US Antitrust Ruling Against Google and its Implications

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What’s in today’s article?

Why in News?

- The US District Court of Columbia accused search giant – Google – of using its dominant position in the online search market by cutting exclusive deals with smartphone makers such as Apple and Samsung.
- The Court ruled that Alphabet Inc’s (parent company of Google) $26 billion payments to make its search engine the default option on smartphone web browsers violated US antitrust law.

What is the US Antitrust Ruling Against Google?

- **Google is a monopolist:** The tech-giant Google violated antitrust laws to maintain a monopoly over “general search services” and “general search text ads” (ads that appear at the top of a search results page).
- **Google’s position as the “default” search engine:** This gives Google anunseen advantage over its rivals because many users simply stick to searching with the default.
    - Google’s search engine **currently processes an estimated 8.5 billion queries per day** worldwide, nearly doubling its daily volume from 12 years ago.
- **The judgment limits itself to the relevant geographic market of the US:** This is because the market conditions for default browsers in different countries could be different.
    - **For instance,** currently Xiaomi holds the largest market share (19.3%) in the mobile phone market in **India**.
    - Xiaomi phones have the **Opera** browser and search function pre-installed.

Consequence of Google’s Position as the Default General Search Engine (GSE):

- **Entry barriers for new entrants:**
    - The new entrant would have to surmount the entry barriers **to create a GSE of comparable quality to Google.**
    - These barriers would include **high capital costs**, access to distribution channels, and brand recognition.
- **Challenges of revenue shortfall for new entrants:**
    - **New entrants would have to build an ads platform** that could monetise search on par with Google.
    - They could face revenue shortfall that might arise either from **reduced query volume** (because some users would stay with Google) or from **inferior ad monetisation** (because fewer users could mean fewer advertisers).

What Steps have been Taken in India to Address Google’s Monopoly?

- **Monetary penalty:**
    - In 2022, **the** Competition Commission of India (CCI)imposed a monetary penalty of Rs 1337.76 Crores on Google.
    - It held that mandatory pre-installation of the Google Mobile Suite (Google Search, YouTube, Gmail, etc.) on Android devices with no option to uninstall the apps is an a**buse of Google’s dominant position in the market**.
    - Following this verdict, Google announced that it would allow Indian users to choose a default search engine of their choice.
- **The Draft Competition Bill 2024:**
    - The Ministry of Corporate Affairs’ Bill prevents giant tech companies/ Systemically Significant Digital Enterprises (SSDEs) from participating in anti-competitive practices.
    - **The Bill imposes restrictions on SSDEs**, barring them from favouring their own products and services, and from using or sharing users’ personal data without their consent.

- Big tech companies have objected to the Bill because the compliance burdens would shift focus from innovation and research.
- **Recent complaints:** The Alliance of Digital India Foundation (ADIF) filed a complaint claiming that Google has indulged in anti-competitive practices in the **online advertising market.**

Implications of the US Antitrust Ruling Against Google:

- Almost a quarter-century after an antitrust ruling against Microsoft (for illegally monopolising the web browser market for Windows) reshaped the business landscape of the tech industry, this landmark judgement could –
  - **Lead to a new precedent** on how Big Tech firms conduct their business affairs.
  - **Fundamentally change the structure** and nature of digital businesses as Google is linked to a range of digital services.
  - **Immediately wipe out a revenue stream** for handset makers (particularly Apple) if Google is ordered to terminate its exclusive deal with the iPhone maker.
  - **Incentivise firms such as Apple and Samsung** to build their own rival search engines.
- Terminating such deals **can help consumers find alternative search engines** as opposed to getting one pre-loaded in their smartphones.
  - However, the effectiveness of these alternative search engines can only be assessed over time.
- **These changes could make Google build a better product** that is focused on user **privacy**.

This ruling will have a huge impact on a series of antitrust cases that are underway against Big Tech firms such as Meta, Amazon, and Apple for their monopolistic business practices.

Q.1 What is the Competition Commission of India (CCI)?

The CCI is a statutory body within the Ministry of Corporate Affairs and is responsible for enforcing the Competition Act 2002 to promote competition and prevent activities that have an appreciable adverse effect on competition in India.

Q.2. What is the purpose of the Draft Competition Bill 2024?

The draft Competition Bill 2024 prescribes certain quantitative standards for the CCI to identify dominance of digital enterprises. These are based on the ‘significant financial strength’ and ‘significant spread’ test based on the number of users in India.

Source: Google ‘monopoly’ antitrust case: A timeline | IE
