Google deal to get antitrust review

By Jim Puzzanghera, Times Staff Writer
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WASHINGTON — Information may be power, but collecting too much of it could cause Google Inc. trouble.

The Internet search leader said Tuesday that the Federal Trade Commission had launched an antitrust review of its plan to buy DoubleClick Inc., an online advertising firm, for $3.1 billion. The FTC gave Google a detailed list of questions about the deal’s potential effect.

Concerned about the implications of marrying Google’s vast amount of consumer information with that collected by DoubleClick, public interest groups have pressed the agency to review the deal.

Google rivals including Microsoft Corp. also have asked federal regulators to block the deal, saying it would hamper competition in the booming online advertising industry.

The FTC’s decision to seek more information from the companies after a standard initial review doesn’t necessarily mean the deal is in trouble. The agency often asks tough questions, then approves a deal with few or no conditions.

But some analysts and privacy advocates said Google’s accrual of data could factor into the FTC’s decision about whether the deal would hurt competition.

The big question facing Google: By using DoubleClick’s technology to collect even more detailed information about how millions of people use the Web, would the world’s biggest online marketer make life even more difficult for its competitors?

"The privacy issue is also the competitive issue," said Blair Levin, an analyst at brokerage Stifel, Nicolaus & Co., who expects the FTC to approve the purchase. "The biggest barrier to entry is not money or engineers or the networks but the information on the behavior of people on the Internet."

Google executives have said the online advertising industry is healthy and fast-changing. Since the deal was announced last month, other big online-ad acquisitions have buoyed the industry, including Microsoft’s $6-billion deal with AQuantive Inc.

"We are confident that upon further review the FTC will conclude that this acquisition poses no risk to competition and should be approved," Don Harrison, Google’s senior corporate counsel, said Tuesday.

But the FTC review comes amid growing concern about Google’s online dominance. Last week a European Union panel said it was looking into whether Google’s retention of search data complied with European privacy rules. Google keeps the data indefinitely, but it said in March that it would soon begin removing personally identifiable information from the search queries it collects after 18 to 24 months.

New York-based DoubleClick distributes Web ads and tracks where the majority of people go on the Internet. Combining it with Google, the most-used search engine, would create the world’s largest store of information about online habits. That scares privacy advocates.

"Really what’s being bought here is consumer data," said Jeff Chester, executive director of the Center for Digital Democracy, a Washington advocacy group. "To the extent that use of data will create an unfair competitive advantage, that’s certainly something the agency can assess as part of its antitrust review."

Last month Chester’s group joined the Electronic Privacy Information Center and the U.S. Public Interest Research Group in requesting that the FTC investigate the deal and order privacy safeguards if it’s approved.

Chester said he was encouraged that the FTC, which monitors consumer privacy, is
reviewing the merger instead of the Department of Justice. In evaluating acquisitions, the agency with the most expertise in that deal's particular market usually conducts the antitrust review.

FTC officials confirmed the review but declined to comment further.

A former FTC official said the agency was limited in what it could consider under antitrust review.

"More likely than not, the FTC will review on the merits and not be distracted on privacy," said Mike Cowie, who was an FTC senior litigation counsel.

But Marc Rotenberg, executive director of the Electronic Privacy Information Center, said privacy and data retention were so integral to online advertising that the FTC would have to consider them.

"What you're talking about is not the numbers of factories or the number of ships or the number of retail stores — you're talking about the data profiles of American consumers," he said. "That's what's being combined here."

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