

Google accused of colluding with Facebook and abusing monopoly power in new lawsuit

Ten state attorneys general filed a lawsuit against Google on Wednesday, alleging that the company has illegally used its monopoly over the online advertising sector to force out competition via a range of exclusionary tactics.

“Plaintiff States seek to restore free and fair competition to these markets and to secure structural, behavioral, and monetary relief to prevent Google from ever again engaging in deceptive trade practices and abusing its monopoly power to foreclose competition and harm consumers,” the filing reads.

Extracting fees from publishers, advertisers, and as the middleman. The complaint claims that the fundamental change in Google’s advertising business came in 2007, when it acquired DoubleClick, giving the company access to DoubleClick’s ad management software and its base of web publishers, advertisers and ad agencies.

Using its new position as the middleman between ad exchanges and publishers, Google required that publishers license Google’s ad server and to make transactions through the company’s own exchange in order to access the 1+ million advertisers that were using Google to buy ad inventory, the complaint alleges. “So Google was able to demand that it represent the buy-side, where it extracted one fee, as well as the sell-side, where it extracted a second fee, and it was also able to force transactions to clear in its exchange, where it extracted a third, even larger, fee,” the plaintiffs stated in their filing.

Forcing the competition out. Once Google became the dominant player in the display ad space, it imposed a one-exchange-rule

on publishers, preventing them from sending their inventory to other ad exchanges, the plaintiffs also alleged.

When header bidding threatened to undermine Google's position, it introduced Exchange Bidding, which, according to the accusations, was programmed to exclude competition from exchanges in a number of ways, such as by diminishing the ability of other exchanges to identify users associated with publishers' ad space in auctions and charging publishers an additional fee for selling inventory in a non-Google exchange.

"The idea is Google is able to exercise control over the entire process, and it's massive scale enables it to get more revenue, but also reduce competition," said Greg Sterling, VP of market insights at Uberall and former contributing editor at Search Engine Land.

Collusion with Facebook. In 2017, Facebook announced that it was opening up the Facebook Audience Network to header bidding platforms, which stood to provide publishers with an alternative to Google's services.

One of the ways Google may have been able to halt the momentum of header bidding, effectively eliminating the threat of it chipping away at the company's ad revenue, was to cut a deal with Facebook.

Ultimately, Facebook curbed its involvement with header bidding and, in return, Google gave Facebook "information, speed, and other advantages" in the auctions that Google operates for publishers' mobile app ad inventory in the US, the complaint alleges. Facebook was not named as a defendant in the lawsuit.

Google's response. When contacted for comment, a Google spokesperson told Search Engine Land:

"Attorney General Paxton's ad tech claims are meritless, yet he's gone ahead in spite of all the facts. We've invested in

state-of-the-art ad tech services that help businesses and benefit consumers. Digital ad prices have fallen over the last decade. Ad tech fees are falling too. Google's ad tech fees are lower than the industry average. These are the hallmarks of a highly competitive industry. We will strongly defend ourselves from his baseless claims in court."

If the case goes to a trial, "It could be several years before there's an outcome, and if there's an unfavorable outcome for Google, it will appeal the decision and that could add further time onto the whole thing," Sterling said. Meanwhile, the landscape for advertisers and publishers will remain unchanged.

How Google's alleged practices are impacting businesses and consumers. "What the case is saying is there's really nobody in the position to compete with Google, and that harms publishers because there are just fewer places for them to go, and as a result, prices can increase," Sterling said, and if prices are artificially inflated, that harms both businesses and consumers.

"The monopoly tax Google imposes on American businesses . . . is a tax that is ultimately borne by American consumers through higher prices and lower quality on the goods, services, and information those businesses provide. Every American suffers when Google imposes its monopoly pricing on the sale of targeted advertising," the complaint asserts.

Why we care. If internal documents suggesting collusion between Google and Facebook do exist, then they paint a damning picture of Google and lend more credibility to the claims outlined in the complaint. If a judge renders a formal decision, it may include damages, or the above-mentioned "structural" changes, which can mean that Google sells off certain parts of its ad business or changes certain ad policies.

However, Google has vast resources at its disposal and will do whatever it can to win, and if that's not a possibility, it may attempt an appeal or negotiate a settlement.

"The collection of these suits against these big companies [Facebook, Google and other large tech companies] reflect the consensus in political circles, in Congress and at the state level," said Sterling, "While these companies have so much money and can delay any reckoning, I can't imagine that they escape completely unscathed, but at the same time, it's hard to imagine there will be major structural changes in the market as a result."

About The Author

George Nguyen is an editor for Search Engine Land, covering organic search, podcasting and e-commerce. His background is in journalism and content marketing. Prior to entering the industry, he worked as a radio personality, writer, podcast host and public school teacher.

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