

Regulators Scrutinize Microsoft-Yahoo Deal

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The 10-year search-engine deal between Microsoft and Yahoo is under scrutiny. The July 29 deal between the two behemoths is being closely monitored by U.S. antitrust regulators, and both companies are in talks with officials in the European Union.

The U.S. Justice Department last week asked the companies for additional information on the Internet search deal, a source told Reuters. It hasn't been established if the European Union will begin a formal probe into the deal, and it's still unclear whether Microsoft and Yahoo need approval from the European Commission or from regulators in each country in the EU.

Challenging Google

The deal is expected to help Microsoft and Yahoo better compete against Google, the search-market leader.

"As we said when the agreement was announced, we anticipated that this deal will be closely reviewed in the U.S. and EU, and discussions in both geographies continue," Microsoft spokesperson Jack Evans said in an e-mail. "We remain hopeful the deal will close in early 2010."

Microsoft has also said it plans to seek approval in other countries such as Korea, Brazil and Taiwan.

The deal would give Microsoft and Yahoo about 30 percent of the search market, making them attractive to advertisers. The deal, according to Microsoft and Yahoo, will prove that a stronger rival is what Google needs and consumers want.

Google currently has 68 percent of the market in the U.S. and 90 percent in Europe.

The agreement has Microsoft providing the underlying search technology for Yahoo sites. Yahoo will handle sales relationships and receive 88 percent of search-generated ad revenues from its own sites for the first five years, for an estimated annual operating cash flow of \$275 million.

Beneficial To All?

Yahoo said it's confident the agreement will receive regulatory approval in both the EU and the U.S.

"As we indicated at the time of announcement, the agreement is subject to regulatory approval and Yahoo and Microsoft are engaging in discussions with the

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regulators in Europe about the agreement," a Yahoo spokesperson told CNET. "Yahoo and Microsoft are committed to engaging positively with the commission about the agreement and firmly believe that the information we will be providing will confirm that this deal is not only good for both companies, but it is also good for advertisers, good for publishers, and good for consumers."

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