# Department of Justice

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## YAHOO! INC. AND GOOGLE INC. ABANDON THEIR ADVERTISING AGREEMENT

***Resolves Justice Department's Antitrust Concerns,***
***Competition is Preserved in Markets for Internet Search Advertising***

WASHINGTON — Yahoo! Inc. and Google Inc. abandoned their advertising agreement after the Department of Justice informed the companies that it would file an antitrust lawsuit to block the implementation of the agreement. The Department said that, if implemented, the agreement between these two companies accounting for 90 percent or more of each relevant market would likely harm competition in the markets for Internet search advertising and Internet search syndication.

"The companies' decision to abandon their agreement eliminates the competitive concerns identified during our investigation and eliminates the need to file an enforcement action," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division. "The arrangement likely would have denied consumers the benefits of competition–lower prices, better service and greater innovation."

The agreement would have enabled Yahoo! to replace a significant portion of its own Internet search results advertisements with search results advertisements sold by Google. After an extensive investigation that was facilitated by the companies' cooperation and agreement to provide the Department time to investigate prior to implementation, the Department concluded that Google and Yahoo! would have become collaborators rather than competitors for a significant portion of their search advertising businesses, materially reducing important competitive rivalry between the two companies. Although the companies proposed various modifications to their original agreement in an effort to address the Department's antitrust concerns, the Department determined that such modifications would not eliminate the competition concerns raised by the agreement.

The Department and the Canadian Competition Bureau cooperated extensively throughout the course of their investigations. Attorneys General from 15 states – California, Connecticut, Delaware, Florida, Hawaii, Iowa, Maryland, Massachusetts, Michigan, Missouri, New Hampshire, New York, Texas, Wisconsin, and Washington – also participated in the investigation.

Google and Yahoo! are search engine companies. A search engine allows people to search for information on the Internet. In response to a search request (or query), a search engine presents a Web page listing links to other Web pages that are relevant to the query. Those listings consist of so-called “natural”or “algorithmic” results of the search engine’s canvas of the Web, as well as paid or sponsored search advertisements that are relevant to the query. Google and Yahoo! both display search advertising results above the natural search results, in the so-called “north block,” and to the right of the natural search results, in the so-called “east block.” Informative, relevant search advertisements provide a uniquely efficient and increasingly important means for advertisers to reach potential consumers. When a person clicks on a search ad, he or she is sent to a Web page designated by the advertiser. An advertiser typically pays the search engine when its advertisement is “clicked on” by a user, and the advertiser hopes the user will perform some action (called a “conversion”) when the user reaches the destination page, such as to purchase the advertised product.

Search engine companies such as Google and Yahoo! also offer their search engine and search advertising services to third-party syndication partners, such as, for example, the Internet Web sites of retail stores or newspapers. The syndication partner will use the search engine provider to search the Internet and the partner’s Web site and to provide relevant advertisements. If a user clicks on an advertisement provided in response to a search on the partner’s Web site, the search engine shares the revenues it generates from the click with the syndication partner.

The agreement granted Yahoo! the option to use Google to sell ads for placement on Yahoo!’s search results pages and certain third-party syndication partner Web sites in place of ads sold through Yahoo!’s competing search advertising platform.

The Department’s investigation revealed that Internet search advertising and Internet search syndication are each relevant antitrust markets and that Google is by far the largest provider of such services, with shares of more than 70 percent in both markets. Yahoo! is by far Google’s most significant competitor in both markets, with combined market shares of 90 percent and 95 percent in the search advertising and search syndication markets, respectively. Yahoo! provides an alternative to Google for many advertisers and syndication partners, and Yahoo! recently had begun making significant investments in order to compete more effectively against Google, including the 2007 introduction of its Panama search advertising platform. Had the companies implemented their arrangement, Yahoo!’s competition likely would have been blunted immediately with respect to the search pages that Yahoo! chose to fill with ads sold by Google rather than its own ads, and Yahoo! would have had significantly reduced incentives to invest in areas of its search advertising business where outsourcing ads to Google made financial sense for Yahoo!

Google Inc., headquartered in Mountain View, Calif., is a Delaware corporation. In 2007, Google earned more than $16 billion in revenues.

Yahoo! Inc., headquartered in Sunnyvale, Calif., is a Delaware corporation. In 2007, Yahoo! earned approximately $7 billion in revenues.

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