

EBay wins a round in court against Craigslist

September 10 2010, By JORDAN ROBERTSON , AP Technology Writer

(AP) -- In a skirmish between two Internet heavy hitters with a tangled relationship, eBay Inc. has convinced a court that it was wronged by antitakeover moves adopted by Craigslist after eBay started encroaching on its online classifieds turf in the U.S.

A judge ruled Thursday that [Craigslist](#) founder Craig Newmark and CEO Jim Buckmaster violated their responsibilities to [eBay](#) - which bought a stake in Craigslist in 2004 - with changes they implemented that diluted eBay's share from 28.4 percent to 24.9 percent and made it harder for eBay to sell the interest.

Craigslist made the changes in 2008 after determining that eBay had changed from a partner to a threat.

That shift happened after eBay launched a U.S. version of its Kijiji classifieds site - which competed directly with Craigslist - and started buying online ads steering [Internet users](#) looking for Craigslist to its own sites, Buckmaster testified in a nine-day trial.

The judge, William Chandler III of Delaware's Court of Chancery, ordered Craigslist to reverse the steps that diluted eBay's stake in Craigslist. However, he allowed another step that Craigslist took to keep eBay at bay to stand. That move made it harder for eBay to unilaterally name a director to Craigslist's board.

"EBay brought this suit to protect its own shareholders and preserve its

valuable investment in Craigslist," Michael Jacobson, eBay's general counsel, said in a statement. "The evidence presented at trial demonstrated that the actions were taken by Mr. Buckmaster and Mr. Newmark to benefit themselves at the expense of eBay, and we are gratified that the court recognized these actions were both unfair and unlawful and rectified the situation."

Craigslist, which is based in San Francisco, representatives did not immediately respond to a message from The Associated Press.

The fight centers on whether Craigslist was justified in actions that it claimed were defensive.

Craigslist accused eBay of misusing confidential information to start Kijiji, trying to seize control of Craigslist after buying the minority stake, and refusing to make good on a promise to help Craigslist expand internationally.

Craigslist officials have said that former eBay CEO Meg Whitman, who is now running for California governor, assured them that Craigslist would be eBay's exclusive partner for online classifieds in the U.S.

After Kijiji launched in the U.S., Newmark and Buckmaster wrote Whitman and expressed that they weren't happy having eBay as an investor anymore and wanted to buy back eBay's stake or convince eBay to sell it to someone else, according to eBay's lawsuit. Whitman replied that eBay didn't want to unload its stake in Craigslist and in fact wanted to buy the company outright if given the chance.

eBay argued that it retained the right to compete broadly with Craigslist, and that the changes Craigslist made in response to eBay's moves went beyond the penalties allowed in the original shareholders agreement between the companies.

EBay, which is based in San Jose, shares fell 0.4 percent, or 10 cents, to \$24.20 in extended trading Thursday, after falling 1.1 percent, or 27 cents, to close the regular session at \$24.30.

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