



2 August 2007

Sheridan Scott, Commissioner of Competition  
Competition Bureau  
50 Victoria Street  
Gatineau, Quebec  
K1A 0C9

Dear Commissioner Scott:

**Re: Section 9 Application for an Inquiry into the Proposed Merger of Google, Inc. and  
DoubleClick Inc.**

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This is an application to the Competition Bureau pursuant to s. 9 of the *Competition Act*, for an inquiry in respect of the proposed merger of Google, Inc. ("Google") and DoubleClick Inc. ("DoubleClick"), on the grounds that it is likely to prevent or lessen competition substantially in the targeted online advertising industry.

**SUMMARY**

On April 13, 2007, Google announced an agreement to acquire DoubleClick for US\$3.1B. Google operates the largest and most popular online search engine in the world. DoubleClick is the leading provider of internet-based targeted display advertising in the world.

Google dominates the market for online text-based search advertising and DoubleClick dominates the market for online display advertising. Recent estimates place Google's share of the online search market at 62.7%<sup>1</sup> and DoubleClick's share of the online advertising market between 75 and 80 percent.<sup>2</sup> Text-based search advertising and display advertising are the two leading platforms to deliver targeted online advertising. Targeted online advertising has been described as "the market of using technology to monetize the intermediation of the three core

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<sup>1</sup> John Letzing, "Google expected to post double-digit profit, sales gain" *MarketWatch from DowJones* (12 July 2007), online: <<http://www.marketwatch.com/news/story/google-expected-post-double-digit-profit/story.aspx?guid=%7B80F49FF9-C863-40C6-AFF8-ED833035C252%7D>>. We have not been able to find any numbers on Google's market position in text-based advertising but, because of the nature of the technology, it should be comparable to their search engine position.

<sup>2</sup> Abigail Roberts and Paulina Roguska, "Google-DoubleClick: FTC takes on deal; client switching could address anti-trust concerns – analysis" *Financial Times* (29 May 2007), online: <[http://www.ft.com/cms/s/a6e96666-0df3-11dc-8219-000b5df10621,dwp\\_uuid=e8477cc4-c820-11db-b0dc-000b5df10621.html](http://www.ft.com/cms/s/a6e96666-0df3-11dc-8219-000b5df10621,dwp_uuid=e8477cc4-c820-11db-b0dc-000b5df10621.html)>.

online advertising constituencies: users, advertisers, and content providers, and also the leading business model for providing access to internet content.”<sup>3</sup>

A merger between Google and DoubleClick will, in our submission, prevent or substantially lessen competition in these markets by allowing the merged company to combine Google’s keyword search dominance with DoubleClick’s leadership in display advertisement serving and behavioural targeting advertisement products. This combination of capabilities would, in our submission, give Google-DoubleClick clear dominance on the overall market for advertisements provided to third-party websites.

The Google-DoubleClick merger will lessen competition substantially in the online advertising industry by enabling Google to dominate online ad-serving to websites and the model for monetizing access to internet content. The merger is likely to lessen competition by providing Google-DoubleClick with the opportunity to manipulate the targeted online advertising market to raise prices. The merger lessens competition substantially by creating barriers to market entry and removing vigorous and effective competition by Yahoo! and Microsoft. Finally, buyers will not have the ability to counter Google-DoubleClick’s market power as web publishers and advertisers will have not choice but to use Google-DoubleClick’s ad-serving platform to be visible in the e-commerce market.

Targeted online advertising is an international business practice that takes place on a borderless internet. Google and DoubleClick are headquartered in the United States, but their target audience is international and their services compete in the Canadian marketplace. There is little information available to give the full picture of Google’s dominance in the Canadian market. Where we have found information specific to Canada, we have used it in this complaint. Trends and statistics about Google and DoubleClick that are found in the American market can be extended to the Canadian market, as the internet user is Google-DoubleClick’s targeted consumer, regardless of the jurisdiction in which he or she surfs the internet.

In May of this year, the FTC began an investigation into the merger, and House and Senate subcommittee hearings have now been called to examine the deal.<sup>4</sup> The Electronic Privacy Information Center, Center for Digital Democracy, and U.S. Public Interest Research Group filed a joint complaint to the Federal Trade Commission in April, seeking an investigation into the Google-DoubleClick merger on competition grounds and privacy concerns. The European Consumers’ Organization, BEUC, subsequently asked the European Commission to conduct a merger review on similar privacy and competition complaints. We enclose the complaints of our American and European counterparts for your consideration.

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<sup>3</sup> Scott Cleland, “Googleopoly: The Google-DoubleClick Anti-Competitive Case” (17 July 2007), online: <<http://googleopoly.net/>>.

<sup>4</sup> Abbey Klaassen, “Google-DoubleClick tie-up faces Congress” *New York Business.com* (17 July 2007), online: <<http://www.newyorkbusiness.com/apps/pbcs.dll/article?AID=/20070717/FREE/70717010/1064>>, Miguel Helft, “Congress to Examine Google-DoubleClick Deal” *New York Times* (19 July 2007), online: <<http://www.nytimes.com/2007/07/19/technology/19google.html?ex=1185508800&en=55d2de0d16908e09&ei=5070&emc=eta1>>.

## I BASIS FOR SUBMISSION

We submit this complaint to the Competition Bureau pursuant to section 9 of the *Competition Act*, R.S.C. 1985, c. C-34 (as amended) (the “*Competition Act*”). The names and addresses of the six applicants are:

<u>Name</u>	<u>Address</u>
1. Philippa Lawson	Canadian Internet Policy and Public Interest Clinic (CIPPIC) Faculty of Law, University of Ottawa 57 Louis Pasteur St Ottawa, Ontario K1N 6N5
2. David Fewer	Canadian Internet Policy and Public Interest Clinic (CIPPIC) Faculty of Law, University of Ottawa 57 Louis Pasteur St Ottawa, Ontario K1N 6N5
3. Janet Lo	Canadian Internet Policy and Public Interest Clinic (CIPPIC) Faculty of Law, University of Ottawa 57 Louis Pasteur St Ottawa, Ontario K1N 6N5
4. Candice Skelton	Canadian Internet Policy and Public Interest Clinic (CIPPIC) Faculty of Law, University of Ottawa 57 Louis Pasteur St Ottawa, Ontario K1N 6N5
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6. Philippe Shink	Canadian Internet Policy and Public Interest Clinic (CIPPIC) Faculty of Law, University of Ottawa 57 Louis Pasteur St Ottawa, Ontario K1N 6N5

The six applicants are of the opinion that grounds exist for the making of an order under Part VIII and accordingly request that the Commissioner establish an inquiry into the matters detailed in this letter.

The applicants nominate as their representative for the purposes of all communication between the Bureau and the applicants in this application Philippa Lawson, one of the applicants and Director of CIPPIC.

## II PARTIES

The applicants are employed by CIPPIC, the Canadian Internet Policy and Public Interest Clinic, Canada's only technology law clinic. CIPPIC operates out of the Faculty of Law at the University of Ottawa. CIPPIC's mandate is to advocate for balance in policy and law-making on issues arising out of new technologies.

Google, Inc. ("Google") was incorporated in California in September 1998 and reincorporated in Delaware in August 2003. Google's headquarters are located in Mountain View, California. Google's stated mission is to "organize the world's information and make it universally accessible and useful."<sup>5</sup> Google also offers a number of services, including Desktop, Talk, Blogger, Toolbar, Maps, Gmail, Calendar, Orkut, Reader, YouTube, and CheckOut. In addition to these services, Google offers specific search services, allowing publishers to provide Google web and site search on their own pages. The search appliance is "scalable and secure"<sup>6</sup> and Google boasts a quality search across the internet. Google is, of course, best known for its search engine, which has been recognized as the world's largest search engine.<sup>7</sup>

DoubleClick Inc. ("DoubleClick") was organized as a Delaware corporation on January 23, 1996. DoubleClick's international headquarters are located in New York, New York. DoubleClick offers an integrated suite of products on the DART (Dynamic Advertising Reporting and Targeting) platform to meet the needs of the buy-side and the sell-side of digital marketing. DoubleClick's products enable clients to traffic, target, and serve online ads, and improve the productivity of online advertising campaigns.<sup>8</sup>

## III FACTS

### Google and Search

Internet search engines are the primary means by which individual users access content on the internet. There are 233 million internet users in North America, and an estimated 1.15 billion internet users around the world.<sup>9</sup> In 2006, there were 7,675,533 broadband subscribers in Canada, or about 23.8 subscribers per 100 inhabitants.<sup>10</sup> This has increased from 21.0 subscribers per 100 inhabitants in 2005, and 15.5 subscribers per 100 inhabitants in 2004.

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<sup>5</sup> Google, "Company Overview," online: <<http://www.google.com/intl/en/corporate/index.html>>.

<sup>6</sup> Google, "Corporate Information," online: <<http://www.google.com/corporate/business.html>>.

<sup>7</sup> comScore, Press Release, "comScore Releases April U.S. Search Engine Rankings" (25 May 2007), online: <<http://www.comscore.com/press/release.asp?press-1447>>.

<sup>8</sup> Google, "FAQ: Google acquires DoubleClick," online: <[http://64.233.179.110/blog\\_resources/DC\\_FAQ.pdf](http://64.233.179.110/blog_resources/DC_FAQ.pdf)>.

<sup>9</sup> Internet World Stats, "Internet Usage Statistics," (as of 30 June 2007), online: <<http://www.internetworldstats.com/stats.htm>>.

<sup>10</sup> Enid Burns, "Broadband subscriptions continue to rise worldwide" *Clickz Internet Marketing Solutions for Marketers* (25 April 2007), online: <[http://www.clickz.com/showPage.html?page=clickz\\_print&id=3625675](http://www.clickz.com/showPage.html?page=clickz_print&id=3625675)>. Broadband technologies include DSL, cable modem, fiber-to-the-home, fiber-to-the-building, and other satellite, wireless, or power-line communication technologies.

Google.com is one of the five most popular sites on the internet and is used around the world by millions of people. Google operates the largest internet search engine in Canada based on the total number of unique visitors<sup>11</sup> and is recognized as the world's top search engine. It is the *de facto* search engine for MySpace, AOL and Ask. According to the Software & Information Industry Association, 30% of users turn to Google to help them find information on the internet.<sup>12</sup>

Canadians are avid Google users. Search data by comScore, Inc. shows that Canadians are more active searchers using Google than their American counterparts.<sup>13</sup> 62% of Canadian searches are done through Google. The following are facts detailing the Canadian search landscape as reported on Bill Sweetman's Internet Marketing Blog, cited from the Search Engine Strategies (SES) conference held in Toronto:

- Canadians conducted 12 billion search engine queries in 2006.
- Canadians are now conducting an average of 1.4 billion search engine queries per month.
- 80% of Canadian search queries are for Website content, 18% for images, and the balance are for video content, which is growing fast.
- Depending on whose numbers you want to believe, Google currently has approximately 75-80% of the Canadian search engine query share, with Yahoo! and Microsoft evenly split over the remaining 20-25%. Expect Microsoft's share to increase as they continue to invest heavily in search.<sup>14</sup>

According to Complete Inc., Google had the lead in online search market with 62.7% share in June 2007.<sup>15</sup> Compare this to Yahoo!'s second place 19.6% share and Microsoft's 13.2% share. One American analyst predicts that Google will achieve a share of at least 90% of the search market over the next decade.<sup>16</sup>

### **Google's Online Advertising Platform: Paid Search Advertising**

Google generates revenue through its advertising program. Google runs AdWords for advertisers and AdSense for publishers. AdWords and AdSense are text-based ads targeted at search

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<sup>11</sup> Google, "Corporate Information: Quick Profile," online: <<http://www.google.com/corporate/facts.html>>. This is according to Nielsen//NetRatings, as of June 2005.

<sup>12</sup> Linda Rosencrance, "Google picked as top e-commerce development" *ARN Net*, online: <<http://www.arnnet.com.au/index.php/id;614741815;fp;16;fpid;1>>. This statistic is quoted by the Software & Information Industry Association.

<sup>13</sup> comScore Press Release, "Canadians are More Active Online Searchers than their U.S. Counterparts, According to comScore Networks" (13 May 2004), online: <<http://www.comscore.com/press/release.asp?press=458>>.

<sup>14</sup> Bill Sweetman's Internet Marketing Blog, reporting on the Search Engine Strategies Conference in Toronto, 12-13 June 2007, online: <[http://www.sweetmantra.com/2007/06/search\\_engine\\_s.html](http://www.sweetmantra.com/2007/06/search_engine_s.html)>.

<sup>15</sup> John Letzing, "Google expected to post double-digit profit, sales gain" *MarketWatch from DowJones* (12 July 2007), online: <<http://www.marketwatch.com/news/story/google-expected-post-double-digit-profit/story.aspx?guid=%7B80F49FF9-C863-40C6-AFF8-ED833035C252%7D>>.

<sup>16</sup> Jim Friedland, Cowen & Co analyst, in John Letzing "Google expected to post double-digit profit, sales gain" *MarketWatch from DowJones* (12 July 2007), online: <<http://www.marketwatch.com/news/story/google-expected-post-double-digit-profit/story.aspx?guid=%7B80F49FF9-C863-40C6-AFF8-ED833035C252%7D>>.

queries. Text-based search advertising accounts for 40% of online advertising.<sup>17</sup> In Canada, search advertising accounted for 35% of Canadian online ad revenue in 2006.<sup>18</sup>

Advertisers can use AdWords, a search advertising service that uses keywords to target ad delivery and to rank ads by relevance to a user's search. Google takes into account how relevant the ad text is to a given search query and the odds that somebody will actually click it. These are factored into a "Quality Score" that helps determine the price of a particular keyword trigger and the place where the ad appears on the page. The targeted advertising of AdWords means that only those people who are likely to have an interest in the subject of the ads will see them, which results in increased efficiencies and returns for advertisers. With cost-per-click pricing, advertisers only pay when a user clicks on the ad.

Web publishers can use AdSense to display advertisements on their webpage. AdSense delivers text and image ads that are relevant to a website's content. When Google WebSearch is added to the website, AdSense can deliver targeted ads to the search results page. This improves the web publisher's ability to generate revenue and enhance the user experience.

The following are facts detailing Canadian product search behavior and Canadian online advertising as reported on Bill Sweetman's Internet Marketing Blog, cited from the SES conference held in Toronto:

- 50% of Canadian search queries are related to finding a product or service.
- 78% of Canadians will turn to search engines to research a product or service.
- Canadian searchers are engaged: they are very active, will look at more brands, explore more choices, and like to build and share their expertise.
- 82% of Canadian businesses with Websites engage in online advertising, but only 36% of them use search engine advertising or search engine optimization.
- When asked why they weren't using search engine advertising, the number one reason Canadian businesses cited was "too expensive."
- Search engine advertising in Canada is now as large as the entire online advertising market was in 2004.
- In general, Canada is a less competitive search engine advertising market.
- On average, a typical Canadian website can expect to generate about 80-85% of its search traffic from organic listings versus 15-20% from search engine advertising.
- 1 in 4 searches are triggered by offline advertising (i.e. television and print media).
- Mainstream search engines (i.e., Google, Yahoo!, MSN) are the number one choice for B2B product or service research.
- Of those B2B researchers who want to go directly to a potential vendor's Website, 27% of them will still use a search engine to find that Website.<sup>19</sup>

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<sup>17</sup> Internet Advertising Bureau, *Revenue Report 2006 Full-Year Results* (May 2007), online: <[http://www.iab.net/resources/adrevenue/pdf/IAB\\_PwC\\_2006\\_Final.pdf](http://www.iab.net/resources/adrevenue/pdf/IAB_PwC_2006_Final.pdf)> at 8.

<sup>18</sup> Interactive Advertising Bureau of Canada, "2006 Canadian Online Advertising Tops \$1 Billion Dollars" (30 April 2007), online: <<http://iabcanada.com/newsletters/070430.shtml>>.

<sup>19</sup> Bill Sweetman's Internet Marketing Blog, reporting on the Search Engine Strategies Conference in Toronto, 12-13 June 2007, online: <[http://www.sweetmantra.com/2007/06/search\\_engine\\_s.html](http://www.sweetmantra.com/2007/06/search_engine_s.html)>.

Paid search is the largest type of internet advertising, and analysts estimate that global internet ad spending through paid search will increase from \$7.8 billion in 2006 to \$10.6 billion in 2007 and \$19.7 billion by 2009. For comparison, online ad spending globally is expected to hit \$24.5 billion in 2006, \$31.3 billion in 2007, and \$42.7 billion in 2009.<sup>20</sup> In Canada, search advertising generated \$197 million of Canadian online ad revenue in 2005 and \$353 million in 2006, an increase of 79%.<sup>21</sup>

### **DoubleClick's Online Advertising Platform: Display Advertising**

DoubleClick is a leading provider of internet-based advertising, serving ads of display advertising companies and measuring ad effectiveness. DoubleClick has a reach of an estimated 80-85% of internet users, with such high profile clients as Time Warner's AOL and Viacom's MTV Networks.<sup>22</sup> Dave Morgan, chairman of targeted online advertising network TACODA, noted that DoubleClick currently has relationships with virtually every major online publisher and more than half of the online ad agencies. DoubleClick's estimated revenue is \$150 million.<sup>23</sup>

Display advertisement accounts for 40% of online sales and incorporates 3D graphics, full motion video, sound, and user interactivity.<sup>24</sup> In Canada, display advertising accounted for 36% of Canadian online ad revenue in 2006.<sup>25</sup>

DoubleClick offers an integrated suite of products on the DART (Dynamic Advertising Reporting and Targeting) platform to meet the needs of the buy-side and the sell-side of digital marketing. On the buy-side, DoubleClick serves the needs of agencies, advertisers, and marketers with MediaVisor, DART for Advertisers (DFA), DART Search, and DART Motif. DFA provides tools to plan, deliver, and report on online ads. On the sell-side, DoubleClick serves the needs of web publishers, networks, and media websites with DART for Publishers (DFP), DART Sales Manager, DART Enterprise, DART Adapt, and DART Motif. DFP provides tools to place the ads on the site, optimize them, and assess ad placement to make the best use of ad inventory.

DoubleClick also boasts effective behavioral targeting with its product Boomerang, which it describes as a "one-to-one targeting solution".<sup>26</sup> Boomerang enables clients to acquire new

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<sup>20</sup> ZenithOptimedia, in Enid Burns, "Global internet ad spend to climb 28 percent in '07" *ClickZ News* (5 December 2006), online: <<http://www.clickz.com/showPage.html?page=3624115>>.

<sup>21</sup> Interactive Advertising Bureau of Canada, "2006 Canadian Online Advertising Tops \$1 Billion Dollars" (30 April 2007), online: <<http://iabcanada.com/newsletters/070430.shtml>>.

<sup>22</sup> Surojit Chatterjee, "Google's \$3.1bn acquisition of DoubleClick: A coup de grace or a shot in the foot?" *International Business Times* (16 April 2007), online: <<http://in.ibtimes.com/articles/20070416/google-doubleclick-acquisition-digital-advertising-text-search.htm>>.

<sup>23</sup> Catherine Holahan, "Google's DoubleClick Strategic Move" *Business Week* (14 April 2007), online: <[http://www.businessweek.com/technology/content/apr2007/tc20070414\\_675511\\_page\\_2.htm](http://www.businessweek.com/technology/content/apr2007/tc20070414_675511_page_2.htm)>.

<sup>24</sup> Internet Advertising Bureau, *Revenue Report 2006 Full-Year Results* (May 2007), online: <[http://www.iab.net/resources/adrevenue/pdf/IAB\\_PwC\\_2006\\_Final.pdf](http://www.iab.net/resources/adrevenue/pdf/IAB_PwC_2006_Final.pdf)> at 8.

<sup>25</sup> Interactive Advertising Bureau of Canada, "2006 Canadian Online Advertising Tops \$1 Billion Dollars" (30 April 2007), online: <<http://iabcanada.com/newsletters/070430.shtml>>.

<sup>26</sup> DoubleClick, "Boomerang for Advertisers, Marketers, and Agencies", online: <[http://www.doubleclick.com/us/knowledge\\_central/documents/MISC/overview\\_boomerang\\_0607.pdf](http://www.doubleclick.com/us/knowledge_central/documents/MISC/overview_boomerang_0607.pdf)>.

customers, convert browsers to buyers, retain and increase spend with existing customers, and optimize media spend.

From 2005 to 2006, display and rich media advertisements grew 39% to \$4.9 billion.<sup>27</sup> Analysts estimate that display advertising is likely to hit revenues of \$7 billion in 2006, \$8.6 billion in 2007, and \$13.3 billion by 2009. For comparison, online ad spending globally is expected to hit \$24.5 billion in 2006, \$31.3 billion in 2007, and \$42.7 billion in 2009.<sup>28</sup> In Canada, display advertising generated \$230 million in Canadian online ad revenue in 2005 and \$364 million in 2006, which represents a change of +58%.<sup>29</sup>

### **The Google/DoubleClick Merger**

On April 13, 2007, Google announced an agreement to acquire DoubleClick for US\$3.1B in cash. The acquisition will “combine DoubleClick’s expertise in ad management technology for media buyers and sellers with Google’s leading advertising platform and publisher monetization services.”<sup>30</sup> The Google-DoubleClick merger combines Google’s text-based search advertising platform with DoubleClick’s display advertising-agency to “help publishers better monetize unsold inventory, helping fuel the creation of even more rich and diverse content on the internet.”<sup>31</sup> There can be little question that it would turn Google into a dominant player in the business of serving text and graphical advertisements that appear on web sites.

As Bill Sweetman reports on his Internet Marketing Blog, running search engine advertising alone can increase online purchases by 20%, and running online display advertising alone can increase online purchases by 20%, but combining the two can increase online purchases by 83%.<sup>32</sup>

## **IV LAW**

Section 92 of the *Competition Act* allows the Commissioner of Competition to apply to the Competition Tribunal to find that a merger or proposed merger prevents or lessens, or is likely to prevent or lessen, competition substantially in an industry. The Tribunal has the power to make orders with respect to completed and proposed mergers.

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<sup>27</sup> Mona Ellesseily, “Can Yahoo & Microsoft ever catch Google?” *search engine land* (3 July 2007), online: <<http://searchengineland.com/070703-124418.php>>.

<sup>28</sup> ZenithOptimedia, in Enid Burns, “Global internet ad spend to climb 28 percent in ‘07” *ClickZ News* (5 December 2006), online: <<http://www.clickz.com/showPage.html?page=3624115>>.

<sup>29</sup> Interactive Advertising Bureau of Canada, “2006 Canadian Online Advertising Tops \$1 Billion Dollars” (30 April 2007), online: <<http://iabcanada.com/newsletters/070430.shtml>>.

<sup>30</sup> Google Press Release, “Google to Acquire DoubleClick: Combination will significantly expand opportunities for advertisers, agencies and publishers and improve users’ online experience” (13 April 2007), online: <<http://www.google.com/intl/en/press/pressrel/doubleclick.html>>.

<sup>31</sup> Alex Kinnier, “Why We’re Buying DoubleClick” *The Official Google Blog* (26 June 2007), online: <<http://googleblog.blogspot.com/2007/06/why-were-buying-doubleclick.html>>.

<sup>32</sup> Bill Sweetman’s Internet Marketing Blog, reporting on the Search Engine Strategies Conference in Toronto, 12-13 June 2007, online: <[http://www.sweetmantra.com/2007/06/search\\_engine\\_s.html](http://www.sweetmantra.com/2007/06/search_engine_s.html)>.



The Google-DoubleClick merger will lessen competition substantially in the targeted online advertising industry by enabling Google to combine its current market share dominance in the paid search model for accessing internet content with DoubleClick's market share dominance in online ad-serving to websites. The merger will markedly increase concentration in the online advertising market. Google's dominant share of the current market has come about at the expense of competitors Yahoo! and Microsoft.<sup>33</sup> A combined Google-DoubleClick entity will result in a market sufficiently concentrated to increase the price of online advertising.

The merger has several anti-competitive effects, many of which are factors to be considered during merger review pursuant to section 93 of the *Competition Act*. First, Google-DoubleClick will have the incentive to unilaterally coordinate its behaviour (e.g., online ad pricing and supply decisions) to increase its profits and squeeze out competitors. Currently, Google alone has the resources to compete with DoubleClick, its primary competitor in the display advertising market. Instead of competing, however, Google has chosen to acquire DoubleClick. In so doing, Google also acquires DoubleClick's existing business relationships with clients and strategic information that will make the merged company a more effective competitor in the online advertising market.

Second, the market power that Google acquires will further weaken its incentives to compete on non-price aspects of services, including quality factors such as privacy policies and diversity of content available online. This merger reduces consumer choice in these non-price aspects of service.

Third, the merger also lessens competition substantially by creating barriers to market entry and is likely to result in the removal of vigorous and effective competitors Yahoo! and Microsoft. Google already has a substantial amount of personal information about its users, including user search terms, web history, buying habits, IP address, and locations they visit. DoubleClick also collects personal information about individuals who surf its clients' sites, such as how a user responds to an advertisement, IP address, and web surfing patterns. If Google and DoubleClick combine their databases, they will have a massive database detailing the surfing patterns and personal information of their targeted audience. This kind of database is an invaluable resource that none of their competitors will have in the targeted online advertising industry. Yahoo! and Microsoft will not have access to a competing tool, and lack the resources to generate one to compete with Google-DoubleClick in a timely manner.

Finally, buyers are not likely to have a countervailing ability to constrain the exercise of Google-DoubleClick's market power. Countervailing power is not specifically addressed in the *Competition Act*, but is considered during merger review pursuant to subsection 93(h) of the Act.<sup>34</sup> After the merger, it will be practically impossible for users to avoid all websites serving

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<sup>33</sup> "Google's leap may slow rivals' growth" *Business Week* (18 July 2005), online: <[http://www.businessweek.com/magazine/content/05\\_29/b3943050\\_mz011.htm](http://www.businessweek.com/magazine/content/05_29/b3943050_mz011.htm)>. See also: "Google gains U.S. market share at MSN's expense" *Forbes* (7 July 2005), online: <<http://www.forbes.com/markets/2005/07/07/0707automarketscan06.html?partner=yahootix&referrer=>>>, and Mona Ellesely, "Can Yahoo & Microsoft ever catch Google?" *search engine land* (3 July 2007) online: <<http://searchengineland.com/070703-124418.php>>, and Elinor Mills, "Google's market lead widens" *CNET* (28 March 2006), online: <[http://news.com.com/Googles+market+lead+widens/2100-1030\\_3-6054990.html](http://news.com.com/Googles+market+lead+widens/2100-1030_3-6054990.html)>.

<sup>34</sup> Competition Bureau of Canada, *Merger Enforcement Guidelines* (September 2004), online: <<http://www.competitionbureau.gc.ca/internet/index.cfm?itemid=1245&lg=e>>.

Google-DoubleClick ads, and consumers will have no real ability to choose services other than those served by Google. In addition, websites will have to be part of the Google network of content sites if they are to be visible in the commercial market. This does not just affect internet users, but will have a great effect on web publishers and advertisers who play important roles in e-commerce.

## CONCLUSION

For all the above reasons, we submit that Google's proposed acquisition of DoubleClick is likely to prevent or lessen competition substantially in the targeted online advertising industry. While the companies in question are based in the U.S., the industry is global and affects Canadians. We therefore request that the Commissioner inquire into the Google-DoubleClick merger under sections 91 to 103 of the *Competition Act*.

We would be pleased to answer any questions you might have about the contents of this letter, and to work with you to address this application.

Sincerely,



David Fewer

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Encl.

- EPIC, CDD. U.S. PIRG Complaint to the Federal Trade Commission, filed April 20, 2007
- BEUC, Altroconsumo, OCU, vzbv Complaint to the European Commission, filed June 27, 2007
- Scott Cleland, President, Precursor LLC (techcom industry research and consulting firm) "Googleopoly: The Google-DoubleClick Anti-Competitive Case" White Paper