Google clears final hurdle to DoubleClick deal

Stephen Castle

DoubleClick offices in Denver. Google closed its acquisition of DoubleClick, an online ad delivery company, Tuesday. (Rick Wilking/Reuters)

European regulators on Tuesday approved Google's acquisition of DoubleClick, a significant player in the $37 billion online advertising business, brushing aside complaints from competitors that the combination would allow Google to extend its Internet dominance into new areas.

Only weeks after imposing an €899 million fine on another big American technology company, Microsoft, in an antitrust case, the commission said the Google-DoubleClick deal would not hurt competition, and cleared it without imposing conditions.

In some European countries, Google's share of Internet searches, and the lucrative business of selling ads linked to them, is even greater than in the United States. That has sometimes been a sensitive issue, with governments getting involved in efforts to establish rivals; on Tuesday the commission approved France's plans to finance a new Internet search engine called Quaero. (Page 15)

Critics said the ruling could help create a "digital colossus" by allowing Google to strengthen its position in other kinds of online advertising, including display ads like banners, and television-like video spots.

Consumer groups, meanwhile, raised concerns over the privacy of Internet users, because both Google and DoubleClick gather large amounts of data on Web surfers in order to send them relevant ads.

The commission dismissed privacy concerns during an earlier phase of the inquiry. It said Tuesday that the deal would not hurt competition because Google and DoubleClick occupy different parts of the market, and advertisers would be able to opt for other credible ad-serving alternatives, including services owned by Microsoft, Yahoo and AOL.

"It is likely that other competitors would continue to exert sufficient competitive pressure after the merger," the Commission said in a statement.

In the United States, the Federal Trade Commission approved the deal in December.

Shortly after the announcement by the regulators in Brussels, Google said it had completed the acquisition of DoubleClick.

"With DoubleClick, Google now has the leading display-ad platform, which will enable us to rapidly bring to market advances in technology infrastructure that will dramatically improve effectiveness, measurability and performance of digital media for publishers, advertisers and agencies, while improving the relevance of advertising for users," Eric Schmidt, the chief executive of Google, said.

The $3. 1 billion deal was announced last year, accelerating an arms race among Internet companies seeking a greater share of online advertising. Zenith Optimedia, an ad planning and research firm, estimates that advertisers will spend $37 billion on the Internet this year, up from $31 billion in 2007.

Microsoft, which has lobbied the commission to block or impose conditions on the Google-DoubleClick deal, last month moved to bulk up on the Internet with a $44.6 billion bid for Yahoo, which rejected the offer.

Approval of the Google-DoubleClick deal on both sides of the Atlantic could strengthen Microsoft's argument that it should be allowed to buy Yahoo, were it to succeed in its battle with that company, analysts said.

"EU and U.S. antitrust regulators have also perversely set the stage for Microsoft's goal of acquiring Yahoo, furthering more concentration of control in the new media sector," said Jeff Chester, executive director of the Center for Digital Democracy in Washington, in a statement.

By failing to impose safeguards, he added, regulators "have helped strengthen a growing digital colossus."

Thomas Vinje, partner at Clifford Chance lawyers in Brussels, disputed the idea that the commission's move might have any bearing on future merger reviews.

"I am not saying this makes it more difficult for Microsoft to acquire Yahoo," he said. "But I don't think it makes it any easier."

The European Commission uses different, and slightly broader, criteria to assess mergers than the U.S. agency. Few analysts expected that Neelie Kroes, the competition commissioner, would block the Google-DoubleClick deal outright. Instead, the main question seemed to be whether she would impose tough conditions on it.

Kroes has showed her willingness to take on some of the world's biggest companies, including Microsoft. But in reviewing mergers, she has adopted less confrontational tactics than in cases involving cartels and the abuse of dominant market position.

Kroes's predecessor, Mario Monti, suffered several setbacks when merger decisions he blocked were overturned in court. Kroes has banned just two mergers: a Portuguese power utility merger and the proposed takeover of the Irish airline Aer Lingus by the budget carrier Ryanair.

"This Commission has moved towards negotiation and remedies," said Catriona Hatton, managing partner at the Hogan & Hartson law firm in Brussels. "The previous Commission was too quick to block transactions without doing its groundwork, so I think this is better."

In the advertising industry, though, where there are fears over Google's growing influence and some people were unhappy with the commission's decision.

The purchase will give Google "unrivaled access to consumer data and a foothold in the display media space - an area in which until now they have been relatively weak," said Wayne Arnold of the Institute of Practitioners in Advertising in Britain.

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"Advertisers and agencies will require strong reassurance that this new market power will not be exploited at the expense of consumer privacy or unfair market dominance," he said.

Because of its strength as the search engine of choice in Europe, Google is the established leader in small, simple, ads which appear on its search pages.

DoubleClick deals with more elaborate display ads, which appear on many sites, and also deals in "ad serving," using software to help advertisers target potential customers.

"It's a perfect business strategy by Google, the question is what constraints should be imposed and I would have thought that at least some should have been," said Ted Henneberry, partner at Heller Ehrman lawyers in London.

Henneberry said that, in Internet search, Google was a "super-dominant" company, and the issue was whether, after the merger, competitors will be able to use DoubleClick's tools.

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