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PARTICIPATE

# Group led by Ralph Nader accuses search engines of deception

By Michael Liedtke

July 16, 2001 |

Attacking an increasingly popular Internet business practice, a consumer watchdog group Monday filed a complaint with the Federal Trade Commission asserting that many online search engines are concealing the impact special fees have on search results by Internet users.

Commercial Alert, a 3-year-old group founded by consumer activist Ralph Nader, asked the FTC to investigate whether eight of the Web's largest search engines are violating federal laws against deceptive advertising.

The group said that the search engines are abandoning objective formulas to determine the order of their listed results, and selling the top spots to the highest bidders without making adequate disclosures to Web surfers.

The complaint touches a hot-button issue affecting tens of millions of people who submit search queries each day. With more than 2 billion pages and more than 14 billion hyperlinks on the Web, search requests rank as the second most popular online activity after e-mail.

The eight search engines named in Commercial Alert's complaint are: MSN, owned by Microsoft Corp.; Netscape, owned by AOL Time Warner Inc.; Directhit, owned by Ask Jeeves Inc.; HotBot and Lycos, both owned by Terra Lycos; Altavista, owned by CMGI Inc.; LookSmart, owned by LookSmart Ltd.; and iWon,

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owned by a privately held company operating under the same name.

Portland, Ore.-based Commercial Alert could have named even more search engines in its complaint, but focused on the biggest sites that are auctioning off spots in their results, said Gary Ruskin, the group's executive director.

"Search engines have become central in the quest for learning and knowledge in our society. The ability to skew the results in favor of hucksters without telling consumers is a serious problem," Ruskin said.

By late Monday afternoon, three of the search engines had responded to The Associated Press' inquiries about the complaint. Two, LookSmart and AltaVista, denied the charges. Microsoft spokesman Matt Pilla said MSN is delivering "compelling search results that people want." The FTC had no comment about the complaint Monday.

The complaint takes aim at the new business plans embraced by more search engines as they try to cash in on their pivotal role as Web guides and reverse a steady stream of losses.

To boost revenue, search engines over the past year have been accepting payments from businesses interested in receiving a higher ranking in certain categories or ensuring that their sites are reviewed more frequently.

Basing a search engine's rankings on the amount of money paid by a business is known as "pay for placement." Accepting a fee from a business that wants a search engine's automated "crawlers" to review sites more frequently is known as "pay for inclusion."

Commercial Alert said the search engines are breaking the law by not making it clear that their results "are paid ads in disguise."

The managers of the search engines contend that results swayed by fees are clearly labeled. The search engines typically show the fee-paying sites under headings such as "Featured" or "Partner" sites. The results retrieved using objective formulas generally are listed under a separate heading.

"Based on the feedback we have received, our users are very clear about the distinctions. We feel very good about our service," said AltaVista spokeswoman Kristi Kaspar. AltaVista launched its pay-for-placement service earlier this year.

Monday's complaint marks the first time federal regulators have been asked to look into the pay-for-placement and pay-for-inclusion movement, said Danny Sullivan, who has watched the growth of the practices as an analyst for Searchenginewatch.com.

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"It's becoming so widespread that it was probably only a matter of time before something like this happened," he said.

In its complaint, Commercial Alert alleges that the search engines' misleading paid listings are equivalent to television informercials masquerading as independent programming. In the past, the FTC has cracked down on informercials that weren't adequately labeled as advertising.

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