

Feds Likely To Let Google Buy Motorola Mobility

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WASHINGTON (AP) — Federal regulators are unlikely to block Google Inc. from buying cellphone maker Motorola Mobility since the acquisition could help drive competition in the fast growing mobile device market.

But the deal comes as Google faces scrutiny in the U.S. and overseas from antitrust regulators concerned that the Web search giant may be abusing its clout as a major gateway to the Internet to muscle its way into new businesses and stifling competition in the process. In response to complaints by rivals, the Federal Trade Commission is ramping up a broad inquiry into possible anticompetitive behavior by Google. The European Commission, the Texas attorney general and the Senate Judiciary Committee are also investigating the company.

Google's plan to buy Motorola Mobility for roughly \$12.5 billion marks the latest in a string of high-profile acquisitions as the company expands beyond its core online search business. Google is seeking to buy the device maker, which uses its Android operating system, at a time when more and more people are going online using mobile devices rather than desktop computers, and finding what they want online through apps rather than search engines.

Devices such as smartphones and tablet computers running Google's Android operating system are battling Apple's wildly popular iPhone and iPad, Research in Motion's BlackBerry and mobile devices using Microsoft operating systems for consumers' dollars. Android is considered to be "open" software, meaning that Google gives it to device makers free of charge and allows them to modify it for their products in whatever way they see fit.

The Motorola deal will be reviewed by either the Justice Department or the FTC to determine whether the combined company could hurt competition in the mobile computing market. For antitrust regulators, the biggest concern is that once Google owns a device manufacturer, it will be in direct competition with other smartphone and tablet computer makers that also use the Android operating system, explained John Mayo, a professor at Georgetown University's McDonough School of Business.

Google has pledged to operate Motorola Mobility and Android as separate businesses. But Mayo said the acquisition could give Google an incentive to provide Motorola with exclusive access to its latest innovations and newest Android features, and even to withhold software upgrades from rival device makers.

Still, four other big device makers that also use Android — Samsung, Sony Ericsson, HTC Corp. and LG Electronics — have all said they support the deal. That's because the Motorola acquisition gives Google a portfolio of more than 17,000 patents on phone technology that can be used to defend Android device makers from patent infringement litigation.

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That support signals that other device makers believe Google wants to protect and grow its Android business — and see Android used on as many mobile devices as possible — rather than restrict access to the platform, said Ed Black, president and chief executive of the Computer & Communications Industry Association.

If anything, antitrust regulators may see the deal as a boost to competition. Android is such a crucial competitor to the iPhone in particular, that allowing Google to buy Motorola Mobility will likely produce even more innovation in smartphones and other devices, said David Balto, a former FTC antitrust official who is now a senior fellow at the Center for American Progress.

Perhaps the biggest question is whether the Motorola Mobility deal could affect the broader Google antitrust inquiry recently launched by the FTC. That probe will focus on whether Google, which handles two out of every three online searches in the U.S., abuses that control by placing links to its own content and services at the top of search results and burying links to rivals. Google's search results already highlight some of its own specialized services, including online mapping, video and finance.

Although search rankings raise a very different set of issues than the proposed Motorola Mobility acquisition, the FTC inquiry is still in its early stages and could yet delve into many other parts of Google's business, including Android. Among other things, the investigation could look at whether Google restricts the use of rival services on Android devices.

Against that backdrop, Google's decision to buy Motorola Mobility is a "gutsy move," said Melissa Maxman, an antitrust attorney with Cozen O'Connor. Google, she said, "is doubling down."

Still, Maxman said, the acquisition could reveal a different side of Google to the FTC. That's because the agency will focus on whether the company is leveraging existing monopolies in markets such as Internet search to extend its dominance into new businesses. The Motorola Mobility acquisition, she said, does not fit that pattern.

Given the dominant position of Apple and other device makers in the handset market, Maxman added, the Motorola deal serves as a reminder that "Google doesn't control everything."

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