

July 18, 2018

The Honorable Michael Lee, Chairman
The Honorable Amy Klobuchar, Ranking Member
U.S. Senate Committee on the Judiciary
Subcommittee on Antitrust, Competition Policy, and Consumer Rights
Dirksen Senate Office Building 224
Washington, DC 20510

Dear Chairman Lee and Ranking Member Klobuchar:

We write to you regarding the hearing on “Oversight of the Enforcement of the Antitrust Laws.”¹ For over two decades, the Electronic Privacy Information Center (EPIC) has focused public attention on emerging privacy issues, including the growing concentration of the Internet industry.² We write to you today to ensure that the Department of Justice and Federal Trade Commission fulfill their responsibility to the American public, and ensure competition, innovation, and the protection of consumer privacy, particularly for Internet-based services.

The Federal Trade Commission Has Failed to Promote Competition and Has Failed to Consider the Significance of Data Collection in Merger Review

EPIC has long urged federal agencies to protect American consumers in merger reviews.³ In 2007, EPIC filed a complaint with the FTC in which we urged the Commission to block Google’s

¹ *Oversight of the Enforcement of the Antitrust Laws*, S. Comm. on the Judiciary, Subcomm. on Antitrust, Competition Policy, and Consumer Rights (July 23, 2019), <https://www.judiciary.senate.gov/meetings/07/23/2019/oversight-of-the-enforcement-of-the-antitrust-laws>.

² See *An Examination of the Google-DoubleClick Merger and the Online Advertising Industry: Hearing Before the S. Comm. on the Judiciary, Subcomm. on Antitrust, Competition Policy and Consumer Rights*, 110th Cong. (2007) (statement of Marc Rotenberg, Exec. Dir., EPIC), https://epic.org/privacy/ftc/google/epic_test_092707.pdf.

³ In 2000, EPIC joined with our colleagues in the TransAtlantic Consumer Dialogue to urge anti-trust authorities reviewing the AOL-Time Warner deal to “condition approval of the proposed merger on the adoption of enforceable Fair Information Practices that would guarantee consumer privacy safeguards at least equal to those that would be provided under the EU Data Directive” TACD, *Merger of American Online and Time Warner an Privacy Protection* (Feb. 2000), <http://test.tacd.org/wp-content/uploads/2013/09/TACD-ECOM-17-00-Merger-of-America-Online-and-Time-Warner-and-Privacy-Protection.pdf>. Consumer groups anticipated almost two decades that the collection of personal data would become an increasingly important consideration in merger review, particularly among tech firms. See also, EPIC Complaint to FTC regarding DoubleClick’s proposed acquisition of Abacus Direct (Feb. 10, 2000) (“Not only did DoubleClick deceive consumers by claiming in multiple earlier privacy policies that information collected would remain anonymous, the company also unfairly collects and links information about Internet users without their knowledge or control.”)

proposed acquisition of DoubleClick. EPIC said at the time that the acquisition would enable Google to collect the personal information of billions of users and track their browsing activities across the web.⁴ EPIC correctly warned that this acquisition would accelerate Google's dominance of the online advertising industry and destroy competition. The FTC ultimately allowed the merger to go forward over the compelling dissent of Commissioner Pamela Jones Harbour.⁵

EPIC also explained to the FTC that other mergers also posed substantial risks for consumer privacy and competition. In 2011, EPIC warned the FTC that Google's dominance in the search algorithm marketplace was allowing it to preference its own content in search results.⁶ Today Google occupies 88% of the search market in the United States⁷ and 94% of the search market in Europe.⁸ And as Tim Wu explained in his recent book, "Google wants to organize the world's information, but to do so they need to get their hands on all the information in the world."⁹

Google's Acquisition of YouTube Skewed Search Results to Favor Google

Google's acquisition of YouTube was also problematic. Several years ago, EPIC provided the videos among the top-ranked search results on YouTube for a search on "privacy." At the time, YouTube's search results were organized by the objective criteria of "hits" and "viewer rankings." Both objective criteria are easy to verify. However, after Google acquired YouTube, EPIC's search rankings fell. Google had substituted its own subjective, "relevance" ranking in place of objective search criteria. Google's ranking algorithm was opaque and proprietary. Google's subjective algorithm gave preference to Google's video content on YouTube about "privacy" over that of EPIC and others. The Google videos rose in the rankings while others fell.

EPIC prepared a detailed report for the FTC when it undertook its investigation of anti-competitive behavior of Internet companies, based on EPIC's specific experience with Google's decision to change the search algorithm on YouTube to favor its own content.¹⁰ The FTC took no action on EPIC's complaint. But the European Commission found that Google had abused its dominance as a search engine by rigging its search results to prefer its own shopping service.¹¹ The Commission required Google to change its algorithm to rank its own shopping comparison as it ranks its competitors.

⁴ EPIC, Complaint and Request for Injunction, Request for Investigation and for Other Relief In the Matter of Google, Inc. and DoubleClick, Inc. (Apr. 20, 2007), https://epic.org/privacy/ftc/google/epic_complaint.pdf.

⁵ Dissenting Statement of Commissioner Pamela Jones Harbour, *In re Google/DoubleClick*, FTC File No. 070-0170 (Dec. 20, 2007), https://www.ftc.gov/sites/default/files/documents/public_statements/statement-matter-google/doubleclick/071220harbour_0.pdf.

⁶ Letter from EPIC to the Federal Trade Commission on Google's search preferences in YouTube (Sept. 8, 2011), https://epic.org/privacy/ftc/google/Google_FTC_Ltr_09_08_11.pdf.

⁷ *Search Engine Market Share United States of America*, Statcounter, <http://gs.statcounter.com/search-engine-market-share/all/united-states-of-america>.

⁸ *Search Engine Market Share Europe*, Statcounter, <http://gs.statcounter.com/search-engine-market-share/all/europe>.

⁹ Tim Wu, *The Curse of Bigness* 126 (2018).

¹⁰ Letter from EPIC to Commissioners of the Fed. Trade Comm'n (Sept. 8, 2011), https://epic.org/privacy/ftc/google/Google_FTC_Ltr_09_08_11.pdf.

¹¹ Press Release, European Comm'n, Antitrust: Commission fines Google €2.42 Billion for Abusing Dominance as Search Engine by Giving Illegal Advantage to Own Comparison-Shopping Service (June 27, 2017), http://europa.eu/rapid/press-release_IP-17-1784_en.htm.

This early experience with internet mergers helps explain the need for greater transparency today about the determination of search rankings.

Google's Acquisition of Nest, and Facebook's Acquisition of WhatsApp Broke Privacy Commitments

Companies that protect user privacy are being absorbed by companies that do not protect privacy. In 2014, EPIC warned the FTC about the privacy risks of Google's acquisition of Nest Labs, a maker of "smart thermostats," stressing that "Google regularly collapses the privacy policies of companies it acquires" and urged the FTC to block the deal.¹² Yet the FTC let the deal go forward without any qualifications.¹³

Most notably, in 2014, Facebook purchased WhatsApp, a text-messaging service that attracted users specifically because of strong commitments to privacy.¹⁴ WhatsApp's founder stated in 2012 that, "[w]e have not, we do not and we will not ever sell your personal information to anyone."¹⁵ EPIC and the Center for Digital Democracy urged the FTC to block the deal.¹⁶

The FTC ultimately approved the merger after Facebook and WhatsApp promised not to make any changes to WhatsApp users' privacy settings.¹⁷ However Facebook announced in 2016 that it would begin acquiring the personal information of WhatsApp users, including phone numbers, directly contradicting their previous promises to honor user privacy.¹⁸ Following this, EPIC and CDD filed another complaint with the FTC in 2016, but the Commission has taken no further action.¹⁹ Meanwhile, antitrust authorities in the EU fined Facebook \$122 million for making deliberately false representations about the company's ability to integrate the personal data of WhatsApp users.²⁰

Inaction by the FTC has spurred more disregard for the privacy interests of WhatsApp users. Facebook said recently it would WhatsApp users with ads, despite earlier statements to the contrary

¹² EPIC, *Google Plans Advertising on Appliances, Including Nest Thermostat* (May 22, 2014), <https://epic.org/2014/05/google-plans-advertising-on-ap.html>.

¹³ Fed. Trade Comm'n, Early Termination Notice: 20140457: Google Inc.; Nest Labs, Inc. (Feb. 4, 2014), <https://www.ftc.gov/enforcement/premerger-notification-program/early-termination-notices/20140457>.

¹⁴ EPIC, *In re: WhatsApp*, <https://epic.org/privacy/internet/ftc/whatsapp/>.

¹⁵ WhatsApp, *Why We Don't Sell Ads* (June 18, 2012), <https://blog.whatsapp.com/245/Why-we-dont-sell-ads>.

¹⁶ EPIC and Center for Digital Democracy, *Complaint, Request for Investigation, Injunction, and Other Relief In the Matter of WhatsApp, Inc.*, (Mar. 6, 2014), <https://epic.org/privacy/ftc/whatsapp/WhatsApp-Complaint.pdf>.

¹⁷ See, Letter from Jessica L. Rich, Dir., Bureau of Consumer Prot., Fed. Trade Comm'n, to Facebook and WhatsApp (Apr. 10, 2014), <https://epic.org/privacy/internet/ftc/whatsapp/FTC-facebook-whatsapp-ltr.pdf> (concerning the companies' pledge to honor WhatsApp's privacy promises).

¹⁸ WhatsApp, *Looking Ahead for WhatsApp* (Aug. 25, 2016), <https://blog.whatsapp.com/10000627/Looking-ahead-for-WhatsApp>.

¹⁹ EPIC and Center for Digital Democracy, *Complaint, Request for Investigation, Injunction, and Other Relief In the Matter of WhatsApp, Inc.* (Aug. 29, 2016), <https://epic.org/privacy/ftc/whatsapp/EPIC-CDD-FTC-WhatsApp-Complaint-2016.pdf>.

²⁰ Mark Scott, *E.U. Fines Facebook \$122 Million Over Disclosures in WhatsApp Deal*, N.Y. Times (May 18, 2017), <https://www.nytimes.com/2017/05/18/technology/facebook-european-union-fine-whatsapp.html>.

and opposition from WhatsApp's founders.²¹ And earlier this year, Mark Zuckerberg confirmed Facebook's plans to merge WhatsApp, Facebook Messenger, and Instagram.²² As we explained for *Techonomy*, a leading journal of tech innovation:

If the FTC had stood behind its commitment to protect the data of WhatsApp users, there might still be an excellent messaging service, with end-to-end encryption, no advertising and minimal cost, widely loved by internet users around the world. But the FTC failed to act and one of the great internet innovations has essentially disappeared.²³

Instead, consumers are left with fewer options, Facebook has less competition, and the increased amount of data available to Facebook will make it even easier to crush the next competitor.

The recent news of the FTC settlement with Facebook strongly indicates that the FTC, against the advice of consumer groups,²⁴ chose not to undo the mistaken approval of the WhatsApp acquisition. That is the reason Facebook's stock price shot up.²⁵ Far from protecting market competition, the Commission is facilitating industry consolidation.

Merger Review Should Consider Data Protection

The United States stands alone in its unwillingness to address privacy as a competition issue. The merger of Facebook and WhatsApp has prompted countries in Europe to scrutinize the deal and issue fines.²⁶ But the FTC has repeatedly failed to even consider consumer privacy and data security in its merger review process.²⁷ EPIC emphasized the consequences of this failure in comments to the FTC in 2015, stating, “[i]n every instance, it was clear that the practical consequence of the merger would be to reduce the privacy protections for consumers and expose individuals to enhanced tracking and profiling.”²⁸

²¹ Anthony Cuthbertson, *WhatsApp to Start Filling Up with Ads Just Like Facebook*, Independent (Oct. 1, 2018), <https://www.independent.co.uk/life-style/gadgets-and-tech/news/whatsapp-update-targeted-ads-status-facebook-brian-acton-a8563091.html>.

²² Mike Issac, *Zuckerberg Plans to Integrate WhatsApp, Instagram and Facebook Messenger*, N.Y. Times (Jan. 25, 2019), <https://www.nytimes.com/2019/01/25/technology/facebook-instagram-whatsapp-messenger.html>.

²³ Marc Rotenberg, *The Facebook-WhatsApp Lesson: Privacy Protection Necessary for Innovation*, *Techonomy* (May 4, 2018), <https://techonomy.com/2018/05/facebook-whatsapp-lesson-privacy-protection-necessary-innovation>.

²⁴ Letter from EPIC et al. to Joseph Simons, Chairman, Federal Trade Comm'n (Jan. 24, 2019), <https://epic.org/privacy/facebook/2011-consent-order/US-NGOs-to-FTC-re-FB-Jan-2019.pdf>.

²⁵ Michael Hiltzik, *If a \$5-billion fine won't shake Facebook, what can bring it to heel?*, Los Angeles Times (Jul. 18, 2019), <https://www.latimes.com/business/story/2019-07-17/facebook-5-billion-fine>.

²⁶ *Fuel of the Future: Data is Giving Rise to A New Economy*, *Economist* (May 6, 2017), <http://www.economist.com/news/briefing/21721634-how-it-shaping-up-data-giving-rise-new-economy>.

²⁷ Nathan Newman, *15 Years of FTC Failure to Factor Privacy into Merger Reviews*, Huffington Post, (Mar. 19, 2015), https://www.huffingtonpost.com/nathan-newman/15-years-of-ftc-failure-t_b_6901670.html.

²⁸ EPIC, Comments of the Electronic Privacy Information Center: Assessing the FTC's Prior Actions on Merger Review and Consumer Privacy, FTC File No. P143100, (Mar. 17, 2015), <https://epic.org/privacy/internet/ftc/Merger-Remedy-3-17.pdf>.

EPIC further underscored the dangers of lax enforcement in recent comments to the FTC, noting that Google and Facebook’s access to consumer data “is at the very heart of why the digital platforms have been able to entrench their dominance.”²⁹ But as Facebook and Google have developed increasingly invasive tracking of their users, the FTC failed to act. Despite an active consent decree against Facebook, the FTC allowed the company to disclose the personal information of 87 million Americans.³⁰ The Commission had the power to stop the scandal, simply by enforcing its previous orders in a way that protected consumer privacy.³¹

Antitrust enforcers must ensure that consumer privacy and data is treated as the competitive harm that it so clearly is. In written responses to this Committee, Assistant Attorney General Delrahim stated that he would “vigorously enforce the antitrust laws with respect to online platforms.”³² Chairman Simons said in his nomination hearing “the FTC needs to devote substantial resources to determine whether its merger enforcement has been too lax, and if that is the case, the agency needs to determine the reason for such failure and to fix it.”³³ Clearly, there have been considerable shortcomings in merger enforcement. This Committee must ensure those are remedied.

The consolidation of user private data into the hands of a small group of firms shows that enforcement agencies cannot ignore the economic impacts of privacy on proposed merger. EPIC has continued to insist that privacy and users’ data be considered in the analysis of competitive harms, and we urge the Subcommittee to press its witnesses to ensure that competition *and* consumers are protected in merger reviews. We note also the recent statement from the TransAtlantic Consumer Dialogue, almost twenty years since the original statement on the AOL-Time Warner merger review, which again stresses the importance of privacy protection in competition review: “the lack of privacy protection in the US has contributed to the decline in competition among technology firms.”³⁴

Finally, EPIC urges the Subcommittee to make “algorithmic transparency” a priority for merger review. When companies combine vast amounts of consumer data, it not only increases the

²⁹ EPIC et al., Comments on Competition and Consumer Protection in the 21st Century Hearings at 19 (Aug. 20, 2018), <https://epic.org/apa/comments/EPIC-FTC-CompetitionHearings-August2018.pdf>.

³⁰ Kevin Granville, *Facebook and Cambridge Analytica: What You Need to Know as Fallout Widens*, N.Y. Times (March 19, 2018), <https://www.nytimes.com/2018/03/19/technology/facebook-cambridge-analytica-explained.html>.

³¹ Marc Rotenberg, *How the FTC Could Have Prevented the Facebook Mess*, Techonomy (Mar. 22, 2018), <https://techonomy.com/2018/03/how-the-ftc-could-have-avoided-the-facebook-mess> (“If the FTC had enforced the Facebook consent order, Cambridge Analytica could not have accomplished its unprecedented data harvest.”).

³² Questions for the Record, Makan Delrahim, Nominee to be Assistant Attorney General of the Antitrust Division at 6, <https://www.judiciary.senate.gov/imo/media/doc/Delrahim%20Responses%20to%20QFRs.pdf>.

³³ *Nomination Hearing Before the S. Comm. on Commerce, Sci., and Transp.*, 115th Cong. (2018) (statement of Joseph Simons, Chairman, Fed. Trade Comm’n. at 59:40), <https://www.commerce.senate.gov/public/index.cfm/hearings?ID=EECF6964-F8DC-469E-AEB2-D7C16182A0E8>.

³⁴ TACD, *Resolution on Competition, Privacy and Consumer Welfare* (Dec. 10, 2018), http://tacd.org/wp-content/uploads/2018/12/TACD-Resolution_Comp_Dec2018_final.pdf. See generally, TACD, *TACD publishes resolution on competition, privacy and consumer welfare* (Dec. 10, 2018), <http://tacd.org/tacd-publishes-resolution-on-competition-privacy-and-consumer-welfare/>.

risk of data breach, but allows companies to use that data in increasingly opaque ways.³⁵ Consumers face a “black box” of automated scoring systems that impact every aspect of their lives.³⁶ Consumers have no control over which companies have access their personal data and how those companies use that data. Algorithms often make determinations about consumers based on inaccurate, outdated or incomplete information, and these determinations can serve as the basis for denying a consumer a job, a home loan, or a scholarship.³⁷ Companies should not be allowed to merge large sets of consumer data without oversight, accountability, and transparency. The Universal Guidelines for AI provide the basis for legislation on this important issue.³⁸

Thank you for your timely attention to this pressing issue. EPIC looks forward to working with the Subcommittee to ensure that consumers are protected during merger reviews. We ask that this statement be entered in the hearing record.

Sincerely,

/s/ Marc Rotenberg

Marc Rotenberg
EPIC President

/s/ Caitriona Fitzgerald

Caitriona Fitzgerald
EPIC Policy Director

/s/ Christine Bannan

Christine Bannan
EPIC Consumer Protection Counsel

³⁵ For instance, Facebook’s massive breach last week was particularly damaging because the 50 million affected accounts were used by Facebook in myriad ways users did not understand. *See* Mike Isaac and Sheera Frenkel, *Facebook Security Breach Exposes Accounts of 50 Million Users*, N.Y. Times (Sept. 28, 2018), <https://www.nytimes.com/2018/09/28/technology/facebook-hack-data-breach.html>.

³⁶ *See* Danielle Keats Citron & Frank Pasquale, *The Scored Society: Due Process for Automated Predictions*, 89 Wash. L. Rev. 1 (2014); Frank Pasquale, *The Black Box Society* 8 (2015).

³⁷ *Id.*

³⁸ The Public Voice, *The Universal Guidelines for Artificial Intelligence*, <https://thepublicvoice.org/ai-universal-guidelines/>.