



September 25, 2008

The Honorable Steve Chabot
United States House of Representatives
129 Cannon House Office Building
Washington, DC 20515-3501

Dear Representative Chabot:

I write in response to the letter you sent earlier today to the Department of Justice regarding the business agreement between Yahoo! and Google. I appreciate your interest in ensuring that this agreement is good for consumers, and indeed we share that interest with you.

Clearly, there are some misperceptions circulating about what this deal would, and -- perhaps more importantly -- would not do, and I hope I can clarify some of those details in this letter. Additionally, I would be happy to come in to discuss the agreement with you or your staff at any time.

You mention that some of the testimony at the July Antitrust Task Force hearing suggested that "execution of the Google-Yahoo! agreement has the potential of allowing Google to control as much as 90 percent of the search-based advertising market." This is a common misperception about the agreement, so let me be clear -- this agreement is not a merger, and will in no way result in one company controlling 90 percent of any part of the online advertising market, including search advertising. In fact, since our plan and intent is to increase our search advertising share over time -- not cede any of it to Google -- this deal will make us a stronger competitor in search and display advertising and increase the dynamic nature of this market overall.

Further, in an ever-changing market, neither Google nor Yahoo! can ever expect to dominate this market in the way some critics imagine. The rapid growth of the market and the increased potential for profits in this space invites more and more competition. This agreement simply allows Yahoo! to serve Google advertising on our site when our own ad space is either empty or contains less relevant, and thus less successful advertisements.

The online advertising market is vast, diverse, and ever-changing; it includes search advertising, display advertising, contextual advertising and a whole host of other methods of reaching consumers over the Internet. This agreement focuses primarily on the search advertising market, which represents only a portion of the overall online advertising market.



You also mention a concern about access to the text of the agreement itself. I would simply note that Yahoo! briefed the Committee staff on the full details of the agreement before the hearing, and has consistently offered to share a redacted copy of the agreement with staff and members – both before the hearing (though the agreement was not public nor had it yet been filed with the Securities and Exchange Commission (SEC)) and still today. I am sure you can understand that in this highly competitive industry, we are reluctant to share proprietary business information. The redacted agreement does include the key terms of the deal, however, and I think it can allay any concerns about how the deal will affect competition. If there are questions that cannot be answered by the redacted agreement, we would be happy to come in and discuss how to provide you and other members with additional information.

In the end, we all share the same goals – a robust, competitive Internet that serves consumers well and allows companies like ours to continue to provide groundbreaking, exciting products to consumers, nearly always free of charge. Because we understood the level of interest in this agreement from the beginning, we voluntarily submitted to review by the Department of Justice. Though this is not a merger in name or effect, and there was no law requiring any such review to take place, we were eager to get the facts about this deal out in the open, because we know the more one learns about the deal, the more it becomes clear that the deal is pro-competitive – good for consumers, good for publishers, good for advertisers, and good for competition.

If you have any further questions or concerns about the agreement, please do not hesitate to contact me. Again, thank you for your interest in this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Hantman', written in a cursive style.

David Hantman
Vice President, Global Public Policy
Yahoo! Inc.