

Aspiring Facebook investors warned of Yahoo! lawsuit

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This file photo shows a woman using her smart phone to access Facebook, on March 15. Facebook has warned potential investors that a patent lawsuit against the company by Internet pioneer Yahoo! could deliver a significant blow to its business.

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The world's leading online social network amended [initial public offering](#) (IPO) paperwork with the US [Securities and Exchange Commission](#) to include the Yahoo! case among risks to the company's bottom line.

"This litigation is still in its early stages and the final outcome, including

our liability, if any, with respect to these claims, is uncertain," Facebook said in the updated SEC filing.

"If an unfavorable outcome were to occur in this litigation, the impact could be material to our business, financial condition, or results of operations."

Yahoo! filed suit against Facebook in a US District Court in California court on March 12, accusing the startup of infringing on 10 of its patents in several areas including advertising, privacy and messaging.

Sunnyvale, California-based Yahoo! asked the court to order Facebook to halt its alleged patent-infringing activities and to assess unspecified damages.

"We are confident we will prevail," Yahoo! said in a statement when the suit was filed.

Yahoo!'s lawsuit came about five weeks after Facebook filed to go public on Wall Street with an estimated valuation of up to \$100 billion.

Patent suits are a frequent occurrence among smartphone and [tablet computer](#) makers, and the world's best known brands are ensnared in a complex web of legal claims.

Such suits, however, have been rare among social media companies.

Facebook, which was founded in 2004, a decade after Yahoo!, expressed disappointment with the Yahoo! move.

In the suit, Yahoo! said that Facebook's growth to approximately 850 million users "has been based in large part on Facebook's use of Yahoo!'s patented technology."

Yahoo! said Facebook's popular "News Feed" feature, for example, is "directly linked to Facebook's infringement" of Yahoo! patents and its advertising model is based on advertising patents held by Yahoo!.

"We have not yet filed an answer or asserted any counterclaims with respect to this complaint," [Facebook](#) said in the SEC filing. "We intend to vigorously defend this lawsuit."

Once seen as the Internet's leading light, Yahoo! has struggled in recent years to build a strongly profitable, growing business out of its huge Web presence and global audience.

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