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CONSUMER TECHNOLOGY

Google Sweetens Search-Engine Remedy After EU Pressure

Google says it will charge less to other search engines in Android setup after antitrust chief vows tougher stance



European Competition Commissioner Margrethe Vestager PHOTO: YVES HERMAN/REUTERS

By Sam Schechner and Valentina Pop

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Alphabet Inc. [GOOG +1.04% ▲](#) 's Google has bowed to pressure from European Union antitrust chief Margrethe Vestager in offering better terms to rival search engines that want to appear on Android phones under a \$4.8 billion antitrust decision against the tech giant.

Under the new terms, disclosed online earlier this week, Google will effectively charge other search engines less money, and sometimes no money, to appear on a “choice screen” that allows new Android-phone users in Europe to choose a default search engine.

The changes show how Ms. Vestager is taking a tougher stance on the U.S. tech giant, two weeks after she acknowledged that the record fines she has slapped on Google weren’t “doing the trick” and that more sweeping remedies are needed.

“We have been discussing the choice screen mechanism with Google,” a spokeswoman for Ms. Vestager said, adding the talks came after the EU received feedback from search rivals about the choice screen.

A Google spokeswoman declined to comment beyond the online statement, which says the changes were “developed in consultation with the European Commission,” the EU’s antitrust enforcer, and will take effect in March 2020.

How to move beyond fines in antitrust enforcement of tech firms has become a hot topic. Experts have argued that such cases often take so long that by the time they are decided, the alleged monopolist is already entrenched and the damage is hard to undo.

Makan Delrahim, head of the U.S. Justice Department’s antitrust division, said on Tuesday that no measure should be out of reach as regulators look at tech companies. Speaking at the WSJ Tech Live conference, Mr. Delrahim said that even that breaking up big Silicon Valley companies is “perfectly on the table.” He didn’t discuss examination of specific companies.

Ms. Vestager, in hearings for a second term as competition commissioner earlier this month, said breaking up firms is something she can do, but only as a last resort. Instead, she said she wanted more powers to reorganize a market dominated by companies such as Google.

“My obligation is to do the least intrusive thing in order to make competition come back,” she said.

In Europe, Google’s rivals have complained that the company has crafted its compliance with the EU’s antitrust decisions in ways that don’t fundamentally change the competitive landscape. Such complaints have led the EU to demand other changes to past remedies, though this week’s changes don’t satisfy some competitors.

“It’s a minor improvement from what it was,” said a spokesman for DuckDuckGo, a privacy-centric search engine. “But it’s still a pay-for-play. And it still doesn’t offer more than four slots” on Android’s choice screen.

One competition lawyer who has represented Google rivals also said the new choice screen will be rolled out only on new Android phones. “I see no reason why the search engine choice screen cannot feature on existing Android devices,” said Thomas Vinje, a partner at law firm Clifford Chance.

The company said it isn’t applying the choice screen to existing phones because it requires technical changes that “can only be supported on new devices.”

Google says it will auction off slots on the choice screen to make up for revenue it generates from use of its search engine on Android phones, so it can "continue to invest in developing and maintaining" the operating system.

Depending on how it is implemented, a choice screen could end up eating into Google's market share in mobile search. In Russia in 2017, Google asked Android users in the country to select a default search engine, something Russian search engine Yandex said boosted its share of mobile searches in the nation by about 10 percentage points over the following year.

DuckDuckGo said it recently conducted surveys in the U.K., Germany and the U.S. that show similar potential. Asked what search engines users would select in a choice screen, users selected Google at rates at least 11 percentage points below the company's current market share, with a bigger decrease if more search engines are shown, DuckDuckGo said.

Google's concession on Android this week comes as part of the company's compliance with a 2018 decision that found Google had abused the dominance of Android to strong-arm phone makers into installing its eponymous search engine on mobile phones.

In response to the decision, Google appealed, but also ended contractual terms the EU said were anticompetitive because they required phone makers to pre-install Google's search engine if they wanted to include Google's Android app store.

Several months later, under pressure from the EU, the company went further: Google said it would begin proactively asking Android smartphone users in Europe to select a default search engine from a list that included Google and three rivals available in a given country.

But the company again stoked ire among competitors when it announced details of that choice screen over the summer—in particular because it said it would auction off slots for choice screen in each EU country to the three highest bidders, forcing competitors to pay at least a minimum-bid amount each time a user selected a rival.

On Monday, Google changed those terms again. The new terms remove the minimum bids, and oblige the three winning search engines with the highest bids in a given country to pay only the amount paid by the fourth-highest bidder.

That would lower the cost for bidders to appear on the list, and which means that in countries with fewer than four bidders, the cost to appear on the screen for eligible search engines would fall to zero.

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