

Rivals likely to reach for Google's 'Wallet'

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Google partners on the mobile payment platform include major chains such as Macy's, Subway sandwiches, and American Eagle Outfitters clothing shops.

With the announcement of "Google Wallet" the Internet giant became the first player to dash into a future where people use smartphones as credit cards, but rivals are expected to cut its lead short.

EBay quickly threw up a hurdle in the form of a lawsuit accusing Google of building the [mobile payments](#) platform with trade secrets swiped from the [online auction](#) titan's [PayPal](#) financial transactions unit.

Apple, Amazon.com, eBay and Facebook are each believed to be working on ways to let people use smartphones to pay for items or services but Google was the first to introduce such a system, in the form of "Google Wallet."

At this point, the move is largely symbolic. A test version of the system

will go to live in coming months in just two US cities, New York and San Francisco.

Google Wallet will work with Android-powered phones like Google's Nexus S equipped with near-field-communication (NFC) chips, serviced by US telecom Sprint and only at merchants that have partnered with Google for the launch.

Google partners on the mobile [payment platform](#) include major chains such as Macy's, Subway sandwiches, and American Eagle Outfitters clothing shops.

For Justin Post, financial analyst at [Bank of America](#) Merrill Lynch, being first into the market with Wallet positions the California Internet firm as an early leader in mobile payments.

"Google Wallet has big ambitions but also faces great obstacles, but (its operating system for mobile) Android and location-based search are key assets that could help launch the ecosystem," he said.

Within hours of the unveiling of Wallet on Thursday, eBay and PayPal filed a lawsuit charging that Google tapped into the online [financial transaction](#) service's know-how for the mobile payments project.

PayPal spent three years trying to work out a deal in which it would handle payments for Android smartphones, only to see Google scuttle the talks and hire PayPal lead negotiator Osama Bedier, according to court documents.

"Silicon Valley was built on the ability of individuals to use their knowledge and expertise to seek better employment opportunities, an idea recognized by both California law and public policy," a Google spokesman told AFP.

"We respect trade secrets, and will defend ourselves against these claims."

Bedier worked at the eBay-owned online financial services unit as a vice president of platform, mobile, and new ventures until being hired in January by Google.

Piper Jaffray analyst Gene Munster saw the lawsuit as "a sign that (PayPal and [eBay](#)) are nervous that they have big players coming after them."

Boston University professor of law Michael Meurer shared two possible theories based on the apparent merits of the freshly-filed lawsuit.

Bedier is either a bad guy who stole trade secrets or PayPal "is a bit desperate, sees that Google is going to enter their market in a big way and will try to do whatever it can to delay Google," Meurer theorized.

Even if the lawsuit fails, the litigation can disrupt Google's momentum as executives and engineers spend time testifying and PayPal perhaps tries to get the court to stall the service until matters are resolved.

No matter how the case plays out, [Google](#) can expect to see other Internet titans enter the mobile payments arena.

"It's nice to be first to market...but it's going to be a ramp-up and there are going to be different approaches to this," said PeekYou website founder Michael Hussey, who keeps watch on the Internet economy.

"Amazon is going to want something I'm sure...Apple definitely has got to do something," he continued.

Apple's beloved iPhones are already compatible with Square software

for accepting credit card payments and rumors building ahead of an Apple developers conference in June include talk that the smartphones may get NFC chips.

Apple gadget fans already trust the California company with financial information and are in the habit of shopping at iTunes and the App Store.

Internet retail powerhouse Amazon is also, understandably, in a strong position to add a smartphone payments platform to its service.

Globally popular online social network [Facebook](#) has been improving smartphone features and weaving deals at local shops into its platform, making the ability to consummate transactions a natural next step.

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