

Google CEO leaves Apple board to avoid conflicts

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FILE - In this Jan. 12, 2009 file photo, Google CEO Eric Schmidt speaks during a discussion panel in Stanford, Calif. Apple Inc. on Monday, Aug. 3, 2009 announced that Schmidt is resigning from Apple's Board of Directors, a position he has held since August 2006. (AP Photo/Tony Avelar, file)

(AP) -- Google Inc. Chief Executive Eric Schmidt has resigned from Apple Inc.'s board because of the companies' conflicting interests as competition between the one-time allies heats up.

The split announced Monday comes just a few weeks after Google unveiled plans for a personal computer operating system that could

siphon sales from Apple's Mac line and just a few days after the Federal Communications Commission contacted the companies about Apple's decision to block a Google application from its popular iPhones.

Regulators from the Federal Trade Commission had already been looking into whether Schmidt's dual role on the boards of Google and Apple would make it easier for the technology trailblazers to collude in ways that would diminish competition.

Thorny questions about corporate governance could remain, even though Apple and Schmidt mutually agreed to sever their ties. That's because another Google director, Genentech Inc. Chairman Arthur Levinson, remains on Apple's board.

Schmidt, 54, has repeatedly assured reporters that his involvement with the two companies wasn't a problem because he recused himself from Apple's board discussion about the iPhone, which competes with mobile phones equipped with an operating system made by Google. He remained confident he would be able to stay on Apple's board even after Google last month set out to develop a separate operating system for inexpensive, portable computers, potentially competing with Apple's Macs.

In a statement Monday, Apple CEO Steve Jobs indicated Google's operating system - due out next year - made him and Schmidt realize a change had to be made.

"Unfortunately, as Google enters more of Apple's core businesses ... Eric's effectiveness as an Apple board member will be significantly diminished, since he will have to recuse himself from even larger portions of our meetings due to potential conflicts of interest," Jobs said.

Apple spokesman Steve Dowling declined to say whether the Cupertino-

based company planned to replace Schmidt on a board that now consists of seven directors, including Levinson.

The FTC said Monday that it will continue to examine Levinson's links to the boards of Apple and Google.

It's probably only a matter of time before Levinson steps away from Apple or Google, said Charles Elson, director of the University of Delaware's Weinberg Center for Corporate Governance.

"If it has been determined it's a conflict for one director to serve on the boards of both companies, I would think it should be for the other, too," Elson said. "It's impossible to be on the boards of two companies that are increasingly competing against each other."

Levinson declined to comment Monday through a Genentech spokesman. Apple's Dowling declined to discuss the reasons why Apple is letting Levinson stay on its board.

Shares in Mountain View-based Google shares gained \$9.12, or 2.1 percent, to close Monday at \$452.17, while Apple shares increased \$3.04, or 1.9 percent, to close at \$166.43.

Schmidt joined Apple's board three years ago, before Apple released the iPhone and long before Google unveiled its Android operating system for handheld devices.

Having Schmidt serve on Apple's board seemed to make sense at the time because Google, like Apple, seemed determined to reduce the dominance of Microsoft, whose Windows operating system runs the vast majority of personal computers.

But Apple and Google show signs of becoming less friendly as their

agendas collide.

Apple wants people to buy as many of its iPhones and computers as possible while Google is primarily interested in helping manufacturers produce more gadgets that make it easier for people to connect to the Internet and, presumably use its market-leading search engine. Google's free Android system was the first major step in that direction and the free computer operating system is the next.

What's more, Google is even branching into telecommunications services with Google Voice, which, which assigns a unique phone number to each user and lets the user direct calls to that number to any other phone line.

Apple recently rejected Google's attempt to offer Google Voice as an iPhone application, prompting letters of inquiry from the FCC on Friday.

AP Technology Writer Barbara Ortutay in New York contributed to this story.

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