Google Antitrust case

Why in News?

Google has lost the antitrust case filed against it by the U.S. Department of Justice that focused on the company's search engine dominance and expensive partnerships to push its product.

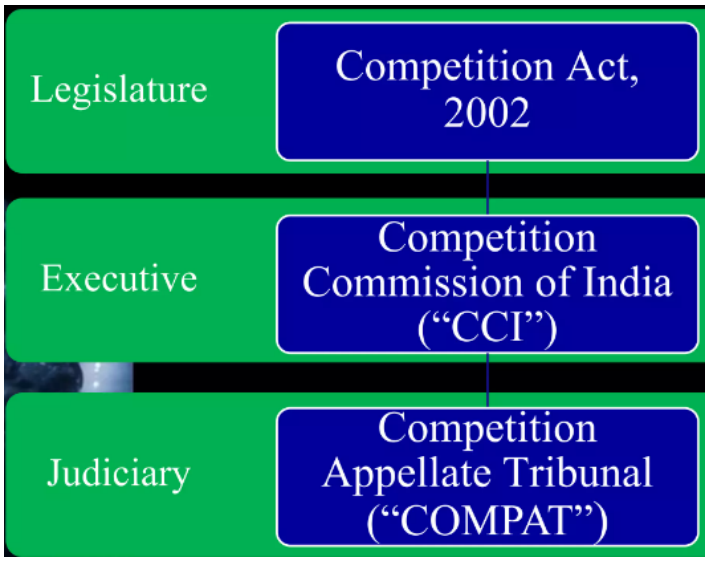
What is antitrust?

- **Antitrust** – The word "trust" in antitrust refers to a *group of businesses that team up or form a monopoly* to *dictate pricing* in a particular market.
- **Impacts**
  - It *eliminates rivals* by forcing them out of market
  - It restrict or force the users to *limited choices*.
  - It makes the company to *set higher prices* without considering the competitiveness
- **Antitrust laws** – They are regulations that *prevent multiple firms from* forming a cartel to limit competition through practices such as price fixing.
- It also aims to *encourage competition* by limiting the market power of any particular firm.
- **Importance of antitrust laws** – Competition among sellers gives consumers lower prices, higher-quality products and services, more choices, and greater innovation.

How India regulates antitrust?

- **Pre-liberalization era** – *For 40 years*, India had a competition law, through a legislation called the *Monopolies and Restrictive Trade Practices Act 1969* (MRTP Act).
- It was based on *principles of a "command and control" economy*, which did not allow concentration of economic power in a few hands.
- **Post-liberalisation** - Post-economic liberalization in 1991, it became imperative to have a *law more responsive to the economic realities* of the nation and *consistent with international practices*.
- Consequently, India passed the *Competition Act 2002* (Competition Act), to regulate business practices in India so as to prevent practices having an appreciable adverse effect on competition (AAEC) in India.
- **Competition Act of 2002** – It seeks to regulate three types of conduct
  - Anti-competitive agreements
  - Abuse of a dominant position
  - Combinations (i.e., mergers, acquisitions and amalgamations)
- It ***prohibits any agreement*** which causes, or is likely to cause, appreciable adverse effect on competition in markets in India
  - **Anti-Competitive Horizontal Agreements** - Between enterprises, persons,

associations, etc. engaged in identical or similar trade of goods or provision of services
    - **Cartelisation** – It is one of the horizontal agreements that shall be presumed to have appreciable adverse effect on competition under Section 3 of the Act.
    - **Anti-Competitive Vertical Agreements** – It is amongst enterprises or persons at different stages or levels of the production chain in different markets.
- **Competition Commission of India** – It is the enforcement authority, which is solely responsible for the enforcement and administration of the Competition Act.



Regulation of Indian Technology Companies
• Ministry of Corporate Affairs • Competition Commission of India, under Competition Act,2002. • Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021. • Digital Personal Data Protection act, 2023 • Digital Competition bill (drafting stage) • Draft E-Commerce Policy

What is Google's antitrust case?

- **The Antitrust case** - In 2020, the US justice department filed an antitrust lawsuit against Google for illegal monopoly in the online search market and advertising business.
    - Google search engine accounts for 90% of search queries through computers and mobile phones.
- **US antitrust laws** - Sherman Antitrust Act of 1890 and Clayton Antitrust Act of 1914 prohibit unfair anti-competitive practices and monopolies.
- Anti-competitive behavior – It had *contract with browser developers*, mobile device manufacturers, and wireless carriers to make it a default search engine.
- It acted as the *entry barrier to other browser developers* and was *charging supra-competitive prices* for general search text ads.
- **Merit vs Unfair Practices of google**
    - Merit – It defended its practices, arguing that its 'dominance' was due to the quality of its search engine.

    - Unfair Practices – It used its monopoly power in general search services market and general search text ads market.
- **Test of antitrust** - Amount of monetary loss that has been sustained by consumers due to the monopolistic behaviour of companies.
- **The Court verdict** - U.S. District court held that *Google has monopoly* in General search services and General search text ads thereby *violating the Sherman act.*

General search text ads are the advertisements that are displayed at the top and along with the search results.

- **Impact of the verdict** – It will have global level ramifications in examining the trade practices of digital companies and in redefining anti-trust laws in the technology era against new business models.

What is the position of Google in India?

- **India vs Google** – Many suits were filled before Competition Commission of India (CCI) against google such as
    - Anti-competitive practices in its *Play Store policies*
    - Abusing its dominant position in multiple markets in the Android mobile device ecosystem.
    - Mandatory use of *google billing system*
    - *Privacy Sandbox initiative* to remove third-party cookies from websites accessed via the Google Chrome browser.
    - *Self-referencing*, a process of giving preference to its own services over other similar offerings.
- **Impacts** – Google derives 97% of its revenue from advertising which adversely affect Indian businesses.
- It creates *artificial inflation in ad cost* through ad-ranking system and keyword bidding, google has increased the cost of advertisement.

Ad-ranking system *is a system where the advertisers to set a bid for the amount of money they want to spend on a particular advertisement.*

- **Significance of US Verdict** – It enables India to investigate antitrust proceedings in Indian market.

What lies ahead?

- Conduct similar investigation against tech companies for anti-competitive practices in Indian Markets.
- Create preemptive compliance in the regulatory framework for large tech companies.
- Include recent developments and findings in the upcoming anti competition act.
- Include provision to guard startups against big firms abusing their dominant market position.

References

1. The Hindu | US Court Verdict on Google Antitrust case
2. CCI| Antitrust Laws in India
3. The Indian Express | Google Search Monopoly

