installing its apps and services onto Android smartphones that potentially gave Google preferential treatment compared with its rivals. The investigation could take years.

“Smartphones, tablets and similar devices play an increasing role in many people’s daily lives,” Ms. Vestager said, “and I want to make sure the markets in this area can flourish without anticompetitive constraints imposed by any company.”

Some Background on the Case

Google’s Android software, which is used by large cellphone makers like Samsung, is the world’s largest operating system with roughly an 81 percent market share, according to the technology research company

Gartner. Apple holds a 15 percent stake, while Microsoft has a less than 3 percent share.

Google said that its partnerships with cellphone makers that rely on Google’s Android operating system were voluntary, and that they offered benefits to both consumers and manufacturers.

While it is unclear whether Europe’s investigation into Google’s mobile operations will lead to formal charges, analysts say the implications could be far-reaching.

Ian Fogg, a cellphone analyst at IHS Screen Digest, said that Google might look to open up its mobile software to rivals in an attempt to avoid facing significant penalties if European regulators found that the

company had broken the region's antitrust rules.

And as many other tech companies, including Apple and Microsoft, also bundle their own apps and services as part of their mobile software, Mr. Fogg said that any potential ruling against Google could force others in the cellphone industry to change how they operate.

"The impact is potentially enormous," said Mr. Fogg. "All companies pre-install software. It's the norm."

James Kanter reported from Brussels, and Mark Scott from London.

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