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Asia

HP opening new research complex in Singapore

Hewlett-Packard is opening a new research facility in Singapore, where the company hopes to expand its work on developing new cloud computing services while capitalizing on the tiny country's drive to become a major tech hub for Southeast Asia. HP's new Singapore lab will be housed in a high-tech, high-rise complex known as Fusionopolis.

The complex was developed with support from Singapore's government and is home to a variety of scientific research groups. Singapore has in recent years been a fast-growing center for tech research, as the government has spent billions to lure foreign corporations and academic institutions. It's also home to numerous commercial data centers and to HP's business headquarters for the region, which makes Singapore a good location for HP to show off its research and collaborate with Asian business partners. The city-state is especially suited for research aimed at lowering operating costs and energy consumption at large data centers, according to Prith Banerjee, director of HP Labs, the company's research arm. "Singapore is hot, humid and land comes at a premium," Banerjee said.

Since air conditioning is a huge factor in the cost of operating most computer centers, he added, "If we can make a data center more cost-effective here, then we can do it anywhere." HP is competing with other tech giants, including IBM, Microsoft and Google, to develop new products and services for cloud computing, in which people use the Internet to access data and software stored in large computer centers. HP is especially interested in developing technological infrastructure for big corporations, as opposed to consumer services. Banerjee declined to give details on the budget or staffing for the Singapore site, which will become the sixth branch of HP Labs overseas, along with sites in Bangalore, India; Beijing, Bristol, England; Haifa, Israel; and St. Petersburg; Russia. Last year, the company quietly closed a branch in Tokyo, where researchers focused on interactive media and online communities. A spokesman said that work was folded into related efforts at HP Labs in Palo Alto.

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Europe

Search complaints hit Google



“Google has come under increasing antitrust scrutiny by U.S. regulators and the European Commission.”

Google is facing a new round of scrutiny from antitrust regulators, announcing that the European Commission has launched an investigation into allegations of anti-competitive behavior by the Mountain View search giant, after complaints from three European search sites. In a blog post, Google acknowledged the preliminary investigation, but said it has done nothing wrong. Google said two of the companies filing complaints with the commission were owned or had close ties to Microsoft, which through its recently approved partnership with Yahoo has emerged as Google’s primary competition in Internet search.

“We’ve always worked hard to ensure that our success is earned the right way – through technological innovation and great products, rather than by locking in our users or advertisers, or creating artificial barriers to entry,” Julia Holtz, a Google senior competition counsel, wrote in the post. “While we will be providing feedback and additional information on these complaints, we are confident that our business operates in the interests of users and partners, as well as in line with European competition law.”

Analysts said that outside of reviews of Google corporate acquisitions, they were not aware of any other investigation of Google by the commission, and said the probe could

have ramifications. “It’s something that has to be taken very seriously,” said Greg Sterling, principal of Sterling Market Intelligence.

The commission, based in Brussels, Belgium, did not respond to requests for comment from the Mercury News, and did not have news of the investigation posted to its Web site. As its reach has expanded beyond search into digital maps, mobile phones, digital books

and other parts of the Internet, Google has come under increasing antitrust scrutiny by U.S. regulators. At a court hearing in New York last week on Google’s plans to

create a private digital library of millions of old books, a lawyer with the U.S. Department of Justice lawyer said the government continues to investigate Google for antitrust violations, including in Internet search. Google is even more dominant in online advertising in Europe than in the U.S.

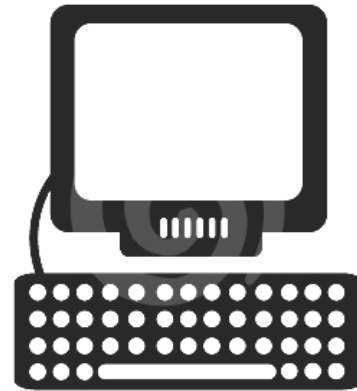
Google said the European complaints came from Foun- dem, a British search site that allows consumers to comparison shop for the lowest price

between multiple retailers; from a French legal search engine called ejustice.fr, and from Ciao from Bing, a Microsoft-owned e-commerce site. All three are “vertical search engines.” Unlike a general search engine that might show a user searching for “flights to New York” to Web sites that sell airline tickets, vertical search engines allow users to search and compare flights from an array of airlines. Google said

the complaints from Foun- dem and ejustice.fr alleged that Google’s search algorithms were ranking those vertical search engines lower, costing the two

sites a significant loss in traffic, because they compromise a competitive threat to Google.

Google denied that charge. “Our algorithms aim to rank first what people are most likely to find useful, and we have nothing against vertical search sites – indeed many vertical search engines like Mon- eysupermarket.com, Opodo and Expedia typically rank high in Google’s results,” Holtz, the Google lawyer, wrote in the company blog.



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China

Google-China dispute to WTO?



“China’s restrictions on Web access and content discriminate against U.S. Internet companies and online commerce.”

The Obama administration is weighing the merits of taking China’s censorship of Google to the World Trade Organization as an unfair barrier to trade, a move that could further raise diplomatic tensions. The U.S. Trade Representative’s office is consulting with industry groups about China’s Internet policies, spokeswoman Carol Guthrie said. Two groups with links to Google, the Computer & Communications Industry Association and the San Rafael-based First Amendment Coalition, have told the trade office that China’s restrictions on Web access and content discriminate against U.S. Internet companies and online commerce.

“There is a little bit of a Cold War going on here,” said Michael DeGolyer, a professor of government and international studies at Hong Kong Baptist University. “This is a way of putting pressure on China in a way that is going to be popular with many countries.” Google’s problems in China have been at the forefront of a series of diplomatic spats with the U.S. that also include a proposed \$6.4 billion arms sale to Taiwan. China’s Foreign Ministry spokesman Qin Gang said the U.S. is “entirely” to blame for strained ties and should respect the Asian nation’s “core interests”. Going to the WTO is “well worth consideration,” Nicole Wong, dep-

uty general counsel of Google, operator of the most popular Internet search site, told reporters after a congressional hearing in Washington. Using censorship “in a manner that favors domestic Internet companies goes against basic international trade principles,” Wong told lawmakers.

Google will stop censoring results as required by the government in China, the company said Jan. 12 after what it called an infiltration of its technology and the e-mail accounts of Chinese human rights activists. The Obama administration sided with Mountain View-based Google. Secretary of State Hillary Clinton said Jan. 20 that China is among countries “walling themselves off” from progress by restricting Web access. “We are looking at that,” U.S. Trade Representative Ron Kirk said in an interview with Bloomberg Radio when asked about the proposal to take a case against China to the WTO, the Geneva-based trade arbiter. “It’s less of a trade issue than it is a freedom of information issue.” While going to the WTO would put a spotlight on China’s Internet policies, it wouldn’t be likely to provide a speedy resolution. Trade disputes before the WTO can take two years or more to litigate and appeal.

Softbank profit rises

Softbank, which operates the only Japanese carrier to offer the iPhone, said profit rose 41 percent in the October-December quarter, as earnings soared in its mobile operations. The Tokyo company said it booked a 24.11 billion yen (\$265 million) net profit during its third quarter, up from 17.07 billion yen a year earlier. Revenue rose 7 percent to 696.0 billion yen from 653.2 billion yen. Separately, Softbank said it has acquired a 13.7 percent stake in Ustream, a Mountain View provider of live video streaming, for \$20 million. It could increase its owner-

ship in the company to above 30 percent if it exercises all options to obtain more shares by July 2011.

The purchase is Softbank’s latest investment in overseas companies with “high potential to provide next generation services using the Internet,” the company said. It already has stakes in social networking application provider RockYou and Oak Pacific Interactive, a Chinese social networking company that runs the popular site Xiaonei.

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The Americas

Yahoo, Microsoft get final ok



“The Yahoo-Microsoft search alliance would blunt Google’s lucrative search dominance and promote choice for consumers.”

Final approval from U.S. and European regulators for Yahoo and Microsoft’s plan to collaborate on Internet search means that in the coming days, the two companies will begin to mesh their search operations to serve a combined worldwide audience of nearly 577 million researchers. The multibillion-dollar question is whether the size of that combined audience will change the balance of power with the unquestioned kingpin of Internet search – Google. The Yahoo-Microsoft search alliance creates a much stronger competitor for Google, analysts said after the U.S. Department of Justice and the European Commission had cleared the two companies to move forward with their 10-year deal to collaborate on search.

But experts said the deal, first announced by the two companies in July, is not likely to threaten Mountain View-based Google’s market dominance – at least not in the short run. “I think that it does balance the scales a little bit,” said Andrew Frank, an analyst with the research firm Gartner who follows the Internet search advertising market. “Between Microsoft and Yahoo, one can debate who got the better end of the deal. But collectively I think they did get economies of scale, and I think scale is very important in search.” For Silicon Valley, the deal may help cement Mountain View’s position as the planet’s Internet search mecca. Yahoo and Microsoft said they expect about 400 search jobs now based at Yahoo’s Sunnyvale campus to gradually move to Microsoft’s Mountain View campus as the deal is phased in between now and 2012.

“We get a bunch of great engineers from Yahoo,” said Adam Sohn, a senior director with Microsoft’s Online Division, who predicts that the total number of engineers working on search across the two companies won’t change significantly. “We’re super lucky to have them.” Microsoft will continue to hire search engineers and advertising staff in the valley, at its headquarters in Redmond, Wash., and around the world, Sohn said. “We’re hiring, period.” Flying solo, the battle over the highly lucrative market for Internet search with Google has been a tough one for Microsoft and Yahoo. Microsoft’s search engine, Bing, has gained some traction since its

launch in June with about 11 percent of the U.S. search market, but Google’s share of core U.S. searches was about six times larger than in January, according to data released by comScore. Yahoo, meanwhile, has been bleeding market share over the past year, and was down to 17 percent of core U.S. searches in January, according to comScore. Yahoo will get 88 percent of the advertising revenue from all searches from Yahoo sites over the first five years of the deal, adding an additional estimated annual operating income of about \$500 million. Yahoo keeps the ability to shape users’ experience as they search on Yahoo’s sites, even though the underlying results will come from Bing. “This breakthrough search alliance means Yahoo can focus even more on our own innovative search experience,” Yahoo CEO Carol Bartz said in a statement released by two companies. “Yahoo gets to do what we do best: combine our science and technology with compelling content to build personally relevant online experiences for our users and customers.”

In a joint blog post by Brad Smith and Michael Callahan, the general counsels for Microsoft and Yahoo, respectively, the two companies said their deal would blunt Google’s lucrative search dominance and promote choice and innovation for consumers, publishers and advertisers. “Today, one company dominates more than 75 percent of the search advertising market in the U.S. and more than 90 percent of the market in Europe,” said the joint post, which did not mention Google by name. “We’re hopeful that this agreement is a first step for a viable competitor to emerge.” That is not a far-fetched expectation, said Sue Feldman, research vice president for search and discovery technologies with IDC, who thinks the new alliance balances Microsoft’s technology expertise well with Yahoo’s vast store of data on user behavior. “Most people think the game is over,” Feldman said, “and I think it’s only just begun.”



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