

EU hits tech titans with tougher market restraints

September 6 2023, by Raziye Akkoc



Brussels has in recent years made it a top priority to build up regulation of US-dominated big tech.

The European Union on Wednesday unveiled a list of digital giants—including Apple, Facebook owner Meta and TikTok parent

ByteDance—that will face tough new curbs on how they do business, but the move could trigger a wave of legal battles.

Brussels is working through a dense legislative agenda to build tougher regulation of big tech, arguing it needs to protect European consumers online and to encourage competition in an industry dominated by US giants.

The latest announcement is a milestone in the application of the Digital Markets Act (DMA), which will force the largest firms to change their ways under a checklist of dos and don'ts and, regulators hope, create a fairer market.

Observers say the law could open a new battlefield between digital titans and the European Union as some companies consider legal challenges.

The European Commission, the EU's powerful antitrust body, named 22 "core platform" services belonging to five US tech behemoths identified as "gatekeepers": Google parent Alphabet, Amazon, Apple, Meta, Microsoft, and China's ByteDance.

Apple was quick to slam the law, claiming it posed risks to users' privacy while TikTok said "we... fundamentally disagree" with the EU's inclusion of it on the list.

Services caught up in the law include Apple's App Store; Meta's Facebook, Instagram and WhatsApp; Google's YouTube video platform and Chrome browser; as well as Apple's Safari.

Operating systems from Apple, Microsoft and Google as well as Alphabet's Google Maps, Play and Shopping are also affected.

They must fully comply with the DMA by March 6, 2024.

There will be fines of up to 10 percent of a company's global revenues for breaking some of the most serious competition rules—and even up to 20 percent for repeat offenders.

One major change under the DMA is a rule forcing interoperability between messaging apps, to make it easier for users to share links and images.

"With today's designation we are finally reining in the economic power of six gatekeepers, giving more choice to consumers and creating new opportunities for smaller innovative tech companies," said the EU's top tech enforcer, industry commissioner Thierry Breton.

Taking a bite of the Apple

Apple and Microsoft argue parts of their businesses should not be classified as a "core" service. The commission said it has launched probes to assess Apple's claims regarding iMessage, and Microsoft for Bing, Edge and its advertising platform.

A Microsoft spokesperson welcomed investigation into its three services, which the company said "operate as challengers in the market".

Apple said it would set out "why iMessage is outside the scope of the DMA".

The DMA, alongside its sister law, the Digital Services Act (DSA), gives the commission sharper teeth against tech behemoths that critics say have for too long been given free rein to act to the detriment of users.

One of the DMA's main aims is to stop larger players crushing the progression of smaller companies that threaten to become rivals by gobbling them up through takeovers.

The EU believes past examples of this are Facebook's buyouts of Instagram and WhatsApp as well as Google's purchase of YouTube and Waze.

Taking a bite of the Apple

One of the law's main targets is Apple, previously the subject of multiple investigations and slapped with huge EU fines.

The new rules will force the iPhone-maker to allow alternative app stores on its products, putting some software downloads and payments outside its control.

The commission is also weighing whether Apple's iPadOS system should be designated a "gatekeeper, despite not meeting the thresholds, it said.

Apple said it was "very concerned about the privacy and data security risks the DMA poses for our users". It said it would seek to "mitigate these impacts".

Under the DMA, companies are forbidden to favor their own services over those offered by competitor firms and will have to share key information with business customers.

Bumpy road ahead

Experts predict legal challenges will ensue.

"When you have a new law, which is a complex law in a complex environment, it's inevitable to have legal challenges at the beginning," said Alexandre de Streel, academic director of the digital research program at the Centre on Regulation in Europe think tank.

A TikTok spokesperson said the company was "extremely disappointed that no market investigation" was carried out prior to it being labeled a "gatekeeper" and it was "evaluating our next steps".

When the separate but similar DSA list came out, Amazon and European clothing retailer Zalando filed a case in the EU courts challenging their designation.

Big tech faces even more EU regulation as the bloc races to pass the world's first law on artificial intelligence, an issue that gained urgency after dizzying advances in 2022.

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Citation: EU hits tech titans with tougher market restraints (2023, September 6) retrieved 11 May 2024 from <https://techxplore.com/news/2023-09-tech-titans-eu-tougher-restraints.html>

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