



The American Antitrust Institute

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**AAI WHITE PAPER ON PROPOSED GOOGLE-YAHOO ALLIANCE OUTLINES A POSSIBLE SETTLEMENT TO DEAL WITH ANTICOMPETITIVE DANGERS WHILE PERMITTING PROCOMPETITIVE BENEFITS**

(Washington, DC) The American Antitrust Institute (AAI) today released a white paper on the proposed alliance between Google and Yahoo, concluding that the transaction should be viewed as presumptively anticompetitive, although it may also contain possible pro-competitive benefits.

The white paper, prepared by Norman Hawker, a Senior Fellow of the AAI and Professor at Western Michigan University, evaluates the proposal in which Yahoo would have the option of placing Google ads on its search results. The AAI is seeking assurance that the transaction will not become “a black hole that swallows up Yahoo, despite Yahoo’s intentions to stay in business.”

The white paper’s key recommendation is for regulators to re-shape the alliance to facilitate its beneficial potential while protecting against the anticompetitive risk. “The procompetitive potential of the arrangement depends on Yahoo remaining in paid search,” states Hawker. “The government cannot compel Yahoo to do this; however, the government can insist on legally enforceable requirements that will ensure that Yahoo has an incentive to continue to develop.”

The AAI outlines several provisions of a possible consent decree to accomplish this::

- prohibit Yahoo from using Google ads (1) on organic search results outside North America and (2) on any third party web sites
- prohibit Google and Yahoo from setting minimum bid or reserve prices
- prohibit Yahoo from using Google ads when Yahoo has a sufficient number of ads of its own to fill the white space surrounding an organic search result on Yahoo’s site.
- require the share of revenue that Yahoo receives from each click be constant, *i.e.*, that the agreement does not reward Yahoo with a higher share of revenue for using more Google ads.

The AAI also found that the publicly available data, including the briefings provided by the Yahoo and Google, do not rebut the concerns that the alliance as proposed is anticompetitive. The paper states, “Such concerns would arise in any case where the top two firms in a highly concentrated market reach an agreement that potentially gives the dominant firm a market share in excess of 90 percent. The parties’ statements of good intent cannot be relied upon to override the economic incentives that may be generated by this agreement to engage in what may turn out to be anticompetitive conduct.”

The white paper is available at [www.antitrustinstitute.org](http://www.antitrustinstitute.org).

About the American Antitrust Institute

The American Antitrust Institute is an independent non-profit education, research and advocacy organization. Since its formation in 1998, the AAI’s mission has been to increase the role of competition, assure that competition works in the interests of consumers, and challenge abuses of concentrated economic power in the American and world economy. To learn more about the AAI, please visit [www.antitrustinstitute.org](http://www.antitrustinstitute.org)

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