Google, Netflix, Amazon, Facebook Exposed For Stealing Entrepreneurs Technologies

- A DEMAND FOR SEC, FTC AND DOJ PROSECUTION OF THESE ENTITIES

Big Tech spied on startups and gained proprietary information before launching competitors, crushing the smaller companies in the process

Avery Hartmans

Amazon has been meeting with and investing in startups, only to later make products that directly compete with them, according to a new report from The Wall Street Journal.

- The Journal spoke with startups who said Amazon made similar hardware and software products after purchasing stakes in the companies. In one example, Amazon invested in a hardware startup Nucleus, only to unveil an Echo device that directly competed with Nucleus' product.
- A spokesperson for Amazon told Business Insider that "any legitimate disputes about intellectual property ownership are rightly resolved in the courts."
- The report comes as Amazon is facing antitrust scrutiny from Congress and the Federal Trade Commission. CEO Jeff

Bezos will testify before the House Judiciary Committee about the company's business practices on Monday.

- Kleiner Perkins, Draper Fisher, Greylock, Sequoia "window-men" charged with spying on start-ups under the guise of "possible investment" while actually stealing technology to clone out under their own projects

Amazon has been using the startup investment process to help it make its own competing products, according to a new report from The Wall Street Journal's Dana Mattioli and Cara Lombardo.

The Journal spoke with dozens of startup founders, investors, and advisers, who said Amazon met with or invested in their companies, only to later build its own products that directly competed with the smaller company. The Amazon-made products often went on to crush the competition, the Journal found.

The Journal discovered several examples of Amazon's investments leading to in-house product development. LivingSocial, a deals website, told the Journal that after Amazon took a 30% stake in the company, it began requesting troves of data from the company, hiring away employees, and contacting LivingSocial's clients to offer better deals.

In another example, investors from the Alexa Fund purchased a stake in the startup Nucleus, which made a video communication device for the home. Eight months later, after gaining access to Nucleus' plans and financials, Amazon announced the Echo Show, an Alexa-enabled device with a large video screen. Sales of Nucleus' consumer device quickly declined and the company has since pivoted to selling to the healthcare market, the Journal reports.

Amazon later settled with Nucleus for $5 million but did not admit any wrongdoing, according to the report.

Other companies, like DefinedCrowd, Vocalife, and Ubi — which made a voice-operated speaker similar to the Echo — also told the Journal Amazon had met with them or invested in them, then later seemed to use their technology.

In many instances, the smaller companies said they could no longer compete in the space, and downsized or closed.

"We ended up burning through our cash and ended up having to downsize most of the company," Leor Grebler, who created the voice-operated speaker Ubi, an Echo predecessor, told The Wall Street Journal.

Amazon told Business Insider that it does not use confidential information that companies share when Amazon invests to create competing products.

"For 26 years, we've pioneered many features, products, and even whole new categories. From amazon.com itself to Kindle to Echo to AWS, few companies can claim a track record for innovation that rivals Amazon's," an Amazon spokesperson told Business Insider. "Unfortunately, there will always be self-interested parties who complain rather than build. Any legitimate disputes about intellectual property ownership are rightly resolved in the courts."

The Journal's report comes as Amazon is facing scrutiny about potentially anticompetitive behavior. The House Judiciary Committee is holding an antitrust hearing on Monday at which

Amazon CEO Jeff Bezos and other prominent tech executives will testify.

The Federal Trade Commission is also looking into "hundreds" of acquisitions by Amazon and other tech firms to determine whether they gained any unfair advantages by purchasing "nascent competitors." The FTC has also spoken with sellers on Amazon's platform after a Journal investigation from April found that Amazon used data from third-party vendors to launch competing products.

FROM ***WIRED***:

Apple aside, anticompetitive practices by Amazon, Facebook, and Google have corroded democracy and sabotaged the nation’s pandemic response.

Sundar Pichai
Google, Facebook, and Amazon have exploited their popularity as a shield from regulators, but that may be ending. Photograph: Andrew Harrer/Bloomberg/Getty Images

Next week, the House Judiciary Antitrust Subcommittee will bring the CEOs of Google, Facebook, Amazon, and Apple to Washington and ask them about their anticompetitive business practices. Except for Apple, there’s only one answer: We are guilty.

Though anticompetitive practices were prohibited more than a century ago, deregulation has prevailed since Ronald Reagan took office in 1981. Believing the market would always allocate resources optimally, the federal government stopped playing its traditional role as capitalism's umpire. The Reagan Revolution unleashed economic growth that led to a long period of prosperity and a concentration of economic power. Over the past 20 years, the rich got much richer, while half of the country struggled with static incomes. Nowhere is this lawlessness more rampant today than among large tech companies, who've used their power to crush competitors, suppliers, business partners, and even customers.

Roger McNamee (@Moonalice) is the author of the *New York Times* best seller *Zucked: Waking Up to the Facebook Catastrophe*. He spent 34 years as a technology investor and was an early investor in Facebook and an adviser to Mark Zuckerberg.

Now the Covid-19 pandemic has exposed intolerable flaws in the status quo across the economy, including poor pay and protection for the most essential and dangerous jobs, an inability to increase personal protective equipment manufacturing and testing capacity, and a health care system that continues to struggle to adapt. Worst of all, internet platform monopolies sabotaged the nation's pandemic response by amplifying disinformation.

Economic policy and the concentrated power that resulted from it are partially to blame for our failure to contain the pandemic. We need new policy that encourages competition, innovation, and adaptability, with less focus on shareholders. The hearing on July 27 is an early test of Congress' readiness to join its constituents in demanding a new vision for America.

Google, Facebook, and Amazon have exploited their popularity as a shield from regulators, but that may be ending. The harm they cause to suppliers, competitors, and advertisers, the threat they pose to the economy and consumer welfare, can no longer be excused. Having four CEOs testify together ensures the hearing will accomplish little of substance. Each CEO should be subject to his own multiday hearing. Still, the hearing can increase awareness of harmful business practices.

Among Google's many monopolies, those of ad tech infrastructure and web browsers do particular harm. Google is rapidly displacing the open web with a closed environment of its own making, undermining news and many other industries that depend on advertising and web traffic.

Facebook has exploited its market power to crush partners and would-be competitors, limiting innovation and leaving our democracy vulnerable to extremism.

Amazon's dominance of online commerce has created convenience for customers, but at great cost to other forms of retail, suppliers, and employees, who have no power to fight back.

The issues with Apple are different and, in my view, not comparable. Apple's anticompetitive behavior in the AppStore does not threaten the economy or society, and its approach to privacy and consumer protection, especially compared with Amazon, Facebook, and Google, is exemplary.

History shows that eliminating monopolies and encouraging competition is good for the economy. Consumers and investors benefit. This has been the case in tech since 1956, when the

Justice Department Consent Decree with AT&T limited the monopoly to regulated telecom markets, creating the computer industry as we know it. Subsequent antitrust interventions played a role in enabling separate industries for software, personal computers, data networking, mobile communications, and the internet.

The nation's antitrust laws were created in response to the anticompetitive business practices of monopolies in oil, railroads, steel, banking, and other industries. No one denied that Standard Oil and the other "trusts" created value that benefited society. The issue was whether monopolies were the best way to grow an economy. Trustbusters argued that monopoly, which had historically been a tool of autocratic governments, undermined democracy by concentrating economic power. The Sherman (1890), Clayton (1914), and Federal Trade (1914) Acts created rules to govern business practices that broke up monopolies and ushered in a long period when corporations were required to respect the interests of consumers, suppliers, and communities.

In the 1970s, solicitor general Robert Bork popularized an alternative theory of antitrust that eliminated all considerations except for one: consumer prices. So long as prices didn't go up, there'd be no violation, irrespective of other harms. The Reagan administration embraced Bork's interpretation, triggering a 40-year trend of consolidation that concentrated economic power. This has reduced consumer choice, undermined the balance between employers and workers, and left the economy unable to respond to a shock like the pandemic. Brittle supply chains and short-term thinking boosted stock prices, but they are also partially responsible for the country's unique inability to control the spread of Covid-19.

Google, Facebook, and Amazon have prospered during the pandemic. They've enabled Americans to stay in touch with loved ones, to work, and to shop from home. Unfortunately, Google and Facebook have also enabled disinformation that undermined the nation's pandemic response, from spreading the Plandemic conspiracy to politicizing face masks. Covid deniers, antivaxers, and white supremacists exploit Facebook's tools and infrastructure to organize and to amplify their harmful messages. Amazon has been slow to protect its employees from the virus and consumers from harmful products available in its marketplace.

Google, Facebook, and Amazon all invade privacy. Google and Facebook also undermine democracy and public health. Each of these harms results from monopoly power, but antitrust regulations created for the industrial era will not be enough to address them. In parallel with antitrust, Congress needs to implement laws that require tech companies to prove that new products are safe and free from bias prior to shipment, that reduce incentives to algorithmically amplify targeted harassment, disinformation, and conspiracy theories, and limit the ability of corporations to gather and exploit personal data.

Forty years of deregulation have given America's largest corporations the ability to impose their will on competitors, suppliers, customers, employees, and communities. The pandemic, the economic contraction, and the murder of George Floyd have combined to trigger a national conversation about values and priorities. The time to rebuild them has arrived.

Internet platform monopolies are bad for the economy and for democracy, but reduced funding and neglect caused our government's regulatory capabilities to atrophy. It is imperative that the antitrust subcommittee shine a light on the harms inflicted by these internet monopolies and demonstrate a commitment to competition and fairness in American capitalism.