Microsoft, News Corp reports overplayed: source

(Reuters) - Reports that News Corp and Microsoft were in talks for an exclusive deal that would exclude Google are overblown, a source close to the situation said on Tuesday.

There had been reports that Rupert Murdoch, chairman and chief executive of News Corp, was considering removing the company's news from Google's Web search results, and was talking to Microsoft about listing the stories with its Bing search engine instead.

Microsoft would pay for the privilege, sources previously told Reuters, but it was not clear how much.

But a source said on Tuesday the financial basis for a deal may not be as strong as previously thought.

"While the companies have a common interest, the economics do not seem to be there for the common arrangement initially rumored to be under discussion," said the source who was close to the situation but not authorized to speak on the matter.

The potential deal had been seen as a way for news organizations, many of whom are a shell of their former selves due to advertising cutbacks, to profit from the content that they produce. Newspaper owners resent Google and other aggregators because the Internet companies make money from the advertisements that they display next to news search results.

Murdoch said on Tuesday that his Wall Street Journal had one million paying subscribers, and that News Corp intended to expand the subscription model to all of the company's papers.

He said he disagreed with those who said that people would not pay for an Internet subscription. "I believe they will," he told a U.S. Federal Trade Commission conference on the future of journalism in the Internet age.

He did not mention the discussions with Microsoft in his prepared remarks and declined to take questions after his speech. Representatives for News Corp could not be immediately reached and Microsoft declined to comment for this story.

Many people find their news on Google, which has 65 percent of the U.S. search market according to comScore. Microsoft had a 10 percent share of the U.S. search market in September, according to comScore.

Google has said it provides news organizations about 100,000 clicks a minute. It has

said it would not pay to index news content on the grounds that copyright law permits indexing as a part of fair use.

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