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Antitrust Case Against Google: USA

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Why in News

Recently, the **US Justice Department has sued Google**, accusing the company of illegally **abusing its dominance in internet search** in ways that harm competitors and consumers.

The lawsuit (or **antitrust action** against the company) comes after a **report by the US House of Representatives panel** that found **Google** and three other tech giants -- **Facebook Inc, Apple Inc and Amazon.com Inc** — all **abused their power as gatekeepers** in the digital economy to thwart competitive threats.

Key Points

- **US Government's Stand:**

- Google is **illegally protecting its dominant position in the market for search and search advertising with the deals** it has struck with companies like Apple.
Google pays Apple billions of dollars a year to have its search engine set as the default option on iPhones and other devices.
- **Challenges contracts** that Google has with smartphone makers that use Google's Android operating system, requiring them to install its search engine as the default.
- All this **stifles competition and innovation from smaller upstart rivals** to Google and **harms consumers** by reducing the quality of search and limiting privacy protections and alternative search options.
Many countries have broad laws that protect consumers and regulate how companies operate their businesses. The goal of these laws is to **provide an equal playing field for similar businesses** that operate in a specific industry **while preventing them from gaining too much power over their competition**. These are called **antitrust laws**.
- **Investigated Google's behavior and acquisitions in the overall market for digital advertising**, which includes search, web display and video ads.
Online advertising was the source of virtually all of Alphabet's USD 34 billion in profit last year. Alphabet Inc. is Google's parent company.
- **Most of Google's services are offered for free in exchange for personal information** that helps it sell its ads.
 - Goods that are free to consumers **are not exempt from antitrust oversight**.
 - In the **landmark Microsoft case of the late 1990s**, the software giant bundled its web browser for free into its dominant Windows operating system.
 - **Microsoft lost** because, using restrictive contracts, it bullied personal computer makers and others to try to prevent them from offering competing web browser software — competition that could have undermined the Windows monopoly.

- **Google's Defense:**

- The **deals** that the Justice Department is citing are **entirely legal**. Such company-to-company deals violate antitrust law only if they can be shown to exclude competition.
Users can freely switch to other search engines, like Microsoft's Bing or Yahoo Search, anytime they want. Google's search service is the runaway market leader because people prefer it.
- Further, its services have **helped hold down the prices of smartphones**.

- **Report by the US House of Representatives panel:**
 - **Big Tech Companies** like Google, Facebook, Amazon and Apple **act as a “gatekeeper”**, i.e. can control access to information.
 - Gatekeepers can also decide whether a message will be spread to a wider audience.
 - These companies **not only wield tremendous power, but also abuse it** by charging exorbitant fees, imposing oppressive contract terms, and **extracting valuable data from the people** and businesses that rely on them.
 - Companies ran the marketplace for their respective domains, while also competing in it and to ensure they retain the number one position, the companies have **restored to** “self-preferencing, predatory pricing, or exclusionary conduct”.
 - **Self-preferencing** involves actions by an undertaking which are designed to favour its own products or services over those of its competitors.
 - **Predatory pricing** is an act of setting prices low in an attempt to eliminate the competition.
 - **Exclusionary conduct** is a conduct that creates or maintains monopoly power by disadvantaging and harming competitors.
- **Significance:**
 - The step is a **response** to the policy question of what measures, if any, should be taken to curb today’s tech giants, which hold the power to shape markets, communication and even public opinion.
 - The US Justice Department has come up with the **possibility of structurally breaking up Google**, and not just imposing conditions on its behavior as has happened in Europe.
 - Critics contend that multibillion-dollar fines and mandated changes in Google’s practices imposed by European regulators in recent years weren’t severe enough and that structural changes are needed for Google to change its conduct.

Scenario in India

- **Various antitrust probes** are going on **against Google in India**. Google has had run-ins with regulators, especially the **Competition Commission of India (CCI)**.
- In the last two years, the **CCI has raised issues with Google’s commercial flight search option, its dominant position in the search marketplace, the abuse of its dominant position** in the Android phone and smart television market, and others.
 - In 2019, for example, **CCI had held Google guilty of misuse of its dominant position in the mobile Android market** and said the company had imposed “unfair conditions” on device manufacturers to prevent them from using other operating systems.
- Recently, Google has also been **accused of following a high and unfair commission mechanism for apps listed on its Play Store**.

Antitrust Laws

- Antitrust laws are **regulations that monitor the distribution of economic power** in business, making sure that **healthy competition is allowed** to flourish and economies can grow.
- Antitrust laws **apply to nearly all industries and sectors**, touching every level of business, including manufacturing, transportation, distribution, and marketing.
- These **prohibit a number of business practices that restrain trade**. **Examples** of illegal practices are **price-fixing conspiracies**, **corporate mergers** that are likely to cut back the competitive fervor of certain markets, and **predatory acts** designed to gain or hold on to **monopoly power**.
- In India, **competition policy** has been implemented via the **Competition Act, 2002** which alongwith its amendment, establishes a **Competition Commission of India** to prevent anti-competitive practices, promote and sustain competition, protect the interests of the consumers and ensure freedom of trade in the markets in India.

Way Forward

- With this lawsuit, the big tech companies are likely to come under more scrutiny from regulators including the CCI in India.
- In coming years, as India plans to regulate the use of **personal** and **non-personal data**, these tech companies could face scrutiny over how they manage and use the data they collect from users in India.

Source: TH