

# US regulators investigating Google over search (Update 2)

June 24 2011, by Chris Lefkow

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Google confirmed that the US Federal Trade Commission (FTC) has begun a review of the Internet giant's lucrative search and advertising business.

US regulators have launched a probe into Google's lucrative search and advertising business in a move that could pose the most serious legal challenge yet to the Internet giant.

Google confirmed the US Federal Trade Commission (FTC) inquiry in a blog post and a filing with the US Securities and Exchange Commission (SEC) and expressed confidence it could withstand the scrutiny.

"Yesterday, we received formal notification from the US Federal Trade Commission that it has begun a review of our business," the Google blog post said.

The Mountain View, California-based company, which controls around 65 percent of the US Internet search market and earns billions from search-related advertising, said it was "still unclear exactly what the FTC's concerns are."

But in the SEC filing, Google said it had received a subpoena from the FTC "relating to a review by the FTC of Google's business practices, including search and advertising."

"Google is cooperating with the FTC on this investigation," it said.

According to The Wall Street Journal, the FTC is looking into whether Google is abusing its dominance on the Web and if it "unfairly channels users to its own growing network of services at the expense of rivals."

As it has grown from a scrappy startup into an Internet titan, Google has branched out into various businesses including online mapping, shopping and travel and providing operating systems for mobile phones and tablet computers.

But Google makes most of its money from search-related advertising and that is why an FTC investigation targeting its core business is seen by analysts as a potentially serious risk to the company.

Silicon Valley analyst Rob Enderle compared it to the anti-trust troubles of Microsoft in the 1990s over its dominance of the personal computer industry.

"They're on that non-enviable Microsoft path to being regulated," Enderle said of Google.

"They're the kingmakers," he said. "If you play well on Google search then you're going to get the advertising revenue and if you don't then you

won't.

"And that kind of control makes anybody very nervous," he said.

According to digital marketing firm eMarketer, Google's share of US search advertising revenue will grow 38.9 percent this year to \$10.92 billion, giving Google a 75.9 percent share of overall US search revenue.

In the blog post, Google's Amit Singhal said the company is "focused on putting the user first" and stressed that "the competition is only one click away."

"Using Google is a choice -- and there are lots of other choices available to you for getting information," Singhal said.

He said Google's business principles will "stand up to scrutiny" and that the company was more transparent than other search engines about the algorithms that determine a Web page's ranking in search results.

"We make hundreds of changes to our algorithms every year to improve your search experience," Singhal said. "Not every website can come out at the top of the page, or even appear on the first page of our search results."

Ed Black, president of the Computer & Communications Industry Association, said the CCIA supports the FTC probe but has "not yet seen the type of credible evidence that would support a charge of abuse of market power" by Google.

Consumer Electronics Association president Gary Shapiro called for a quick FTC inquiry and said "the fact that any given company is big or successful does not inherently make it bad."

"We urge the FTC to conduct its investigation narrowly and swiftly, and let Google get back to the critical business of innovation and job creation," he said.

Google has drawn increasing scrutiny from US and European regulators as it has grown over the years into an Internet powerhouse.

European Union competition watchdogs opened an investigation in November into whether Google is abusing its power in online search and the US state of Texas is conducting a similar probe.

Two US senators this month announced plans to hold a hearing on competition issues in Internet search and are seeking to have Google chief executive Larry Page or executive chairman Eric Schmidt come to Washington to testify.

In April, the US Justice Department approved Google's entry into the online travel sector with its \$700 million purchase of flight data firm ITA Software but it insisted on a number of concessions.

In late March, the FTC reached a settlement with Google over Google Buzz, the social networking tool rolled out last year which spawned a slew of privacy complaints.

In 2008, Google abandoned a plan to forge a joint search advertising partnership with Yahoo!, citing a desire to avert a "protracted legal battle" with US regulators.

Google shares closed at \$474.88 on Wall Street, down 1.11 percent.

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