

# EU fines Google a record \$5 billion over mobile practices

July 19 2018, by Ryan Nakashima And Raf Casert

---



EU Commissioner Margrethe Vestager holds a press conference on a Competition Case involving Google Android at the European Commission building, in Brussels on Wednesday, July 18, 2018. The European Union's antitrust chief has fined Google a record \$5 billion for abusing the market dominance of its Android mobile phone operating system. (AP Photo/Olivier Matthys)

European regulators came down hard on another U.S. tech giant Wednesday, [fining Google](#) a record \$5 billion for forcing cellphone

makers that use the company's Android operating system to install Google search and browser apps.

The European Union said Google's practices restrict competition and reduce choices for consumers.

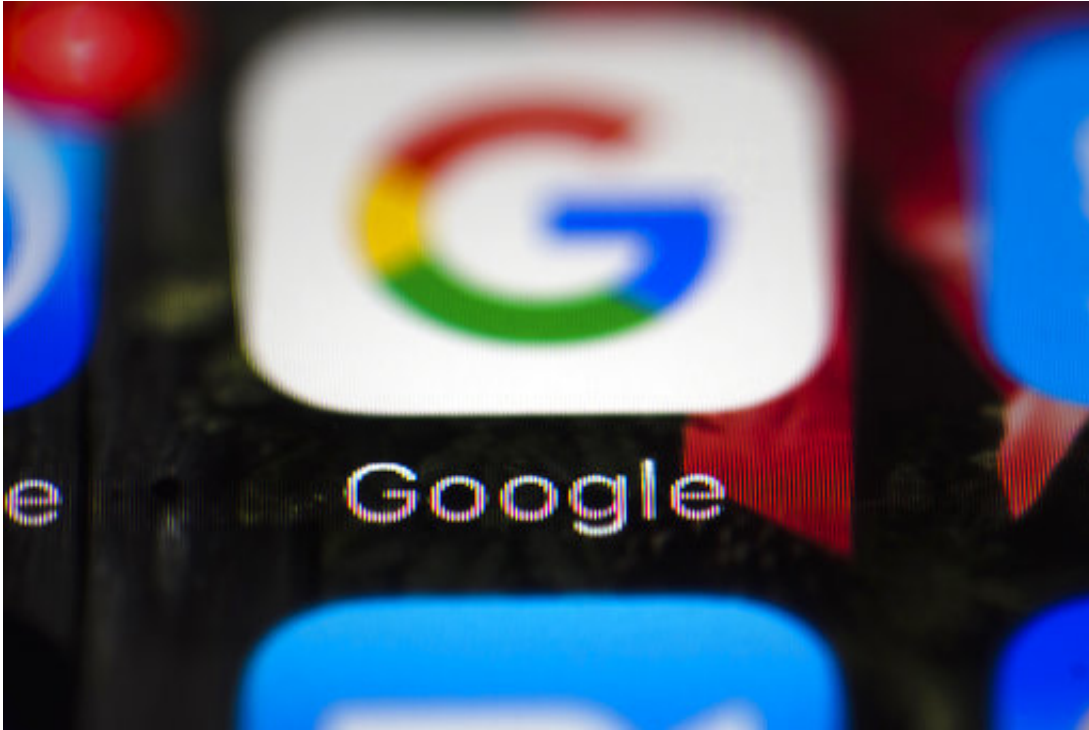
While Google can easily afford the fine, the ruling could undermine the company's business model, which relies on giving away its operating system in return for opportunities to sell ads and other products.

Google immediately said it will appeal, arguing that its free operating system has led to lower-price phones and created competition with its chief rival, Apple.

Android has "created more choice for everyone, not less," Google CEO Sundar Pichai tweeted .

Google has 90 days to put remedies in place regardless of its appeal—which could involve unbundling key apps and allowing Android handset manufacturers to sell devices using altered versions of Android.

Mozilla Foundation, the non-profit group that creates the lightweight ad-blocking browser Firefox Focus, said the ruling gives it the opportunity to displace Chrome as the default browser in some phones. It has been in talks with manufacturers from Huawei to Samsung about that.



This Wednesday, April 26, 2017 file photo shows a Google icon on a mobile phone, in Philadelphia. European Union antitrust chief Margrethe Vestager is planning a statement on Wednesday, July 18, 2018 amid reports that her office will slap a record \$5 billion fine on Google for abuse of its dominant position in the Android mobile phone operating systems. The decision was widely expected this week and financial media, including Bloomberg and the Financial Times, said the amount would total 4.3 billion euros. (AP Photo/Matt Rourke, File)

The ruling creates "a huge opportunity," Denelle Dixon, Mozilla's chief operating officer, said Wednesday.

It's also possible not much will change. Google Search, Chrome and the Play Store are popular with consumers and developers. Handset manufacturers could choose them despite unbundling.

"It's possible phone manufacturers won't actually take advantage of the newfound freedom they have," said Thomas Vinje, lead lawyer for

FairSearch, the Brussels-based lobbying group backed by Oracle, TripAdvisor and others that was the main complainant in the case. "It at least opens up the possibility."

The fine, which caps a three-year investigation, is the biggest ever imposed on a company by the EU for anticompetitive behavior.

The ruling could stoke tensions between Europe and the U.S., which regulates the tech industry with a lighter hand. Still, some U.S. politicians welcomed it.

Democratic Sen. Richard Blumenthal of Connecticut tweeted that the fine should "be a wake-up call" to the Federal Trade Commission and should lead U.S. enforcers to protect consumers. Blumenthal previously called on regulators to investigate how Google tracks users of Android phones.

In its ruling, the EU said Google broke the rules by requiring cellphone makers to take a bundle of Google apps if they wanted any at all.



EU Commissioner Margrethe Vestager smiles during a press conference on a Competition Case involving Google Android at the European Commission building, in Brussels on Wednesday, July 18, 2018. The European Union's antitrust chief has fined Google a record \$5 billion for abusing the market dominance of its Android mobile phone operating system. (AP Photo/Olivier Matthys)

The bundle contains 11 apps, including YouTube, Maps and Gmail, but regulators focused on three that had the biggest market share: Google Search, Chrome and the company's app store, called Play Store.

The EU also took issue with Google's payments to wireless carriers and phone makers to exclusively pre-install the Google Search app.

It ruled, too, that Google broke the law by forcing manufacturers that took its apps to commit to not selling devices that use altered versions of Android.

Regardless of the pending appeal, failure to come up with remedies to rectify the behavior after 90 days risks a further penalty of up to \$15 million a day.

EU Competition Commissioner Margrethe Vestager said that given the size of the company, the 4.34 billion euro fine is not disproportionate.

The Google crackdown comes at a sensitive time for trans-Atlantic relations, with President Donald Trump lambasting the EU as a "foe" only last week. The U.S. imposed tariffs on EU steel and aluminum this year, and the EU responded with duties on American goods.

"We have to protect consumers and competition to make sure consumers get the best of fair competition," Vestager said. "We will continue to do it, no matter the political context."



EU Commissioner Margrethe Vestager holds a press conference on a



Competition Case involving Google Android at the European Commission building, in Brussels on Wednesday, July 18, 2018. The European Union's antitrust chief has fined Google a record \$5 billion for abusing the market dominance of its Android mobile phone operating system. (AP Photo/Olivier Matthys)

The penalty is on top of a 2.42 billion euro fine (\$2.8 billion) that regulators imposed on Google a year ago for favoring its shopping listings in search results.

Neither fine will cripple the company. Google parent Alphabet, made \$9.4 billion in profit in the first three months of the year and has over \$100 billion in cash reserves.

"What is important is that Google has to change its abusive behavior," said Rich Stables, CEO of the rival search engine Kelkoo.

Android is technically an open-source operating system that Google lets cellphone makers use for free. As a result, it is the most widely used system, beating Apple's iOS by a wide margin.

The EU wants to ensure that phone makers are free to pre-install apps of their choosing. It also wants cellphone makers to be able to more easily use altered versions of Android, like Amazon's Fire OS.

Both Amazon and Samsung, maker of the popular Galaxy line of phones, declined to comment on the ruling.

Google argues that downloads are easy and while the inclusion of its suite of apps help phones run well out of the box, competitors' apps are a tap away.



EU Commissioner Margrethe Vestager holds a press conference on a Competition Case involving Google Android at the European Commission building, in Brussels on Wednesday, July 18, 2018. The European Union's antitrust chief has fined Google a record \$5 billion for abusing the market dominance of its Android mobile phone operating system. (AP Photo/Olivier Matthys)

It also argues that not supporting so-called "forked" versions of Android ensures a baseline of experience across some 24,000 different models of Android devices. Vestager called the compatibility argument a "smokescreen."

European regulators have set the pace in shaping rules for the tech industry.

The EU has clashed repeatedly with Microsoft over the years, fining it over its bundling practices and its promotion of its Internet Explorer



browser.

In 2016, the EU ruled that Apple was getting preferential treatment from the Irish government and demanded it pay \$15 billion in back taxes. The EU has also tangled with Amazon and Intel.

European regulators have likewise taken a harder line on data privacy. After the scandal this spring involving the misuse of Facebook users' personal data during the U.S. presidential election and other campaigns, the EU began enforcing tougher new rules.

© 2018 The Associated Press. All rights reserved.

Citation: EU fines Google a record \$5 billion over mobile practices (2018, July 19) retrieved 20 April 2024 from <https://phys.org/news/2018-07-eu-fines-google-billion-mobile.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.