

Microsoft, Yahoo! in search, ad talks

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The logo for Microsoft at their office in Herndon, Virginia. Microsoft and Yahoo! have held "early discussions" about possible Internet search and advertising partnerships, a leading Silicon Valley technology website reported on Friday.

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The talks apparently included a face-to-face meeting last week between [Yahoo!](#) chief executive [Carol Bartz](#) and Microsoft's CEO Steve Ballmer, All Things Digital's Kara Swisher reported on her blog BoomTown.

The generally well-informed Swisher, citing "sources with knowledge of the situation," described the talks as "preliminary" and "focused on what kinds of commercial relationship Yahoo and Microsoft could have in the future."

Sources close to Yahoo!, she said, cautioned that the discussions were not about a renewed acquisition attempt by software giant Microsoft and might not result in any deal.

Microsoft tried last year to buy Yahoo! for 47.5 billion dollars in a vain effort to merge online resources to better battle Internet powerhouse [Google](#), which rules more than 60 percent of the lucrative US online search market.

Bartz, who replaced Yahoo! co-founder [Jerry Yang](#) as CEO in January, said last month that any talks between the Sunnyvale, California, Internet portal and Redmond, Washington-based Microsoft would remain private.

"If we're going to negotiate it's as companies negotiate and that is privately," Bartz said. "And if something happens you'll know it then, and until then there's no comment on it."

Ballmer has said repeatedly since the takeover bid fell through last year that Microsoft, which trails Google and Yahoo! in search market share by a large margin, remains interested in a tie-up with Yahoo!

Among the scenarios being discussed, Swisher said, is one in which the companies swap online advertising assets and deliver services to each other.

"Yahoo! might take over all of Microsoft's display and premium advertising business to sell along with its own, while Microsoft would run the search [advertising](#) business for the pair," she said.

Yahoo!'s share of the search market is about 21 percent and Microsoft trails with 8.5 percent, according to recent figures from industry tracking firms.

[Microsoft](#) confirmed last month that it is testing a new Web search engine known as Kumo.com it hopes will make it a bigger player in the arena.

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