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October 8, 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. William Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: Ex Parte Filing
Docket No. 96-115

Dear Mr. Caton:

The Association of Directory Publishers ("ADP") hereby brings to the Commission's attention the enclosed Complaint of GTE New Media Services Incorporated ("GTE") alleging that five of the BOCs have conspired to unlawfully monopolize the Internet Yellow Pages market. ADP also encloses copies of various news articles discussing GTE's Complaint.

In the Complaint, GTE asserts that Ameritech, BellSouth, Bell Atlantic, SBC Communications, and U S West joined together with Netscape Communications Corp. and Yahoo! Inc. to restrain competition in the Internet Yellow Pages market. Specifically, GTE alleges that the BOCs agreed not to compete with each other with respect to their national Internet Yellow Pages offerings. According to GTE's general counsel, the defendant BOCs "carved up the country into exclusive territories, forced competitors off key locations on the Internet and intend to divide the winnings among themselves." See Jared Sandberg, *GTE Says Baby Bells, Netscape, Yahoo! Formed Internet Yellow Pages Cartel*, Wall St. J., October 7, 1997, at B6.

Noted by [signature] DJZ
10/13/97

Mr. William Caton
October 8, 1997
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While ADP is not presently in a position to gauge the merits of GTE's allegations, ADP's members have provided the Commission with numerous other instances in which the BOCs and other LECs have abused their market power with respect to directory listings. ADP believes that GTE's Complaint underscores the need for the swift release of a Report and Order adopting meaningful, substantive rules in the Subscriber List Information proceeding.

Pursuant to the Commission's rules, two copies of this filing are enclosed.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael F. Finn".

Michael F. Finn

CC: John Nakahata
Dorothy Attwood
Tanya Rutherford
Dave Konuch

Enclosures

GTE Says Baby Bells, Netscape, Yahoo! Formed Internet Yellow Pages Cartel

By JARED SANDBERG

Staff Reporter of THE WALL STREET JOURNAL

GTE Corp. filed suit against five of the regional Bell operating companies as well as Netscape Communications Corp. and Yahoo! Inc. for allegedly "conspiring to restrain and monopolize the Internet Yellow Pages market."

GTE, which runs a national Internet Yellow Pages directory dubbed Superpages, filed suit against Ameritech Corp., BellSouth Corp., Bell Atlantic Corp., SBC Communications Inc., U S West Inc., Yahoo and Netscape yesterday in U.S. District Court in Washington, D.C. The suit alleges that they had banded together as a "cartel" to shut competitors out of the highly trafficked sites operated by Netscape and Yahoo.

The suit alleges that the regional Bell operating companies agreed not to compete with each other with their national Internet Yellow Page offerings but divided the nation by their respective regions. Specifically, Stamford, Conn.-based GTE objects to the depiction of a U.S. map that has been divided up into regions and points users only to the Yellow Page services offered by the Baby Bells.

The suit, which seeks injunctive relief and damages, says GTE and others were on equal footing in listings on Netscape and Yahoo Web sites until regional Bell operating companies conducted a series of phone calls and closed-door meetings throughout the country before July in "a conspiracy to capture, control and dominate the Internet Yellow Pages market." By July, executives from the regional Bells met at the Fairmont Hotel in San Jose, Calif., "to seize and lock up for their exclusive use the Netscape Guide by Yahoo."

Bell Atlantic said it doesn't participate on-line with the other Bells, but competes with them. A spokesman for BellSouth said the suit is "completely without merit." Netscape said it is "confident" it "hasn't violated any law." The other companies named as defendants had no immediate comment.

The suit has been assigned to the very same federal judge, Harold Greene, who was responsible for making sure the Bells didn't engage in the monopolistic practices that led to the break up of its parent company, the old AT&T Corp. GTE executives contend the Bells haven't changed their tune. "They're going back to their exclusive franchise," said William P. Barr, general counsel of GTE.

Mr. Barr said the Bells "couldn't beat us on a level playing field, so they pulled back their own national products, carved up the country into exclusive territories, forced competitors off key locations on the Internet and intend to divide the winnings among themselves."

The potential winnings are enormous. Though Yellow Page ad revenue on the Internet is presently anemic, the Yellow

Pages Publishers Association estimates that by the year 2010, on-line revenue will surpass that of the printed versions, which currently amounts to a whopping \$11.5 billion.

The GTE suit comes at a time when a number of telecommunications companies, including GTE, are arguing that the Bells shouldn't be allowed into the \$70 billion long-distance market. GTE, often referred to as the eighth Bell, has no restriction, and has been moving aggressively to offer one-stop shopping of telecommunications services, sometimes in competition with the other Bells. The suit could add to the controversy about the Bells' business practices and whether they are adhering to the spirit of competition encouraged by last year's sweeping telecommunications legislation.

Antitrust experts said that GTE, which would theoretically benefit from the reduced competition that it alleges, might run into skepticism from the courts. "Any competitor would benefit from less competition," said Joel Chefitz, chairman of the antitrust group at Katten Muchin & Zavis. Mr. Chefitz also noted that there's nothing to prevent GTE from entering into a similar joint venture with other popular Web sites. Yet, if the arrangement deprives consumers of choices, GTE could have a stronger case.

WSJ

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OVER

GTE Sues Netscape and Yahoo Over Internet Yellow Pages Access

By STEVE LOHR

The GTE Corporation filed an anti-trust suit yesterday accusing the five regional Bell telephone companies, as well as two Internet companies, Netscape Communications and Yahoo Inc., with conspiring to limit competition in the emerging market for on-line yellow pages.

In the lawsuit, filed in United States District Court in Washington, GTE contended that the Bell companies pooled their resources and paid handsomely for an exclusive contract to be carried on Netscape's popular home page on the World Wide Web, whose reference section is prepared by Yahoo. Before the exclusive deal, GTE and other suppliers of national on-line yellow pages had been among the choices on Netscape's reference section.

But on July 18, the GTE suit charged, the access to its yellow pages service, GTE Superpages, through Netscape's Internet home

page, was cut off — denying GTE access to one of the most heavily trafficked locations on the Internet.

The dispute over business-telephone listings raised questions about the legal ground rules covering the sale of "real estate" on the Web. The Bell companies, an industry analyst estimated, might have paid as much as \$1 million for the exclusive display of their joint yellow-pages offering, called the Original Yellow Pages.

But William P. Barr, an executive vice president and general counsel of GTE, argued, "These companies formed a group, agreed not to compete, and as a group went to Netscape and Yahoo to gain an exclusive listing in the guide section of Netscape's home page."

The Bell companies' agreement threatens competition, said Mr. Barr, a former United States Attorney General. As a result, the arrangement could increase the cost to businesses of Internet yellow-pages listings and the cost of electronic

NYT

Ameritech Completes Purchases

CHICAGO — Ameritech Corp. completed its acquisition of the security-monitoring assets of Republic Industries Inc. and Rollins Inc. for \$610 million and \$200 million, respectively.

The two previously announced transactions help to seal Ameritech's position as one of the biggest players in the domestic security-monitoring business. Ameritech's security operations are managed by its SecurityLink subsidiary.

Both transactions were cleared by the federal government's Antitrust Division, Ameritech said.

NYT

The five regional Bells are also named in an antitrust case.

commerce that is expected to some day result from the Internet listings, he added.

The regional Bell companies responded that the case was "without merit." Geoff Potter, a spokesman for Ameritech, the Bell that serves several states clustered around the Great Lakes, said, "The notion that any 1, 2 or 10 companies could monopolize the Internet is absurd on its face."

Internet analysts and antitrust experts say GTE may have a difficult time proving its case. Part of GTE's argument is that Netscape's home page is a "critical Internet access point," and that any deal that denies competitors access to it is an unfair restraint of trade.

Software companies, including Netscape, have argued in the past that the Microsoft Corporation's dominance of desktop operating software is a "critical access point" in personal computing. Microsoft rivals have said that their software products, from spreadsheets to Internet browsers, face an unfair obstacle

when competing against similar Microsoft products.

But to date, such antitrust arguments against Microsoft have not progressed very far in Washington or in the courts, though the company remains under investigation.

"If you can't make the claim stick against Microsoft, it is going to be very difficult to prove on the wide open World Wide Web," said Adam Schoenfeld, an analyst for Jupiter Communications, a research firm.

Under antitrust law, the Bell companies' arrangement could well qualify as a legitimate joint venture, assembling complementary regional listings, according to Charles F. Rule, a partner at Covington & Burling, a Washington law firm. "And the fact that the Bell group may be able to pay more than GTE is not in and of itself anticompetitive," said Mr. Rule, a former chief of the Justice Department's antitrust division.

A spokesman for another of the regional phone-service providers, Bell Atlantic, said that contrary to GTE's accusation that it sought to eliminate competition, it continued to compete with the other Bell companies in the market for Internet yellow pages with a stand-alone national directory.

Netscape could not be reached for comment yesterday. A spokesman for Yahoo also said last night that the suit was without merit.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

GTE NEW MEDIA SERVICES
INCORPORATED,
GTE Place
2200 West Airfield Drive
P.O. Box 619810
DFW Airport, Texas 75261-9810,

Plaintiff,

v.

AMERITECH CORPORATION; AMERITECH
PUBLISHING, INC.; AMERITECH
INTERACTIVE MEDIA, INC.; AMERITECH
INTERACTIVE MEDIA SERVICES, INC.;
BELLSOUTH CORPORATION; BELLSOUTH
ENTERPRISES, INC.; BELLSOUTH
ADVERTISING AND PUBLISHING
CORPORATION; INTELLIGENT MEDIA
VENTURES, INC.; BELL ATLANTIC
CORPORATION; BELL ATLANTIC
ELECTRONIC COMMERCE SERVICES, INC.;
SBC COMMUNICATIONS, INC.; PACIFIC
TELESIS GROUP; PACIFIC BELL
INTERACTIVE MEDIA; US WEST, INC.; US
WEST MEDIA GROUP, INC.; US WEST DEX,
INC.; NETSCAPE COMMUNICATIONS
CORPORATION; and YAHOO!, INC.,

Defendants.

CIVIL ACTION NO. 197CV-02314

Antitrust Action for Preliminary and
Permanent Injunctions and Damages

Jury Trial Demanded

COMPLAINT

Plaintiff GTE New Media Services Incorporated ("GTE New Media") brings this antitrust action for preliminary and permanent injunctive relief and damages against defendants Ameritech Corporation; Ameritech Publishing, Inc.; Ameritech Interactive Media, Inc.; Ameritech Interactive Media Services, Inc.; Bell South Corporation; Bell South Enterprises, Inc.; BellSouth Advertising and Publishing Corporation; Intelligent Media Ventures, Inc.; Bell Atlantic Corporation; Bell Atlantic Electronic Commerce Services, Inc.; SBC Communications, Inc.; Pacific Telesis Group; Pacific Bell Interactive

Media: US West, Inc.; US West Media Group; US West Dex, Inc. (collectively, all of the above defendants are referred to herein as the "Regional Bell Operating Companies" or "RBOCs"); Netscape Communications Corporation ("Netscape") and Yahoo!, Inc. ("Yahoo!"); and complains and alleges as follows:

SUMMARY OF CLAIMS

1. Plaintiff GTE New Media, a publisher and provider of an Internet Yellow Pages service, seeks preliminary and permanent injunctive relief and treble damages for defendants' illegal combination and conspiracy which seeks to restrain unreasonably trade in and monopolize the Internet Yellow Pages market. Through a series of collusive anticompetitive acts, including but not limited to, territorial market division, exclusive dealing, concerted refusals to deal, the elimination of the availability of essential facilities to competitors, and other predatory conduct, defendants are seeking to reconstitute a unified national cartel of RBOCs ("Defendants' Cartel") whose purpose and goal is to reduce competition and dominate and monopolize the Internet Yellow Pages market.

2. Defendants' Cartel is comprised of five RBOCs, whose collective 1996 sales revenues exceeded \$99 billion, and Netscape and Yahoo!, two Internet service providers which possess dominant shares of the Internet browser and search engine markets, respectively, and control essential points of access to the Internet. Over the last several months, representatives from the defendant companies and others have met in multiple locations across the United States to discuss, agree upon and implement the conspiracy. At these meetings, the participants negotiated contracts and reached agreements to restrain trade in, and monopolize, the Internet Yellow Pages market.

3. The anticompetitive effects of defendants' collusion include, without limitation, the restraint of competition in and elimination of competitors from the Internet Yellow Pages market, the boycott and exclusion of non-RBOC competitors, including plaintiff, from essential Internet access points, the willful acquisition of a joint monopoly, and the creation of barriers to market access and entry. The public will never receive the benefits of full and fair competition unless Defendants' Cartel is eliminated and its actions enjoined.

JURISDICTION AND VENUE

4. This complaint is filed and this action is instituted under Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26, to enjoin defendants from continuing to violate Sections 1 and 2 of the Sherman Act, 15 U.S.C. §§ 1 and 2, and to recover treble damages for injuries to plaintiff's business and property directly and proximately caused by defendants' violations of such statutes. This action also arises under the antitrust, unfair competition and common laws of the several states, including D.C. Code § 28-4501 to 28-4518, and the Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202. Jurisdiction of this Court is proper under 15 U.S.C. §§ 15 and 26, 28 U.S.C. §§ 1331, 1337, and 1367, and the doctrines of pendent, ancillary, and supplemental jurisdiction.

5. Each of the defendants is engaged in interstate commerce and the improper acts of defendants described herein are conducted in, affect, and have restrained a substantial amount of trade and commerce between and among the various states of the United States and the District of Columbia. Internet users and businesses purchasing Internet Yellow Pages advertisements exist in all 50 states and the District of

Columbia. Netscape's and Yahoo!'s Internet products are available throughout the United States and in the District of Columbia. The unlawful acts of defendants described herein have artificially restricted the supply and/or limited the availability of and access to competing Internet Yellow Pages throughout the United States and in the District of Columbia. Unless enjoined, defendants' conduct will continue to restrain competition, raise barriers to entry, and increase prices throughout the United States and in the District of Columbia.

6. Each defendant resides, has an agent, conducts or transacts business, or is otherwise found in this District. Certain of the unlawful acts alleged herein were performed or had effects within this District. Users of Internet Yellow Pages and purchasers of Internet Yellow Pages advertising reside in this District and plaintiff's SuperPages® and defendants' Internet Yellow Pages services are accessible in this District. Venue and personal jurisdiction are proper in this District pursuant to 15 U.S.C. §§ 15 and 22, 28 U.S.C. § 1391, and 13 D.C. Code § 423(a).

THE PARTIES

7. Plaintiff GTE New Media Services Incorporated ("GTE New Media") is a Delaware corporation with its principal place of business at GTE Place, 2200 West Airfield Drive, DFW Airport, Texas. Plaintiff owns and operates an interactive, nationwide Yellow Pages service (commonly referred to as the "SuperPages® service"), published on an Internet website located at URL ("Universal Resource Locator") address "<http://superpages.gte.net>" (hereinafter referred to as "Plaintiff's Home Page"), and related sites, each of which is sometimes hereinafter individually referred

to as a "page." This interactive service is a form of Internet Yellow Pages, which provide listings of business information and advertisements over the Internet.

8. Defendant Ameritech Corporation ("Ameritech") is a Delaware corporation with its principal place of business at 30 South Wacker Drive, Chicago, Illinois. Ameritech is one of the RBOCs formed in connection with the court-approved divestiture of certain assets of AT&T Corporation ("AT&T"), formerly American Telephone and Telegraph Company, effective January 1, 1984. In 1996, Ameritech reported revenues of \$14.9 billion and had over 66,000 employees. Ameritech provides telecommunications services to customers in Illinois, Indiana, Michigan, Ohio and Wisconsin. Ameritech provides directory advertising and electronic services in these five states through its subsidiary Ameritech Publishing, Inc. (a/k/a Ameritech Advertising Services), which publishes White and Yellow Pages print phone books and operates a nationwide Internet Yellow Pages service. Upon information and belief, Ameritech controls the acts and decisions of its operating divisions, subsidiaries and affiliates through which Ameritech provides Internet Yellow Pages Services.

9. Defendant Ameritech Publishing, Inc. (a/k/a Ameritech Advertising Services) ("Advertising Services") is a Delaware corporation with its principal place of business at 100 E. Big Beaver, Troy, Michigan. Advertising Services is a subsidiary of defendant Ameritech. Advertising Services provides Internet Yellow Pages services through a wholly-owned subsidiary, Ameritech Interactive Media, Inc. Upon information and belief, Advertising Services controls the acts and decisions of its operating divisions, subsidiaries and affiliates through which it provides Internet Yellow Pages services.

10. Defendant Ameritech Interactive Media Services, Inc. ("AIMS") is a Delaware corporation with its principal place of business at 100 E. Big Beaver, Troy, Michigan. AIMS, a subsidiary of Advertising Services, offers Ameritech's Internet access service. AIMS and its affiliate Ameritech Interactive Media, Inc. ("AIM") market Ameritech's nationwide Internet Yellow Pages services and are in direct competition with plaintiff in the Internet Yellow Pages market.

11. Defendant Ameritech Interactive Media, Inc. is a Delaware corporation with its principal place of business at 100 E. Big Beaver, Troy, Michigan. AIM is a subsidiary of Advertising Services. AIM provides Ameritech's nationwide Internet Yellow Pages services and is in direct competition with plaintiff in the Internet Yellow Pages market.

12. Defendant BellSouth Corporation ("BellSouth") is a Georgia corporation with its principal place of business at 1155 Peachtree Street, N.E., Atlanta, Georgia. BellSouth is one of the RBOCs formed in connection with the court-approved divestiture of certain assets of AT&T effective January 1, 1984. In 1996, BellSouth reported revenues of \$19 billion and had over 81,000 employees. BellSouth provides telecommunications services, systems and products primarily through two wholly-owned subsidiaries, BellSouth Telecommunications, Inc. ("BellSouth Telecommunications") and BellSouth Enterprises, Inc. ("BellSouth Enterprises"). BellSouth Telecommunications provides telecommunications services to approximately two-thirds of the population and one-half of the territory within Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee. BellSouth's other businesses (predominantly wireless and international

communications services and advertising and publishing products, including Internet Yellow Pages) are conducted primarily through subsidiaries of BellSouth Enterprises. Upon information and belief, BellSouth controls the acts and decisions of its operating divisions, subsidiaries and affiliates through which BellSouth provides Internet Yellow Pages services.

13. Defendant BellSouth Enterprises, Inc. is a Georgia corporation with its principal place of business at 1155 Peachtree Street, Atlanta, Georgia. BellSouth Enterprises publishes, prints and sells advertising for White and Yellow Pages directories in its marketing area through its subsidiary BellSouth Advertising and Publishing Corporation ("BAPCO"). BellSouth Enterprises markets Internet Yellow Pages through its subsidiaries BAPCO and Intelligent Media Ventures, Inc. ("IntelliVentures"). Upon information and belief, BAPCO controls the acts and decisions of its operating divisions, subsidiaries and affiliates through which it provides Internet Yellow Pages services.

14. Defendant BellSouth Advertising and Publishing Corporation ("BAPCO") is a Georgia corporation with its principal place of business at 59 Executive Park Drive South, N.E., Atlanta, Georgia. BAPCO, a subsidiary of defendant Bell South Enterprises, publishes, prints and sells advertising in BellSouth's Yellow Pages directories known as "The Real Yellow Pages®." BAPCO and its affiliate IntelliVentures market an Internet Yellow Pages service (known as "The Real Yellow Pages® ONLINE").

15. Defendant Intelligent Media Ventures, Inc. (a/k/a BellSouth IntelliVentures)("IntelliVentures") is a Georgia corporation with its principal place of

business at 59 Executive Park Drive South, N.W., Atlanta, Georgia. Along with its affiliate, BAPCO, IntelliVentures markets BellSouth's The Real Yellow Pages® ONLINE, and is in direct competition with plaintiff in the Internet Yellow Pages market.

16. Defendant Bell Atlantic Corporation ("Bell Atlantic") is a Delaware corporation with its principal place of business at 1095 Avenue of the Americas, New York, New York. The present Bell Atlantic is the result of a recent acquisition by Bell Atlantic Corporation of NYNEX Corporation ("NYNEX"). Bell Atlantic and NYNEX are two of the RBOCs formed in connection with the court-approved divestiture of certain assets of AT&T effective January 1, 1984. NYNEX is now a subsidiary of Bell Atlantic. The acquisition created a company with combined 1996 revenues of \$29.2 billion and over 141,000 employees. Bell Atlantic now provides telecommunications services in Virginia, West Virginia, Maryland, Delaware, New Jersey, Pennsylvania, New York, the District of Columbia, Massachusetts, Maine, New Hampshire, Rhode Island, Vermont, and a small portion of Connecticut. Bell Atlantic companies provide White and Yellow Pages print phone books and Internet Yellow Pages services for these regions. Bell Atlantic is presently integrating its Internet Yellow Pages with NYNEX's Internet Yellow Pages (formerly known as NYNEX's "Big Yellow," now known as "Bell Atlantic's Big Yellow" or simply "Big Yellow"). Prior to the acquisition, NYNEX marketed Big Yellow through its subsidiary, NYNEX Information Technologies Company. Bell Atlantic presently markets Big Yellow through its subsidiary Bell Atlantic Electronic Commerce Services, Inc. Upon information and belief, Bell Atlantic controls the acts and decisions of its operating divisions, subsidiaries and affiliates through which it provides Internet Yellow Pages Services. As a result of its acquisition

of NYNEX, Bell Atlantic assumed the liabilities of NYNEX arising out of its participation in the defendants' conspiracy.

17. Defendant Bell Atlantic Electronic Commerce Services, Inc. ("Electronic Commerce Services") is a Delaware corporation with its principal place of business located at 35 Village Road, Middleton, Massachusetts. Electronic Commerce Services markets Bell Atlantic's Big Yellow Internet Yellow Pages service and is in direct competition with plaintiff in the Internet Yellow Pages market.

18. Defendant SBC Communications, Inc. ("SBC") is a Delaware corporation with its principal place of business at 175 E. Houston, San Antonio, Texas. The present SBC is the result of a recent acquisition by SBC Communications, Inc. of Pacific Telesis Group ("Pacific Telesis"). SBC and Pacific Telesis are two of the RBOCs formed in connection with the court approved divestiture of certain assets of AT&T effective January 1, 1984. The acquisition created a company with combined 1996 revenues of \$23.5 billion and over 110,000 employees. SBC now provides telecommunications services, directory advertising and other services to customers in Arkansas, Kansas, Missouri, Oklahoma and Texas through its wholly-owned subsidiary Southwestern Bell Corp., and in California and Nevada through its wholly-owned subsidiary Pacific Telesis. SBC markets Internet Yellow Pages services (commonly referred to as "At Hand") through Pacific Bell Interactive Media, a subsidiary of Pacific Telesis. Upon information and belief, SBC controls the acts and decisions of its operating divisions, subsidiaries and affiliates through which it provides Internet Yellow Pages Services.

19. Defendant Pacific Telesis Group ("Pacific Telesis") is a Nevada corporation with its principal place of business at 130 Kearney Street, San Francisco,

California. Pacific Telesis, a wholly-owned subsidiary of defendant SBC, is a holding company that provides telecommunications services in California and Nevada, through its subsidiaries Pacific Bell Company ("PacificBell" or "Pac Bell") and Nevada Bell Company ("Nevada Bell"). Pacific Telesis markets Internet Yellow Pages Services through another subsidiary, Pacific Bell Interactive Media. Upon information and belief, Pacific Telesis controls the acts and decisions of its operating divisions, subsidiaries and affiliates through which it provides Internet Yellow Pages Services.

20. Defendant Pacific Bell Interactive Media ("PBIM") is a California corporation with its principal place of business at 130 Kearney Street, San Francisco, California. PBIM is a wholly-owned subsidiary of Pacific Telesis. PBIM operates the At Hand Internet Yellow Pages, provides Internet Yellow Pages services, and is in direct competition with plaintiff in the Internet Yellow Pages market.

21. Defendant US West, Inc. ("US West") is a Delaware corporation with its principal place of business at 7800 East Orchard Road, Englewood, Colorado. US West is one of the RBOCs formed in connection with the court-appointed divestiture of certain assets of AT&T effective January 1, 1984. In 1996, US West reported 1996 revenues of \$12.9 billion and had approximately 50,000 employees. US West conducts its operations through US West Communications Group, Inc. ("Communications Group") and US West Media Group, Inc. ("Media Group"). The major component of the Communications Group is US West Communications, Inc., which provides telecommunications services to customers in the states of Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming. The Media Group is comprised of several

companies, including US West Dex, Inc. ("US West Dex"), which publishes White and Yellow Pages telephone directories and provides nationwide Internet Yellow Pages services. Upon information and belief, US West controls the acts and decisions of its operating divisions, subsidiaries and affiliates through which it provides Internet Yellow Pages services.

22. Defendant US West Media Group, Inc. is a Delaware corporation with its principal place of business at 7800 East Orchard Road, Englewood, Colorado. The Media Group is a subsidiary of defendant US West. The Media Group markets Internet Yellow Pages services through its subsidiary US West Dex. Upon information and belief, the Media Group controls the acts and decisions of its operating divisions, subsidiaries and affiliates through which it provides Internet Yellow Pages services.

23. Defendant US West Dex, Inc. is a Colorado corporation with its principal place of business at 198 Inverness Drive West, Englewood, Colorado. US West Dex is currently a subsidiary of defendant Media Group; however, US West has announced that US West Dex soon will be moved from the Media Group to the Communications Group. US West Dex publishes, prints and sells advertising in White and Yellow Pages telephone directories in the states served by the Communications Group and markets an Internet Yellow Pages service regionally and nationally. US West Dex is in direct competition with plaintiff in the Internet Yellow Pages market.

24. Defendant Netscape Communications Corporation "(Netscape") is a Delaware corporation with its principal place of business at 501 East Middlefield Road, Mountain View, California. Netscape is the dominant provider of software for linking people and information over the Internet. Netscape owns and licenses the proprietary

software under the names "Netscape Navigator" and "Netscape Communicator," which are used by certain Internet service providers and their subscribers to access and "browse" information and participate in commerce on the Internet. Given its functionality, Netscape's software is commonly referred to in the industry as a "browser," and is sometimes herein referred to as "Netscape's browser." Netscape also owns and operates an Internet website located at URL address "http://home.netscape.com" (hereinafter referred to as "Netscape's Home Page"), and related sites (hereinafter sometimes collectively referred to as "Netscape's Website").

25. Defendant Yahoo! Inc. ("Yahoo!") is a California corporation with its principal place of business at 3400 Central Expressway, Suite 201, Santa Clara, California. Yahoo! offers a family of branded on-line media properties that are among the most widely-used sources of information on the World Wide Web. Yahoo! provides content-based guides to on-line information, aggregated third-party content, and Internet search capabilities. Given its functionality as a provider of Internet search capabilities, Yahoo! is commonly referred to in the industry as a "search engine" or a "navigational guide." Internet users employ search engines, such as Yahoo!, to request the location of data on the Internet. On information and belief, Yahoo! was one of the first major on-line navigational guides to the Internet and remains one of the top-rated search engines in terms of traffic, advertisements, and household reach. It is employed by a substantial percentage of Internet users and is the most popular "default" search engine, immediately appearing on the user's computer terminal when a browser is accessed. Its users have, at times, accounted for more than 30 million page hits per day. Yahoo! also owns and operates an Internet website located at URL address

"http://www.yahoo.com" and related sites. Yahoo! has provided a national Internet yellow pages, Yahoo! Yellow Pages, on its website. Yahoo! Yellow Pages are in direct competition with plaintiff and the RBOC defendants in the Internet Yellow Pages market.

UNNAMED CO-CONSPIRATORS

26. Upon information and belief, other persons, firms, corporations, and entities not named as defendants in this Complaint, including Four11, WhoWhere, and others unknown at this time, also participated as co-conspirators in the defendants' violations. Defendants' violations of the antitrust laws were conceived, implemented, and carried out, in part, by these co-conspirators. Certain acts and statements undertaken by these unnamed co-conspirators in furtherance of defendants' illegal conspiracy are acts and statements for which defendants are jointly and severally liable.

NATURE OF THE CONTROVERSY

The Internet

27. The Internet is a rapidly growing, global interconnection of computers and computer networks. The Internet includes computers that store information, computers used to access information, and computers that route data and send messages, all connected using high speed data communication links.

28. A user normally accesses the Internet through a modem attached to his or her computer and a telephone line connection between the user's computer and a computer operated by an Internet service provider. The Internet service provider's computer acts as a gateway to the Internet, receiving messages, commands and data from the user's computer and forwarding them to a target destination on the Internet. Similarly, the Internet service provider's computer receives and recognizes information

from other computers connected to the Internet that is intended for the user and routes that information to the user's computer over the telephone line and modem connection.

29. Each computer, and each page of information stored on each computer, may be assigned a unique address so that it can be located and identified. The information stored in computers connected to the Internet is commonly in the form of documents or "pages" of text or graphics that are stored digitally. These documents are commonly referred to as "web pages." A group of web pages stored together, and cross referencing each other, are collectively referred to as a "website." The interlinked and interconnected websites on the Internet are collectively referred to as the "World Wide Web."

30. To search for, find, retrieve and display documents located at sites participating in the World Wide Web, a user will use a computer program running on his or her personal computer called a "web browser." A web browser is a mechanism which retrieves, decodes, and presents encoded data to the user. Such data may consist of text, hyperlinks, or other buttons, pictures, or icons in more complex graphical implementations. Typically, the web browser's home page will include a tool bar button or icon labeled "search." When selected, this button or icon connects the browser to a predetermined web page that provides access to one or more "search engines." The search engines allow the user to make a textual entry, normally an identifying word or address, and then command the program to search the World Wide Web to obtain the requested information. The results of the search are then displayed, typically by a listing of websites or pages that are responsive to the request.

31. Web pages are written in a format known as "Hypertext Markup Language" or "HTML." This format allows an author to embed commands known as "hyperlinks" in the documents. When a page is presented on the user's computer screen, the hyperlink typically appears as either colored text in simpler documents or as buttons or icons in more complex graphical presentations. These hyperlinks appearing on the face of the page are programmed with instructions that, when activated by the user "clicking" on the hyperlink, direct the computer to immediately and automatically search for, find, retrieve, and display another specific, predetermined page located at another site on the Internet.

32. The most sophisticated browser programs, including the Navigator and Communicator systems designed and distributed by defendant Netscape, also include built-in buttons or icons displayed on the border of the window that are always visible to the user as he or she browses the information on the World Wide Web, regardless of which websites are accessed and displayed. These omnipresent buttons are commonly referred to as the browser's "toolbar." In the context of a web browser, the toolbar buttons are presented for the convenience of the user and are typically associated with hyperlinks to web pages that contain information frequently used by the public, for example, sports, news, stock quotes or commonly-used references and directories, such as yellow pages. A user typically has no control over the web pages or sites accessed by the built-in buttons or icons presented via the toolbar of his or her browser software; the proprietor or publisher of the browser program predetermines the pages accessed by these hyperlinks. To facilitate a user's return to preferred web sites, browsers typically provide a "Bookmark" feature which enables the user to immediately record

and store web page addresses of preferred sites. The browser software provides a way that the user can, at a later time, review a list of bookmarks, select one with the click of a mouse, and immediately connect to the preferred site.

33. Individual web pages, such as Netscape's Home Page, also include links that direct users to other facilities on the World Wide Web. A user typically has no control over the sites accessed by the built-in hyperlinks presented on a web page; again, the proprietor or publisher of the web page determines these links. By "clicking" on the various buttons on the web page, a user is linked to the website predetermined by the particular button. In many cases, a website will contain links to other websites and sources of information. During the process of searching and navigating the Internet, users will routinely identify particular web sites or pages of ongoing interest which the user may wish to return to on a recurring basis. Reference information and directories are examples of such sites.

34. Netscape owns and licenses the proprietary software for the browsers "Netscape Navigator" and "Netscape Communicator." Netscape also owns and operates an Internet website, located at "http://home.netscape.com" and related sites. When a user starts the Navigator or Communicator program, the "default" settings of these programs immediately cause the browser to connect to and retrieve information from Netscape's Website, which presents the user with a window displaying text, hyperlink buttons, and graphics.

35. Netscape Navigator and Communicator are the dominant Internet browsers in the United States. Published information indicates that more computer users access the services on the Internet through various versions of Netscape

Navigator and Communicator than through all other browsers combined. For this reason, companies seeking to provide competitive products and services over the Internet must be readily-accessible using Netscape's browser. Correspondingly, to the extent that any enterprise obtains preferential treatment on Netscape's browser through the toolbar or Home Page, while foreclosing competitors from such treatment, that enterprise could dominate the market to the detriment of its competition.

36. Yahoo! is an Internet media company that offers a network of globally-branded properties, specialty programming, search capabilities and aggregated content which it distributes on the web to businesses and consumers. Yahoo!, one of the first major on-line navigational guides to the web, remains one of the largest guides in terms of traffic, advertising, and household reach. It is one of the most recognized brands associated with the Internet. Yahoo! collects and disseminates information for web users and guides users to particular websites for information and content. Because of its high brand value and wide use, Yahoo! can control and guide a significant percentage of web users to particular websites. In this connection, users searching the web via Yahoo! are not presented with all possible relevant websites. Rather, Yahoo! guides its users to specific websites that Yahoo! selects.

Internet Yellow Pages

37. Internet Yellow Pages are a newly emerging market with unique characteristics. Generally, paper Yellow Pages are available to consumers only for a defined, narrow geographic region, such as a metropolitan or county-wide area. There is no comprehensive national paper Yellow Pages product. It would be impractical to offer such a product, since consumers do not have the ability to store the hundreds of

volumes of paper Yellow Pages that would be necessary to cover the entire country's business listings. In contrast, Internet Yellow Pages are available to consumers across the United States via their personal computers and permit access to information about sellers of goods and services from all over the United States. Because the information in Internet Yellow Pages is stored electronically, there are no paper, distribution, and storage costs, and the information can be accessed, at no additional cost, by users located anywhere in the United States in categories determined by the user with key word searches for businesses that meet particular criteria. Internet Yellow Pages may provide colorful graphics, sound, and animation in addition to traditional textual information. Internet Yellow Pages, unlike print yellow pages, can be updated promptly allowing advertisers to ensure that their submissions are current, and allowing new businesses to be included at any time. Internet Yellow Pages also allow advertisers to reach users across the country, and have a much broader potential audience than print yellow pages. Internet Yellow Pages are a form of electronic publishing under the 1996 Telecommunications Act.

38. Internet Yellow Pages also allow consumers to hyperlink from a published listing or advertisement directly to a particular business' website. Once the consumer is linked to the website, he or she may have the ability to obtain additional information or purchase goods or services directly from that business over the Internet. This type of commercial transaction is known as "electronic commerce." Certain providers of Internet Yellow Pages services are currently providing such links to on-line shopping, and other providers of Internet Yellow Pages services are reported to have plans to provide such on-line shopping services in the future.

39. GTE New Media's revenues from its SuperPages® service, and the revenues of other Internet Yellow Pages providers, are obtained from the sale of Internet advertisements and related services to businesses. The ability of a provider of Internet Yellow Pages to sell advertising, and the rates it can charge, depends on the number of Internet users who view the website on which the advertising appears or to which it is linked. Regardless of the quality of an Internet Yellow Pages service, if consumers do not access it, advertisers will not pay to advertise on it.

The Netscape/GTE Contract

40. Effective October 16, 1996, GTE New Media and Netscape entered into an agreement pursuant to which Netscape agreed to place certain information provided by GTE New Media on Netscape's Website, including GTE New Media's logo and electronic routing mechanisms known as "hyperlink buttons" or "buttons" used to direct users to Plaintiff's SuperPages® service. Pursuant to this contract, defendant Netscape placed information provided by plaintiff on Netscape's Website, on sites or pages accessible by selecting the "NetSearch" and "Guide to the Internet" buttons on Netscape's Home Page (or alternatively, by selecting the "NetSearch" and "Destinations" buttons on the Netscape Navigator toolbar or the "Search" and "Guide" buttons on the Netscape Communicator toolbar), and then further selecting the "Yellow Pages" button on the resulting pages. Plaintiff's contract was non-exclusive. Thus, in addition to providing users with this link to plaintiff's SuperPages® service, Netscape provided the same access to several other competing Internet Yellow Pages providers, including one or more of the RBOC defendants. Users clicking on the appropriate

buttons would see a list of several yellow pages providers and would have the option of selecting the particular yellow pages provider of their choice.

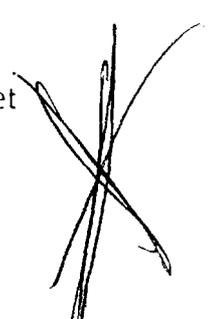
41. After expiration of the Netscape/GTE New Media contract on March 31, 1997, plaintiff and Netscape entered into a new contract with the understanding that the same services and method of exposure plaintiff's SuperPages® received under the first contract would continue. The term of the second contract commenced May 1, 1997, and will expire on April 10, 1998.

42. Prior to the creation of the defendants' cartel described herein, GTE's SuperPages® service competed with a number of Internet Yellow Pages providers including, individually, each of the defendant RBOCs and Yahoo!, which also provided its own Yahoo! Yellow Pages. Providers willing to pay Netscape were given fair and reasonable access to Netscape's website on an equal basis.

The RBOCs' and Yahoo!'s Yellow Pages

43. The RBOCs formed the local exchange and telephone directories portions of AT&T's Bell System before that System was broken up as a result of the federal government's antitrust enforcement action. The RBOCs provide, among other things, local telephone service to their customers in various regional geographic markets throughout the United States.

44. In addition, the RBOCs, either individually, and/or through subsidiaries, publish and provide print "Yellow Pages" to their customers in their respective marketing areas. Each RBOC has, in various geographical areas, a significant market share in print yellow pages exceeding, in some areas, 70%. Print yellow pages have historically produced large revenues and profits for the RBOCs. This revenue is



derived from businesses which purchase advertising in the RBOCs' yellow pages directories.

45. Prior to the creation of the defendants' cartel described below, the RBOC defendants and Yahoo! competed with each other in the Internet Yellow Pages market. Defendants Ameritech, Bell Atlantic (through the recently-acquired NYNEX), SBC (through Pacific Bell), US West, and Yahoo! independently offered nationwide Internet Yellow Pages services from which users could access business listings in all fifty states and the District of Columbia. Bell South provided only a regional Internet Yellow Pages product. Each RBOC defendant and Yahoo! possesses the capital resources and business acumen to compete on a nationwide basis.

**DEFENDANTS' CONCERTED CONDUCT TO RESTRAIN
AND EXCLUDE COMPETITION AND DOMINATE
THE INTERNET YELLOW PAGES MARKET**

46. The defendants have engaged in a conspiracy, contract, and combination to divide the national Internet Yellow Pages market among the RBOCs, to forego competition against each other, to lock up essential Internet access facilities for their exclusive use, and to restrict and eliminate competition from non-conspiring Internet Yellow Pages suppliers. All of the conduct described herein is conduct that excludes or restricts competition and is not supported by any valid business reasons.

The Meetings And Agreements

47. Beginning sometime prior to July 1997, the RBOC defendants entered into a conspiracy to capture, control, and dominate the Internet Yellow Pages market. Representatives of defendant RBOCs met to plan and implement their conspiracy in numerous locations across the country. These meetings occurred in at least the following places: Denver, Colorado; Troy, Michigan; Atlanta, Georgia; San Francisco,