

# Rebuttal Testimony of Dr. Tasneem Chipty

*U.S., et al. v. Google LLC*

United States District Court for the District of Columbia

May 9<sup>th</sup>, 2025

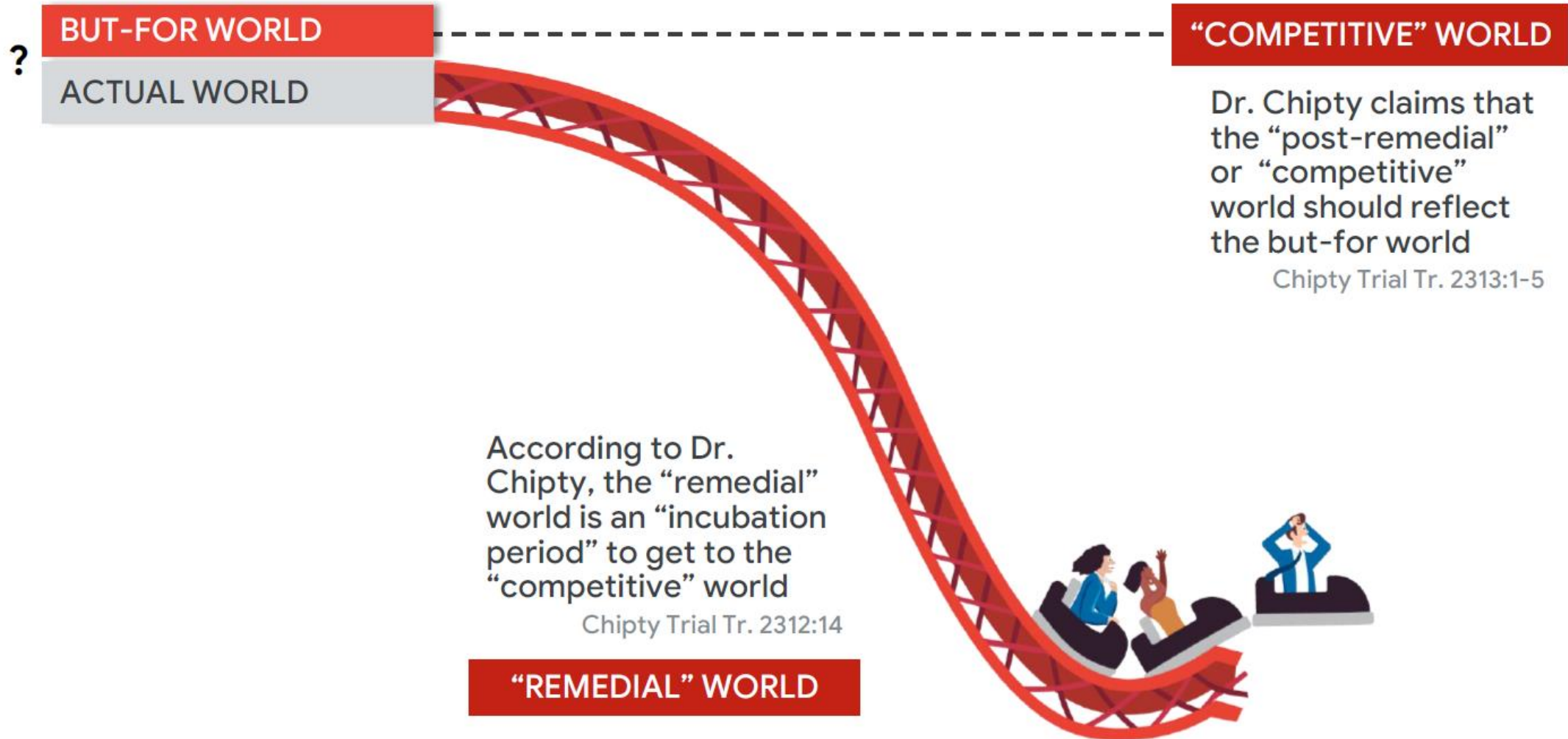
Ex. No.

PXRD030

1:20-cv-03010-APM

1:20-cv-03715-APM

## No Basis that Dr. Chipty's "Remedial" World Would Lead to a "Competitive" World that Approximates the But-For World



## No Evidence of “Lingering Effects” from Raised Entry or Expansion Barriers

- Claimed “exacerbation” of brand, scale, and capital cost barriers all flow from rivals’ lower scale (fewer queries) in but-for world
- Dr. Chipty assumes rather than shows any material impact on rivals’ scale
- Corrective remedies directly address distribution barrier



Dr. Tasneem Chipty

- |                  |                                   |
|------------------|-----------------------------------|
| 1. Distribution  | Addressed                         |
| 2. Scale         | Not materially exacerbated        |
| 3. Brand         | Not materially exacerbated        |
| 4. Capital Costs | Not materially harder to overcome |

PXRD012 Slide 10 (adapted)

Slide 14, Demonstrative Deck of Dr. Murphy

# The Effects of Google's Conduct on Barriers

## Distribution

“Google’s distribution agreements foreclose a substantial portion of the general search services market and impair rivals’ opportunities to compete.” *Mem. Op. at 226.*

“Google’s rivals must distribute their GSEs through less efficient, non-default access points, which results in fewer users and fewer ad dollars spent to target those users.” *Mem. Op. at 264.*

## Scale

“Google’s distribution agreements have constrained the query volumes of its rivals, thereby inoculating Google against any genuine competitive threat.” *Mem. Op. at 234.*

“[D]eny rivals access to user queries, or scale, needed to effectively compete.” *Mem. Op. at 226.*

## Brand

Derivative of scale and distribution.

## Capital Costs

“The distribution agreements have caused a third key anticompetitive effect: They have reduced the incentive to invest and innovate in search.” *Mem. Op. at 236.*

“The foreclosure of efficient channels of distribution has contributed significantly to the lack of new investment.” *Mem. Op. at 237.*

# Types of Antitrust Remedies

## Corrective Remedies

- ✓ Prohibit the type of conduct found anticompetitive
- ✓ Restore competition through the competitive process
- ✓ Give rivals greater opportunity based on their competitive merits
- ✓ Can sufficiently restore competition without measuring harm from conduct

## Restorative Remedies

- Alter market outcomes by interfering with the competitive process
- Warranted only to the extent conduct distorted market outcomes
- Requires determining the extent of distorted market outcomes

## Regulatory Interventions

- ✗ Engineer alternative market outcomes rather than remedy the competitive process
- ✗ Attempt to remove inherent entry barriers
- ✗ Replace the competitive process with regulatory mandates

# Prof. Murphy's Corrective Remedies: Last Bullet



**Prof. Kevin  
Murphy**

Professor of Economics,  
University of Chicago

- Q.** Can you tell the Court what you meant by that final bullet under “**Corrective remedies** can sufficiently restore competition without measuring harm from conduct”?
- A.** Yeah, it's basically the idea I just said. We don't have to say, you know, this is going to have a huge effect or **the effect going forward is going to be the same as the effect we see in the past. . . .**

*Trial Testimony*

# Allcott Paper: The \$70 Does Not Reflect Benefits to Competition

2025

Table 9: Direct Counterfactuals

Description	Panel A: Benchmarks		Chromes		Edge	
	Combined		Chromes		Edge	
	(1) Google share (%)	(2) CS gain (\$/user-year)	(3) Google share (%)	(4) CS gain (\$/user-year)	(5) Google share (%)	(6) CS gain (\$/user-year)
Status Quo	88.9	0.00	88.8	0.00	22.2	0.00
No Frictions	75.8	6.01	70.8	8.87	33.4	40.68
Active Choice	89.1	-5.35	97.3	0.10	33.4	40.68
Correct Perception	76.4	0.46	86.7	0.33	22.2	0.00

Description	Panel B: Policy Interventions		Chromes		Edge	
	Combined		Chromes		Edge	
	(1) Google share (%)	(2) CS gain (\$/user-year)	(3) Google share (%)	(4) CS gain (\$/user-year)	(5) Google share (%)	(6) CS gain (\$/user-year)
Choice Screen	87.6	0.06	87.3	0.10	22.2	0.00
Bing Default	48.9	-78.92	52.9	-81.44	22.2	0.00
Bing Default + Delayed Choice Screen	72.1	0.06	70.8	0.07	22.2	0.00
Bing Payments (S10)	51.3	108.78	50.4	91.76	17.0	188.98

Notes: This table presents counterfactual simulation results that only account for direct effects (i.e., the effects before taking into account any potential change in results relevance implied by our economy of scale analysis). CS gain means consumer surplus gain, in \$/consumer-year. Panel A presents hypothetical counterfactuals that serve as benchmarks. Panel B presents counterfactuals that represent policies.

the total welfare of all market participants. This is because market shares affect both competition between search engines for advertisers and search engine quality investment decisions. While we do not model these effects explicitly, their likely presence means that policies that can equalize market shares without significantly negatively affecting consumer surplus are desirable. Columns 1 and 2 present aggregate results for the whole market. Columns 3-6 then break down results into Chrome and Edge users.

To decompose the economic effect of different frictions, we first consider certain benchmark counterfactuals that cannot be attained with policies (Panel A). In our first scenario, *No Frictions*, we shut down all demand-side frictions: all users are attentive, they are informed about the true quality of search engines, and there is no switching cost. Therefore, market shares are given by  $s_{i,j} = S(A_{i,j}^q)$  and only depend on the true quality of search engines. We find a sizable increase in the market share of Bing from 11 percent to 26 percent, though even in this frictionless world, Google's share would remain large. Consumer surplus increases by \$6.01 per consumer per year. While unlikely in practice, this scenario is useful as a benchmark where the market achieves the social optimum while not yet accounting for scale economics.









Our next two counterfactuals decompose these effects into information frictions due to misperceptions

We understand **market shares [are] . . . an important proxy for the total welfare . . . .**

**[W]e do not model these effects explicitly . . . .**

**[T]he (un-modeled) potential benefits** from a less concentrated market[] [include] increased investment incentives and fewer harms on the advertising side.

## GenAI Competitors Include the Following . . .

Company	Chatbot	Leading Foundation Models
OpenAI	 ChatGPT	GPT family (e.g., GPT-4o) OpenAI o1, o3
Anthropic	 Claude	Sonnet, Haiku, and Opus models
xAI	 Grok	Grok models
Perplexity	 Perplexity answer engine	Uses other companies' FMs
Meta	 MetaAI	Llama models
DeepSeek	 DeepSeek	R1
Microsoft	 Copilot	Principally uses OpenAI models (developing Phi and MAI)
Google	 Gemini app	Gemini

Hitt Opening Rpt. §§ V.C.1-2, V.D.1-2; Hitt Opening Rpt., Ex. 15

**Slide 20, Demonstrative Deck of Dr. Hitt**

Google  
RDXD-32.020

# An Ad-Side Remedy Inflicts Harm Without Benefits

**Competition between GSEs for *advertisers* occurs via competition between GSEs for *queries***

- Once queries go to different GSEs, ad dollars follow
- User-side remedies address this competition for queries
- Hence, ad-side remedies do not enhance competition, but rather:
  - Reduce investment incentives
  - Generate significant legal and enforcement costs
  - Short-circuit competitive process in advertising and syndication markets
  - Undermine Google's ability to protect users and advertisers
  - Jeopardize privacy

# Dr. Israel's Testimony: Ad Quality Does Not Influence Competition for Queries



**Dr. Mark Israel**

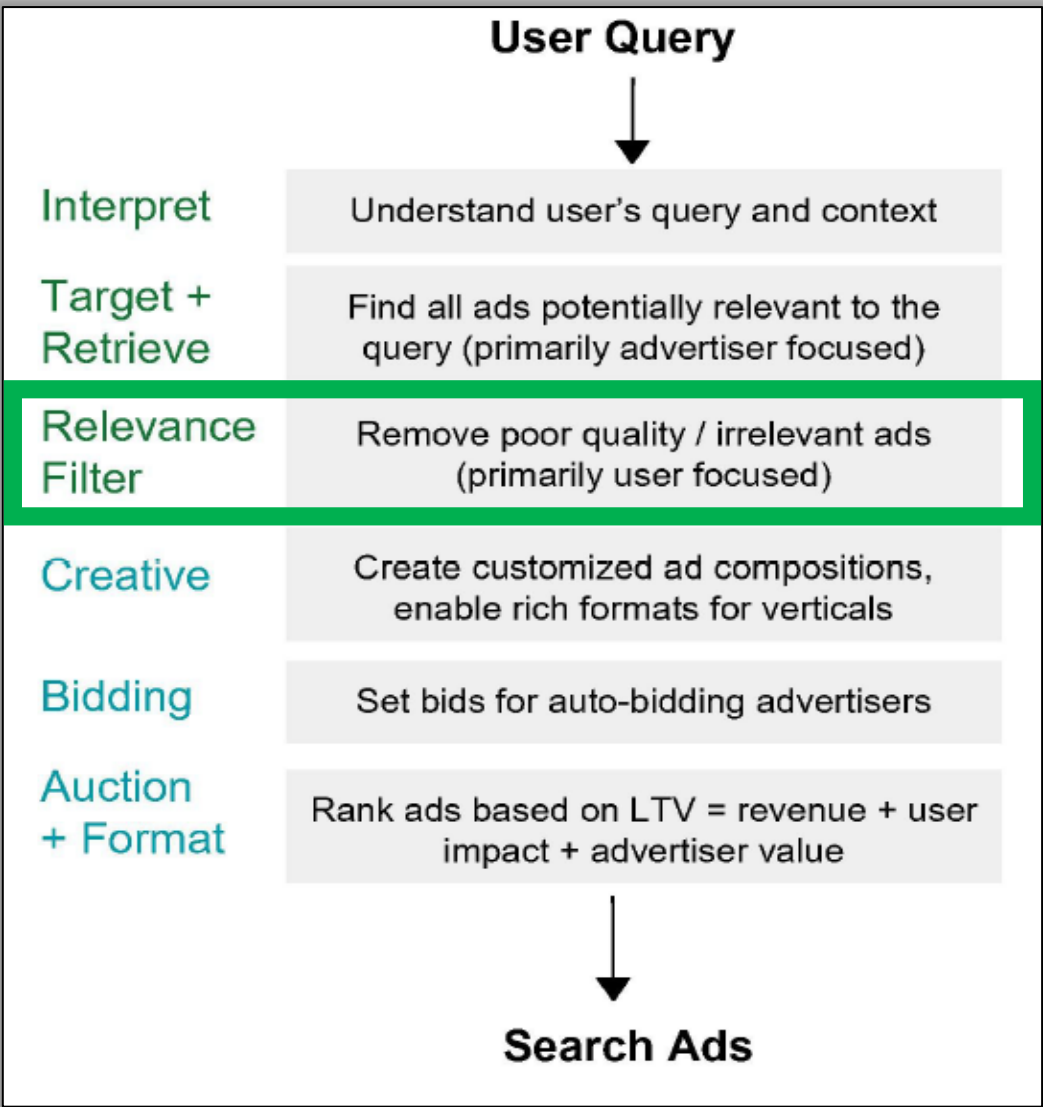
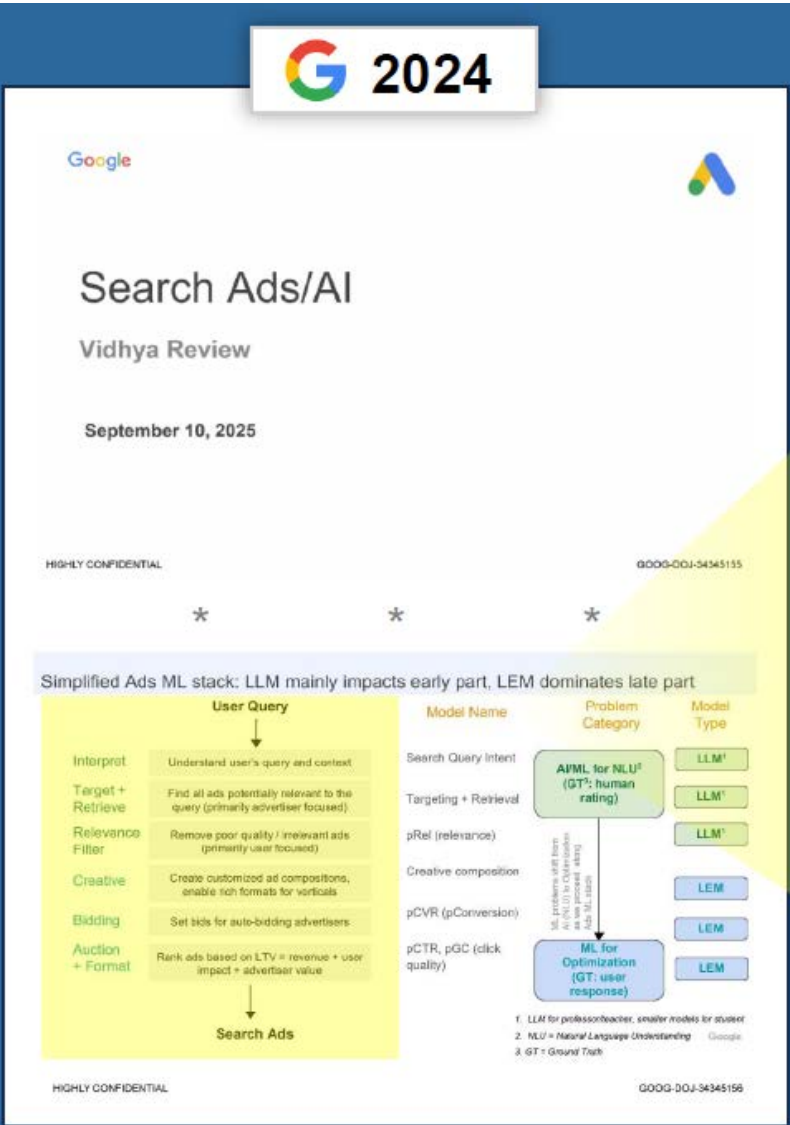
Econic Partners  
Formerly Compass  
Lexecon

**THE COURT:** Do you discount the possibility that ad quality, which is specific to providers, to general search engines can influence the competition for queries?

**A.** [T]here's not a lot of evidence that ad quality is really driving things.

*Trial Testimony*

# Creating High-Quality Search Ads Starts with User Query Data



# High-Quality Ads Improve Rivals' Ability to Compete for Queries



## Research\* POV: Monetization under Magi and Bard



\*

\*

\*

Google Research | othena

### High level: Why ads (still) work

Another concern: what if organic does such a good job (shopping companion, "wirecutter article") that ads are made redundant? Three counter-arguments:

1. "Natural" Competitive Forces: For most user intents there are a broad set of products and providers, which cannot be summarized into a short response.
2. Informational Differences: Organic cannot pull in everything for all user journeys and even less for commercial journeys, e.g., real-time info, privately-held info, e.g., hotel inventory. Ads enable communication to satisfy user-intent beyond organic treatment.
3. Advertiser Value Remains High: Willingness to pay, and the basic dynamic of pay-for-placement does not go away. This can be good for users too, as a mechanism of increasing diversity of results (as opposed to strict adherence to organic results and ranking).

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2. **Informational Differences:** Organic cannot pull in everything for all user journeys and even less for commercial journeys, e.g., real-time info, privately-held info, e.g., hotel inventory. Ads enable communication to satisfy user-intent beyond organic treatment.
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# High-Quality Ads Improve Rivals' Ability to Compete for Queries



## Research\* POV: Monetization under Magi and Bard

\* \* \*

Slide 24 Notes

Big Picture: Why do users click on ads? Why do advertisers bid truthfully?

Staying at 30K ft, three key systems / areas

- Organic Quality will induce an effect on Organic Clicks directly, and will indirectly affect Queries and Ad Clicks.
  - Organic Clicks will increase if organic quality improves and vice versa.
  - Queries will increase if organic quality improves and vice versa.
  - Ad Clicks will decrease if directly cannibalized, but they will increase if more queries offer more potential matches and conversions.
- Ads Quality will induce an effect on Ad Clicks directly, and will indirectly affect Queries and Organic Clicks.
  - Ad Clicks will increase if ads quality increases and vice versa.
  - Queries will increase if ads quality improves and vice versa.
  - Organic Clicks will decrease if directly cannibalized, but they will increase if more queries offer more potential results with user value.
- Competition and auction design will ensure that Bids are close to Advertiser Values.

So why do users click on ads?

- They see the whole page combining organic and ads of varying quality, and they believe the ads are offering a differentiated value (of varying degree, so it is reasonable that the user clicks on both organic results and ads on a commercial journey).

Why do advertisers bid their value?

- Because if they bid lower than value, they won't get user traffic and will miss out on incremental profit.

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- Queries will increase if ads quality improves and vice versa.

# High-Quality Ads Improve Rivals' Ability to Compete for Queries



**Gabriel  
Weinberg**  
CEO & Founder of  
DDG



- A. **[Ads] need to be as relevant as other search modules**...In fact, we were talking about the **rage quit queries**, earlier, like if people are trying to navigate and you put in a bunch of ads, that's exactly the type of query that people get very angry about.

\*

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- A. . . . **When ads are showing when they are not supposed to be showing it's a very bad user experience.** So, you know, we still get a lot of complaints about that today. And **it's for these long-tail queries where we are generally showing ads when we shouldn't be.**

*Trial Testimony*

# General Search Firms Compete for Advertisers

## Court's Finding

## Dr. Israel's Opinion

1

General search text advertising is a well-defined market.

Each query would represent its own monopoly market.

2

Google's conduct harmed competition in general search text advertising: higher ad prices, lower ad quality.

There could be no harm to competition because there was no competition.

**Chipty Rebuttal Report, § VIII**