

Source: Oracle wins TikTok over Microsoft in Trump-urged bid

September 14 2020, by Matt O'brien and Tali Arbel



This Feb. 25, 2020, file photo, shows the icon for TikTok in New York. TikTok's owner has chosen Oracle over Microsoft as its preferred suitor to buy the popular video-sharing app, according to a source familiar with the deal, Sunday, Sept. 13, 2020. (AP Photo/File)

The owner of TikTok has chosen Oracle over Microsoft as the American tech partner that could help keep the popular video-sharing app running in the U.S., according to a source familiar with the deal who was not authorized to speak publicly about it.

Microsoft announced Sunday that its bid to acquire TikTok's U.S. operations was rejected, removing the tech giant from the running a week before President Donald Trump promises to follow through with a plan to ban the Chinese-owned app in the U.S. over spying concerns.

TikTok and the White House declined to comment Sunday. Oracle didn't return a request for comment but has previously declined comment.

Walmart, which had planned to partner with Microsoft on the acquisition, said Sunday it "continues to have an interest in a TikTok investment" and is talking about it with ByteDance and other parties.

The Trump administration has threatened to ban TikTok by Sept. 20 and ordered ByteDance to sell its U.S. business, claiming national-security risks due to its Chinese ownership. The government worries about user data being funneled to Chinese authorities. TikTok denies it is a national-security risk and is suing to stop the administration from the threatened ban.

It's not clear if the proposed deal will only cover TikTok's U.S. business, and, if so, how it will be split from the rest of TikTok's social media platform, which is popular worldwide. ByteDance also owns a similar video app, Douyin, for the Chinese market.

Any deal must still be reviewed by the Committee on Foreign Investment in the United States, known as CFIUS, a U.S. government group chaired by the Treasury Secretary that studies mergers for national-security reasons. The president can approve or deny a transaction

recommended by the panel, though Trump has already voiced support for Oracle as a "great company" that could handle the acquisition.

Microsoft said in a Sunday statement that ByteDance "let us know today they would not be selling TikTok's US operations to Microsoft."

Microsoft added it was "confident our proposal would have been good for TikTok's users, while protecting national security interests." The company said it "would have made significant changes to ensure the service met the highest standards for security, privacy, online safety, and combating disinformation."

TikTok, which says it has 100 million U.S. users and about 700 million globally, is known for its fun, goofy videos of dancing, lip-syncing, pranks and jokes. It's recently become home to more political content such as the comedian Sarah Cooper, who drew a large audience by lip-syncing Trump's own often-disjointed statements from public appearances.

But the app has also raised concerns because of its Chinese ownership. The White House has cracked down on a range of Chinese businesses, including telecom equipment makers Huawei and ZTE and messaging app WeChat, over worries that they would enable Chinese authorities to get U.S. user data. Republican and Democratic lawmakers have raised concerns about censorship and children's privacy.

TikTok denies that it has shared [user data](#) with the Chinese government or that it would do so if asked. The company says it has not censored videos at the request of Chinese authorities and insists it is not a national-security threat.

TikTok has sued to stop the ban, but not the sale order. The negotiations have been complicated by several factors, including Trump's repeated

demands that the U.S. government should get a "cut" of any deal, a stipulation and role for the president that experts say is unprecedented.

In addition, the Chinese government in late August unveiled new regulations that restrict exports of technology, likely including the artificial intelligence system TikTok uses to choose which videos to spool up to its users. That means ByteDance would have to obtain a license from China to export such technology to a foreign company.

The deal had come together rapidly after the administration ramped up its threats against TikTok this summer, despite TikTok's efforts to put distance between its app and its Chinese ownership. It installed former Disney executive Kevin Mayer as its American CEO, but he resigned in August after just a few months on the job, saying the "political environment has sharply changed."

Both Microsoft and Oracle are known more for their business software offerings than for those intended for consumers.

Oracle primarily makes database software. It competes with tech giants such as Microsoft and Amazon that provide cloud services as well as business-software specialists like Salesforce.

Some analysts see Oracle's interest in a consumer business as misguided. Oracle should focus on enterprise-market acquisitions and not invest in a consumer app like TikTok that doesn't fit with the rest of its business, said Jefferies analyst Brent Thill, who compares the idea to Delta Airlines buying a motorcycle company. "It doesn't make any sense," he said.

Thill suggested that TikTok competitors like Facebook and Snapchat should be "cheering on Oracle" as a buyer, because Oracle wouldn't "add a lot of value to the app."

Oracle co-founder Larry Ellison is unusual among tech executives for his public support of President Donald Trump, hosting a fundraiser for him in February at his Rancho Mirage, California, estate. The company also hired a former top aide to Vice President Mike Pence; its CEO, Safra Catz, also served on Trump's transition team.

The president said on Aug. 18 that Oracle was "a great company" that "could handle" buying TikTok. He declined to state his preference between Oracle and Microsoft as buyers.

© 2020 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed without permission.

Citation: Source: Oracle wins TikTok over Microsoft in Trump-urged bid (2020, September 14) retrieved 3 August 2024 from

<https://techxplore.com/news/2020-09-source-oracle-tiktok-microsoft-trump-urged.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.