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Tech Firms Lobby EU on Privacy

By JOHN W. MILLER











BRUSSELS—Microsoft Corp., Google Inc. and other U.S. tech giants are pushing to streamline Europe's privacy rules in order to offer more remote computing and data-storage services.

These companies, which are investing billions of dollars to build big data centers in Europe, are seeking a single set of rules across the 27-nation bloc for so-called cloud-computing services. They want to sell computer capacity to businesses and governments—as well as storage space for everything from pictures of grandma to the medical records of diabetics, to 500 million consumers.

The EU's fractured rules may prove "real hurdles or speed bumps to sales" said Mike Hintze, Microsoft's associate general counsel. "That's the case for us, as well as other cloud-services providers."

Scattered Clouds

To the annoyance of U.S. tech companies, each EU member country has set guidelines on how long companies are allowed to keep their customer data. The U.S. has no such limit. Data-retention limits for 10 EU countries, in months:

 Germany	6	 Sweden	12
 Romania	6	 U.K.	12
 France	12	 Ireland	24
 Hungary	12	 Italy	24
 Netherlands	12	 Poland	24

Source: European Commission

Some European governments are wary of private companies, particularly U.S. ones, controlling so much information about their citizens and are resisting plans to harmonize the rules. Germany has been at the forefront in this respect, insisting on its right to impose tough national standards.

"For Europeans, there's no price to put on the importance of privacy," said Olivier Mitière, president of the Association for a Digital Economy in France, a coalition of small and mid-sized French tech companies lobbying Paris to require storage of computer data in the country where it's being sold.

At the moment, there is a patchwork of sometimes contradictory regulations for cloud computing. That could change as part of what the European Commission, the EU's executive, calls its Digital Agenda, a plan to draft 31 legislative initiatives governing areas such as broadband infrastructure as well as pirated music and software.

But work on that only began in May; a preliminary text is due in the fall. "It's way too early to say whether the EU directive will create a pan-European authority" to oversee cloud computing and privacy issues, said Matthew Newman, an EU spokesman.

A lot of money is on the line, as businesses, hospitals—and more local and national governments—drop mainframes in favor of outsourcing computing services. Last year, Microsoft opened a \$500-million data center in Dublin, its second in Europe. It also has one in Amsterdam. Google has 12 centers built or under construction across Europe.

Estimates of the size of cloud-computing vary. Gartner Inc. estimates the market will reach \$14 billion by the end of 2013 while a Merrill Lynch forecast puts it at nearly \$100 billion.

Currently, every EU nation has its own data-protection and retention rules. Germany, for example, mandates that all data be kept inside its borders. U.S. companies say they comply with the rules.

The time that companies are allowed to keep temporary Internet data, such as search words, varies greatly. According to data gathered by the European Commission at the request of The Wall Street Journal, 14 EU countries require that data be destroyed after 12 months. It's six months in eight countries; 24 months in four countries; and 18 months in one, Latvia. There is uncertainty about which national law would govern a company in Germany, where the six-month limit applies, that keeps its data in Hungary, which has a 12-month limit.

"The notion of a single market has yet to be established for the cloud," said Jean-Philippe Courtois, president of Microsoft International, in a recent interview. "We hope that by 2012, we'll have a key framework that guarantees a single market."



Smaller players in the Internet community also they're concerned about Europe's fractured cloud. "There are psychological and regulatory barriers to cloud computing in the EU," says Ivan Farneti, an investor in Internet start-ups.

In France, Mr. Mitière's coalition of small tech companies is lobbying the government to spend billions in new subsidy money to set up "regional clouds" across France. Mr. Mitière said companies like Microsoft would be allowed to bid to provide services to local governments and small businesses, but would have to store data on local infrastructure.

Getty Images

A worker walks past a Google logo,

For Microsoft's Mr. Courtois, such divisions defeat the purpose of the cloud, which is to use "the massive computing power" of international networks, he said.

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The big tech companies are fighting back by trying to show they're sensitive to the concerns of Europeans. Google, which admitted two months ago that its workers gathered personal data from Wi-Fi wireless networks across Europe and elsewhere, recently ran an advertising campaign touting a new option that users of Gmail and other services have of removing their

data from the cloud.

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