

## **Exhibit I**

### **BRIEF OF *AMICUS CURIAE*, THE COALITION AGAINST TRAFFICKING IN WOMEN**

**UNITED STATES DISTRICT COURT FOR THE  
NORTHERN DISTRICT OF ILLINOIS EASTERN  
DIVISION**

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THOMAS DART, SHERIFF OF COOK	)	
COUNTY,	)	
	)	Judge John F. Grady
Plaintiff,	)	
	)	Magistrate Judge Nan R. Nolan
v.	)	
	)	Case No. 09 CV 1385
CRAIGSLIST, INC.,	)	
Defendant.	)	
-----	)	

**BRIEF OF *AMICUS CURIAE*, THE COALITION AGAINST  
TRAFFICKING IN WOMEN**

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## I. INTEREST OF AMICUS CURIAE

The *amicus curiae*, the Coalition Against Trafficking in Women (*CATW*), has considerable expertise advocating for the rights of victims of prostitution and sex trafficking. Founded in 1988, CATW is the world's first organization to combat human trafficking internationally. CATW has advocated for and contributed to strong anti-trafficking laws at the state level in New York, at the national level in the Philippines, Venezuela, Bangladesh, Japan, Sweden and the United States, and at the level of international agreements, in the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime.

The end point of all sex trafficking is the commercial exploitation of women and children. The advertisement of prostitution not only normalizes and facilitates sex trafficking, it generates profits from sex trafficking. A key to combating sex trafficking is to prevent placing prostitution in the mainstream through advertisement and to prevent persons seeking to have commercial sex with prostituted women ("johns") from anonymously contacting persons who are engaged in trafficking of prostituted women and children ("pimps" or "traffickers").

Craigslist, Inc. (*Craigslist*) is a global advertisement business which facilitates and profits enormously from sex trafficking. There is no dispute that Craigslist's "adult services" web site, falsely labeled with an innocuous title, consists of advertisements for prostitution of women and children. Craigslist charges a ten dollar fee to post an "adult services" advertisement. In Chicago alone, on July 9, 2009, over three hundred advertisements for prostitution were posted.<sup>1</sup>

Commercial sexual exploitation not only violates the human rights of women and children, it is inextricably tied to sex trafficking. Sex trafficking is a form of slavery.<sup>2</sup> Slavery is universally prohibited as an obligation *erga omnes* under international law.<sup>3</sup>

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<sup>1</sup> Craigslist adult services web site in Chicago, available at <http://chicago.craigslist.org/ads/index300.html>.

<sup>2</sup> The International Criminal Tribunal for the former Yugoslavia (ICTY) was the first international tribunal to recognize sexual slavery as a crime against humanity. See *Prosecutor v. Dragoljub*

Craigslist cannot avoid these simple truths: neither by re-naming a category of prostitution services formerly entitled “erotic services”<sup>4</sup> as “adult services,” nor by adding a meaningless disclaimer and a universally accessible button to click. By providing an anonymous forum for johns to contact pimps, Craigslist is facilitating these brutal abuses of human rights and violations of human dignity.

## II. ARGUMENT OF AMICUS CURIAE

### A. Myths About Prostitution

While it is universally accepted that sex trafficking is one of the most horrific forms of human rights violations, prostitution is often dismissed as something benign, as “the world’s oldest profession.” To the contrary, prostitution is the world’s oldest oppression. According to the preamble of the Convention for the Suppression of the

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*Kunarac, Radomir Kovac and Zoran Vukovic (Foca case)*, Appeals Chamber Judgment, Case No. IT-96-23 and IT-96-23/1 at ¶¶127-133 (June 12, 2002).

<sup>3</sup> See IAN BROWNLIE, *PRINCIPLES OF PUBLIC INTERNATIONAL LAW* 537 (6th ed. 2003) (Obligations *erga omnes* include “principles and rules concerning the basic rights of the human person, including protection from slavery and racial discrimination”).

See Slavery Convention of 1926, September 25, 1926, 46 Stat. 2183, U.S. No. 778, 60 L.N.T.S. 253; See the Supplementary Convention on the Abolition of Slavery, Sept. 7, 1956, 18 U.S.T. 3201, 266 U.N.T.S. 3 (which broadens the 1926 Slavery Convention's definition of slavery to include the practices and institutions of debt bondage, servile forms of marriage, and the exploitation of children and adolescents).

Article 1 of the 1926 Slavery Convention provides:

“(1) Slavery is the status or condition of a person over whom any or all of the powers attaching to the right of ownership are exercised.

(2) The slave trade includes all acts involved in the capture, acquisition or disposal of a person with intent to reduce him to slavery; all acts involved in the acquisition of a slave with a view to selling or exchanging him; all acts of disposal by sale or exchange of a slave acquired with a view to being sold or exchanged, and, in general, every act of trade or transport in slaves.”

Recently, the High Court of Australia applied the Commonwealth Criminal Code, which incorporates Australia's obligations under the Slavery Convention and under international law, to the conviction of the owner of a licensed brothel of intentional possession and ownership of a slave. See *The Queen v. Wei Tang* (2008) 82 A.L.J.R. 1334.

See also, *Tel-Oren v. Libyan Arab Republic*, 726 F.2d 774, 781, 791 (D.C. Cir. 1984) (Edwards, J., concurring) (describing genocide and slavery as “heinous actions – each of which violates definable, universal and obligatory norms”).

<sup>4</sup> Craigslist’s advertisements in countries other than the United States, from Bangladesh to Vietnam, maintain the “erotic services” title. See <http://www.craigslist.org/about/sites>.

Traffic in Persons and of the Exploitation of the Prostitution of Others, prostitution is “incompatible with the dignity and worth of the human person” and it “endanger[s] the welfare of the individual, the family and the community.”<sup>5</sup>

Prostitution is an act that destroys human dignity.<sup>6</sup> Prostitution is increasingly understood to be violence against women.<sup>7</sup> Prostitution also acts as a magnet for the most cruel and degrading acts imaginable.<sup>8</sup>

There is an all too common misconception that women enter prostitution freely and that they choose to remain in prostitution as a career. What we have learned is that the vast majority of prostitution stems from a lack of choice. In the vast majority of cases, women enter prostitution due to vulnerability, most likely through sexual abuse in childhood, gender inequality, drug addiction, poverty and various forms of coercion.<sup>9</sup> Statistics indicate that women who have been sexually assaulted in childhood are 28 times more likely to be exploited in prostitution than non-sexually assaulted children.<sup>10</sup>

Many prostituted women’s lives are characterized by sexual abuse in childhood, repeated rapes and beatings, drug addiction and the risk of premature death at forty times the national average.<sup>11</sup> The failure to recognize prostituted women and children’s lack of negotiating power, as well as the pervasive violence in prostitution before the final exploitation between the john and the prostituted woman and children, results in their increased vulnerability to contracting HIV/AIDS and other sexually transmitted diseases. For example, almost half (47%) of prostituted women in a study in the United States

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<sup>5</sup> Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others, UN Doc. A/RES/317, 96 UNTS 271.

<sup>6</sup> See Catharine A. MacKinnon, *Prostitution and Civil Rights*, 1 MICH. J. GENDER & L. 13, 14 (1993).

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* See also, MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS 197 (2007).

<sup>9</sup> Mimi H. Silbert & Ayala M. Pines, *Entrance into Prostitution*, 13 YOUTH & SOC’Y 471, 479 (1982) (60% of prostitutes were sexually abused in childhood).

<sup>10</sup> See MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS 197 (2007).

<sup>11</sup> REPORT OF THE SPECIAL COMMITTEE ON PORNOGRAPHY AND PROSTITUTION, PORNOGRAPHY AND PROSTITUTION IN CANADA, Vol. II, 350 (1985).

stated that men *expected* sex without a condom. Of these women, the vast majority (73%) reported that men would pay more for sex without a condom, with 45% stating that men became abusive in instances where women tried to insist that johns use condoms.<sup>12</sup>

Because of the presence of physically abusive pimps and, in addition, their economic vulnerability, the prostituted women and children are unable to set limits on what can be done to them. Ultimately, anything can be done to a pimp's "property" for a price.<sup>13</sup> As the commodity in a transaction between the customer and the pimp, the sexually exploited usually must acquiesce to the customer's demands, including risky sexual practices. The price of resistance is often violence.<sup>14</sup>

Dr. Melissa Farley, a clinical psychologist and an expert on the effects of prostitution, has observed that the method by which pimps recruit women is generally through a calculated courtship that is similar to the "love-bombing" techniques used by cults;<sup>15</sup> the woman is isolated from loved ones and social networks until her attachments to others are systematically destroyed. This leaves the pimp as the only available source of support.<sup>16</sup> Even where women make the decision to leave prostitution, the personal barriers they face can often appear insurmountable. Finding accommodation (particularly shelters that will accept women with HIV or other diseases) dealing with physical and

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<sup>12</sup> Janice Raymond, Donna Hughes, & Carole Gomez, *Coalition Against Trafficking in Women, Sex Trafficking of Women in the United States: International and Domestic Sex Industries* (2001), available at [http://www.uri.edu/artscl/wms/hughes/sex\\_traff\\_us.pdf](http://www.uri.edu/artscl/wms/hughes/sex_traff_us.pdf). It was reported that the former Governor of New York, Eliot Spitzer preferred to engage in unsafe sex when using prostitutes. See, e.g., *Were Spitzer's own tactics his downfall?* SEATTLE TIMES, March 12, 2008, available at [http://seattletimes.nwsourc.com/html/politics/2004276458\\_spitzermoney12.html](http://seattletimes.nwsourc.com/html/politics/2004276458_spitzermoney12.html).

<sup>13</sup> See Catharine A. MacKinnon, *Prostitution and Civil Rights*, 1 MICH. J. GENDER & L. 13, 14 (1993).

<sup>14</sup> Coalition Against Trafficking in Women, *Statement Before the Fifty-Third Session of the United Nations Economic and Social Council, Commission for the Status of Women*, March 2-13, 2009, available at <http://daccessdds.un.org/doc/UNDOC/GEN/N08/643/70/PDF/N0864370.pdf?OpenElement>.

<sup>15</sup> See MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS, 50, 205 (2007) (citing STEVEN HASSAN, COMBATING CULT MIND CONTROL (1990)).

<sup>16</sup> See MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS, 50, 205 (2007).

mental illness, drug addiction<sup>17</sup> and poor literacy skills are just a few of the obstacles stacked against prostituted women and children, obstacles that cause shame and despair.<sup>18</sup>

When surveyed, 89% of prostituted women in nine countries stated that, if they could, they would prefer to escape prostitution,<sup>19</sup> and it is suggested that this figure would be almost 100 percent were it not for women's fear of reprisal.

Farley has documented countless horrific stories of young women and children being sold into prostitution as sex slaves in the United States.<sup>20</sup> While the specific details of each story change, they all follow the same formula of denying the humanity of women and girls by selling them for sex.<sup>21</sup>

## **B. The Internet Has Increased Prostitution and Sex Trafficking**

The advent of the internet has increased prostitution and sex trafficking for several reasons. *First*, it has made it easier for johns and pimps to identify and have access to prostituted women and children.<sup>22</sup> *Second*, it has increased the distance

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<sup>17</sup> See MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS 45 (2007). The high levels of drug use and alcohol by women in prostitution is symptomatic of many women's desire to dissociate themselves from being prostituted; such drug and alcohol use also acts as an analgesic for the violence and physical abuse endured in prostitution.

<sup>18</sup> See MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS 168 (2007).

<sup>19</sup> See Melissa Farley et al., *Prostitution and Trafficking in 9 Countries: Update on Violence and Posttraumatic Stress Disorder*, 4(3) JOURNAL OF TRAUMA PRACTICE 2, 33-74 (2003) (89% is a conservative figure – many service providers report that almost all women want to escape prostitution).

<sup>20</sup> See MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS 75, 76, 107 (2007).

<sup>21</sup> *Id.* See also, Catharine A. MacKinnon, *Prostitution and Civil Rights*, 1 MICH. J. GENDER & L. 13 (1993).

<sup>22</sup> See United Nations Foundation, *ILO Members To Endorse Ban On Worst Forms*, U.N. WIRE, May 25, 2007 (“Younger and younger children are being sought for the sex trade in the belief that they are more likely to be ‘AIDS free,’ while sex tourism and pornography involving young girls and boys is flourishing, especially on the Internet,” the ILO says”), available at [http://www.unwire.org/unwire/19990525/2785\\_story.asp](http://www.unwire.org/unwire/19990525/2785_story.asp); See also U.S. DEPARTMENT OF STATE, TRAFFICKING IN PERSONS REPORT, 35 (2007) (“Sex tourism and child pornography have become worldwide industries, facilitated by technologies such as the Internet, which vastly expand the choices available to pedophiles and permit instant and nearly undetectable transactions”), available at <http://www.state.gov/documents/organization/82902.pdf>; See also Athanassia P. Skoitou, Council of Europe, *Trafficking in Human Beings: Internet Recruitment* 29 (2007)

between the pimp and the john because an in-person encounter is less likely, further enabling johns to willfully ignore the brutality behind the encounter with a prostituted woman or child.<sup>23</sup> *Finally*, it has internationalized the prostitution business as never before.<sup>24</sup>

The U.S. State Department's Office to Monitor and Combat Trafficking in Persons produces an annual report documenting countries' efforts to eliminate human trafficking. As part of that report, a number of case studies are documented, one of which told the story of 17 year-old Rosita. Rosita's case is similar to many others; she was recruited as a child and prostituted by her boyfriend.

However, rather than being prostituted in a brothel or being sexually exploited on the street, Rosita's "services" were advertised, with her trafficker's contact number, on a popular online server. The reports states that "Buyers called and made discrete arrangements. Following the business deal, Rosita was delivered to a home, a hotel, or other meeting place at an agreed upon time for an agreed upon price."<sup>25</sup> For three years Rosita was covertly trafficked through the internet; her childhood was destroyed by abuse, violence and exploitation of the most violent and degrading kind.

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("[Trafficked women] are also tailored to the market the traffickers are targeting (e.g. tall, blond women are the type generally favoured by the Greek sex industry)", *available at* [http://www.coe.int/t/dg2/trafficking/campaign/Source/THB\\_Internetstudy\\_en.pdf](http://www.coe.int/t/dg2/trafficking/campaign/Source/THB_Internetstudy_en.pdf).

<sup>23</sup> See MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS 147 (2007) ("When responding to prostitution advertising, predatory johns usually have no awareness that they may be buying trafficked women or minors for sex [...] Under duress from pimps or traffickers, women hide their coerced status in prostitution").

<sup>24</sup> See *United States Internet Sex Slaves: US has highest demand for internet pornography*, ASSOCIATED CONTENT, March 18, 2007 ("Prior to the internet, human traffickers had to travel within the United States or abroad to secure purchasing of females for sex slavery. However, with the growth of the internet, human trafficking is now being conducted via telephone and satellite transmissions"), *available at* [http://www.associatedcontent.com/article/172291/united\\_states\\_internet\\_sex\\_slaves.html?cat=7](http://www.associatedcontent.com/article/172291/united_states_internet_sex_slaves.html?cat=7); See also Donna M. Hughes, *The Internet and Sex Industries: Partners in Global Sexual Exploitation*, TECHNOLOGY AND SOCIETY MAGAZINE, Spring 2000, ("The expansion of the global sex industry, especially on the Internet, has intensified the harm to the victims, and normalized and globalized the victimization and exploitation. Two components of globalization, rapid development and deployment of information technology and the industrialized commodification of women and children have become linked to expand and truly internationalize sexual exploitation"), *available at* <http://www.uri.edu/artsci/wms/hughes/siii.htm>.

<sup>25</sup> U.S. DEPARTMENT OF STATE, TRAFFICKING IN PERSONS REPORT, 13 (2008), *available at* <http://www.state.gov/documents/organization/105501.pdf>.

As reported recently in the *Houston Metro*, a girl named Miley was seduced by a pimp when she was 15 years old. The man recruited her from a mall in Washington D.C. He then beat, abused and branded her with his name. To keep her from escaping, he hooked her on drugs and trafficked her from state to state using fake identification and selling her body for sex to the highest bidder.

Some of the men found her on the street, while others found her on the internet. "That's the way people are doing it. Online," Miley explained. From the internet to motels, Miley spent close to a dozen years being prostituted, trafficked, numbed on drugs and paralyzed by threats from her pimp. "He would tell me that if I left, he would find and kill me," Miley said. Miley, now 27, finally escaped, and is on the run in disguise and telling her story from a safe house.<sup>26</sup>

Police Detective Woolley of Riverside County, California, has made several arrests through Craigslist's ads for "adult" or formerly "erotic" ads. Detective Woolley has found that pimps are typically gang members who trade in women as they would trade in drugs.<sup>27</sup> He has stated that he has never come across a prostituted woman or girl "who has not been assaulted in some capacity." According to Detective Woolley, "[t]hey are victims of crime constantly. Let alone the mental abuse from pimps."<sup>28</sup>

Reports produced by the United States government and the Council of Europe make clear that the expansion of the internet has provided additional tools by which children may be victimized and has increased child sex tourism worldwide.<sup>29</sup> By providing a method of routing communications through numerous countries, the internet

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<sup>26</sup> See Rucks Russell, *Warning to Parents: Sex Trade Predators Are Looking For Your Children*, KHOU-TV HOUSTON, Apr. 10, 2009, available at [http://www.khou.com/news/local/houstonmetro/stories/khou090410\\_mp\\_sex-trade-warning.c0e77435.html](http://www.khou.com/news/local/houstonmetro/stories/khou090410_mp_sex-trade-warning.c0e77435.html).

<sup>27</sup> See Jessica Logan, *Internet Replacing Streetwalking for Inland Prostitution*, THE PRESS ENTERPRISE, Jan. 1, 2008, available at [http://www.pe.com/localnews/sbcounty/stories/PE\\_News\\_Local\\_S\\_prostitution02.9893.html](http://www.pe.com/localnews/sbcounty/stories/PE_News_Local_S_prostitution02.9893.html).

<sup>28</sup> See Jessica Logan, *Internet Replacing Streetwalking for Inland Prostitution*, THE PRESS ENTERPRISE, Jan. 1, 2008, available at [http://www.pe.com/localnews/sbcounty/stories/PE\\_News\\_Local\\_S\\_prostitution02.9893.html](http://www.pe.com/localnews/sbcounty/stories/PE_News_Local_S_prostitution02.9893.html).

<sup>29</sup> See U.S. DEPARTMENT OF STATE, *TRAFFICKING IN PERSONS REPORT*, 23, 28 (2008), available at <http://www.state.gov/documents/organization/105501.pdf>.

allows the actions of traffickers and pimps to remain undetected and allows “national recruitment networks” to operate and flourish.<sup>30</sup> In short, the internet has played a key role in the increased sexual exploitation of women and children.<sup>31</sup>

“Technology has given the sex industry new means of exploiting, marketing, and delivering women and children as commodities to male buyers. [...] [W]hen a new technology is introduced into a system of exploitation it enables those with power to intensify the harm and expand the exploitation.”<sup>32</sup> It seems that eradication of such exploitation can only be possible where there exist effective, harmonized, international law and cooperation on the issue<sup>33</sup> and where the perpetrators and those complicit face sanctions proportionate to the crimes committed.

### C. Some Statistics On Sex Trafficking

Human trafficking operates under a veil of secrecy. It is therefore difficult to obtain accurate figures documenting the number of persons who are trafficked through the United States and throughout the world on an annual basis.

#### 1. Statistics in the United States

The Human Trafficking Reporting System (*HTRS*), a new system created recently by the United States Department of Justice has released a report in which it recorded information on more than 1,200 alleged incidents of human trafficking from January 30, 2007 until September 30, 2008. HTRS found that “[m]ost (83 percent) of the reported human trafficking incidents involved allegations of sex trafficking. Labor trafficking

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<sup>30</sup> See Athanassia P. Skyiotou, Council of Europe, *Trafficking in Human Beings: Internet Recruitment*, 26, 29 (2007), available at [http://www.coe.int/t/dg2/trafficking/campaign/Source/THB\\_Internetstudy\\_en.pdf](http://www.coe.int/t/dg2/trafficking/campaign/Source/THB_Internetstudy_en.pdf).

<sup>31</sup> See Donna M. Hughes, *The Internet and Sex Industries: Partners in Global Sexual Exploitation*, TECHNOLOGY AND SOCIETY MAGAZINE, Spring 2000, available at <http://www.uri.edu/artsci/wms/hughes/siii.htm>.

<sup>32</sup> See Donna M. Hughes, *The Internet and Sex Industries: Partners in Global Sexual Exploitation*, TECHNOLOGY AND SOCIETY MAGAZINE, Spring 2000, available at <http://www.uri.edu/artsci/wms/hughes/siii.htm>.

<sup>33</sup> See Athanassia P. Skyiotou, Council of Europe, *Trafficking in Human Beings: Internet Recruitment*, 26, 29 (2007), available at [http://www.coe.int/t/dg2/trafficking/campaign/Source/THB\\_Internetstudy\\_en.pdf](http://www.coe.int/t/dg2/trafficking/campaign/Source/THB_Internetstudy_en.pdf).



accounted for 12 percent of incidents, and other or unknown forms of human trafficking made up the remaining five percent. About a third (32 percent) of the 1,229 alleged human trafficking incidents involved sex trafficking of children.”<sup>34</sup>

The Carolina Women's Center at the University of North Carolina, Chapel Hill, estimates that thousands are trafficked into the Southeast region of the United States alone.<sup>35</sup> In reality, given the secrecy and violence underlying the methods of trafficking women and children and the shame and fear experienced by the victims, the figures are likely to be even higher.

## 2. Global Statistics on Sex Trafficking of Children

Wherever there is a thriving sex industry, children are inevitably prostituted. According to the U.S. Department of State Trafficking in Persons Report of June, 2008, more than two million children are exploited in the global sex trade.<sup>36</sup> The United Nations Population Fund conservatively estimates that two million girls, aged 5 to 15, are initiated into the commercial sex industry each year.<sup>37</sup>

Prostitute users often prefer girls who are young and will pay more for them. Children are prime targets as they are easy for both pimps and johns to control. According to the Las Vegas Metropolitan Police, the trafficking of 11 – 17 year old girls to Las Vegas from other states for prostitution is “rampant.”<sup>38</sup> However, it must also be kept in mind that prostituted children grow up to be prostituted adults.

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<sup>34</sup> See Press Release, U.S. Department of Justice, *More Than 1,200 Incidents of Human Trafficking Reported in the US* (January 15, 2009), available at <http://www.ojp.usdoj.gov/bjs/pub/press/cshti08pr.htm>.

<sup>35</sup> See Jesse James DeConto, *Sex Trafficking Seldom Prosecuted*, THE NEWS AND OBSERVER OF UNIVERSITY OF NORTH CAROLINA, April 5, 2008, available at <http://www.newsobserver.com/news/story/1026062.html>.

<sup>36</sup> U.S. DEPARTMENT OF STATE, TRAFFICKING IN PERSONS REPORT, June 2008, available at <http://www.state.gov/documents/organization/105501.pdf>.

<sup>37</sup> United Nations Population Fund, *Ending Violence Against Women and Girls in State of World Population*, Ch. 3 (2000), available at <http://www.unfpa.org/swp/2000/english/ch03.html>.

<sup>38</sup> See MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS 105 (2007).

The impact on trafficked women and children is devastating and long lasting. In order to bring charges against a trafficker and to provide meaningful assistance to victims, trafficked persons need not only physical protection, but emotional and psychological support; with resources that are tailored to the needs of the individual. It is also essential to recognize the different types of harm that victims may have experienced<sup>39</sup> and to work with law enforcement agents who comprehend the extent to which trafficking victims are brainwashed by those who exploit them.<sup>40</sup> This is not easy to accomplish and hence, human trafficking flourishes. The secrecy, anonymity and ephemeral character of the internet is exacerbating the difficulties inherent in combating sex trafficking.

#### **D. Sex Trafficking And Prostitution Are So Inextricably Tied That They Are Hardly Distinguishable In Most Cases**

The end point of all sex trafficking is commercial sexual exploitation, whether that exploitation occurs in a hotel room, on a street corner or in a brothel. What matters is that a woman or child is being sold for sex, not the distance a woman or child is moved in order to be sold for sex. The distance is irrelevant both as a matter of fact and law.<sup>41</sup>

International law recognizes three fundamental principles related to sex trafficking and prostitution: (1) that it is a myth that prostitution is consensual; (2) that sex trafficking has nothing to do with movement or distance as victims can be trafficked domestically as well as internationally; and (3) that sex trafficking and prostitution are inextricably linked.

#### **E. United States Law Governing Sex Trafficking**

In the United States, the Trafficking Victims Protection Act of 2000, and its reauthorizations in 2003, 2005, and 2008 define a human trafficking victim as a person

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<sup>39</sup> See Marisa Bava Ugarte, Laura Zarate, & Melissa Farley, *Prostitution and Trafficking of Women and Children from Mexico to the United States*, 3(4) JOURNAL OF TRAUMA PRACTICE 2 (2003), also available at <http://www.prostitutionresearch.com/c-trafficking.html>.

<sup>40</sup> See MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS 124 (2007).

<sup>41</sup> See MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS 198 (2007).

induced to perform labor or a commercial sex act through force, fraud, or coercion.<sup>42</sup> Moreover, any person under age 18 who performs a commercial sex act is considered a victim of human trafficking, regardless of whether force, fraud, or coercion is present. Sex trafficking is also prohibited under the Mann Act of 1910, 18 U.S.C. §§2421-2422, which provides that “[w]hoever knowingly transports any individual in interstate or foreign commerce, or in any Territory or Possession of the United States, with intent that such individual engage in prostitution, or in any sexual activity for which any person can be charged with a criminal offense, shall be fined under this title or imprisoned not more than five years, or both.”

The reauthorization of the Trafficking Victims Protection Act in 2008<sup>43</sup> expanded the prohibition against profiting from sex trafficking to cover those who benefit financially from a venture engaged in peonage, forced labor, or document servitude. Craigslist clearly benefits financially from sex trafficking that occurs through advertisements on its web site.<sup>44</sup>

## **F. International Law Governing Sex Trafficking**

There are two international agreements that oppose prostitution and trafficking and challenge the misconception that prostitution is harmless, particularly when it might appear that women “freely consent” to engage in prostitution. One such agreement is the Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others of 1949 (the *1949 Convention*) which declares that “prostitution and the accompanying evil of the traffic in persons for the purpose of prostitution are incompatible with the dignity and worth of the human person.”<sup>45</sup> The 1949 Convention

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<sup>42</sup> 22 U.S.C. §7101.

<sup>43</sup> H.R. 7311 [110th]: William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008, *available at* <http://www.govtrack.us/congress/billtext.xpd?bill=h110-7311>.

<sup>44</sup> Chapter 17 of Title 18, Section 1595 of the United States Code was amended to provide that “whoever knowingly benefits, financially or by receiving anything of value from participation in a venture which that person knew or should have known has engaged in an act in violation of this chapter.” *Supra* at §221. *See also*, Attorney General’s Annual Report to Congress and Assessment of U.S. Government Activities to Combat Trafficking in Persons Fiscal Year 2008, June 2009 at 4, *available at* <http://www.usdoj.gov/olp/pdf/agr-report-fy2008.pdf>.

<sup>45</sup> Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others, Dec. 2, 1949, 96 U.N.T.S. 271, see preamble. *See also* Convention on the

speaks to the harms of prostitution to “consenting adult women whether or not they were transported across national boundaries.”<sup>46</sup>

The Protocol to Prevent, Suppress and Punish Trafficking in Person Especially Women and Children adopted in 2000 (the *Palermo Protocol*)<sup>47</sup> enforces the principle that consent is irrelevant when judging whether the crime of trafficking has occurred. Further, the Palermo Protocol encourages State parties to develop legislative responses to the demand element of prostitution:<sup>48</sup> calling for appropriate legal instruments to be enacted and a “comprehensive international approach in the countries of origin, transit and destination”<sup>49</sup> to be set in motion to ensure that traffickers can and will be prosecuted.<sup>50</sup>

Article 3 of Palermo Protocol defines trafficking as follows:

(a) “Trafficking in persons” shall mean the recruitment, transportation, transfer, harbouring or receipt by persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include at minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or

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Elimination of All Forms of Discrimination Against Women, December 18, 1979, art. 5, 1249 U.N.T.S. 13, 17 (declaring in Article 6 that state parties shall take all appropriate measures, including legislation, to suppress all forms of traffic in women and exploitation or prostitution of women).

<sup>46</sup> See MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS 209 (2007).

<sup>47</sup> See Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, Supplementing the United Nations Convention Against Transnational Organized Crime, G.A. Res. 25, annex II, U.N. GAOR, 55th Sess., Supp. No. 49, at 60, U.N. Doc. A/45/49 (Vol. I) (2001), entered into force September 9, 2003.

<sup>48</sup> See Janice G. Raymond, *The New U.N. Trafficking Protocol*, 25 WOMEN’S STUDIES INT’L FORUM 491 (2002).

<sup>49</sup> Protocol to Prevent, Suppress and Punish Trafficking in Person Especially Women and Children of 2000, see preamble.

<sup>50</sup> See MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS 209 (2007).

services, slavery or practices similar to slavery, servitude or the removal of organs:

(b) The consent of a victim of trafficking in persons to the intended exploitation set forth in subparagraph (a) of this article shall be irrelevant where any of the means set forth in subparagraph (a) have been used.

In spite of international agreements and legislation adopted in the United States that criminalizes sex trafficking, it is the case that women and children in particular are increasingly channeled into prostitution as their opportunities for legitimate work in other sectors of the community shrink. Craigslist's adult and erotic services web sites, in providing easy access to millions of pimps who are trafficking women and children for sex, makes a mockery of the clear prohibitions against sex trafficking under U.S. law and international law.

**G. Lessons From Las Vegas: Trafficking And Prostitution Are Rendered More Accessible And Considered "Mainstream" Due To Craigslist's "Adult Services" Advertisements**

As observed by Farley:

How did Las Vegas become a destination for prostitution tourists and a city to which women from all over the US and the world are trafficked? Although prostitution is not legal in Las Vegas, you wouldn't know it. It is openly and globally advertised.<sup>51</sup>

According to Farley, it is advertisement that drives the sex trafficking industry. In the same way, Craigslist's "adult services" section in the United States and "erotic services" sections across the globe drive sex trafficking by placing it in the mainstream and by giving it the appearance of normalcy and legality.

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<sup>51</sup> See MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS 145 (2007). When Melissa Farley took a survey of 154 men and women walking on the Las Vegas strip, 67 of the 154 people thought that prostitution was in fact legal in Las Vegas.

Craigslist and other internet prostitution service advertisers are fast becoming a replacement for the more traditional “Las Vegas” prostitution services,<sup>52</sup> where prostitution seekers travel to Las Vegas with the knowledge that “what happens in Las Vegas stays in Las Vegas.”<sup>53</sup>

According to a police Detective Woolley of Riverside county, California, “[i]n this age, Internet prostitution is the biggest thing going.”<sup>54</sup> According to Julie Albright, a professor at the University of Southern California, internet venues attract new customers to prostitution because of the veil of secrecy and anonymity of the internet:

The Internet gives people the opportunity to explore things they never would have before because the Internet provides a cloak of secrecy.<sup>55</sup>

Just one click on Craigslist’s “adult services” category of any major city in the United States on any given day shows that Craigslist’s reach easily eclipses a Las Vegas telephone book, yet the advertisements are based on the same formula, offering a “girl from Taiwan,” for example, to provide a “service.” Euphemisms such as “erotic services” and “erotic massages” convince users that they are seeking something mainstream, a pleasurable break that they deserve. Johns hide behind these euphemisms while engaging in exploitative acts which inevitably deprive women and girls of their humanity. Craigslist hides behind the euphemisms in order to enable it to profit from prostitution and human trafficking without legal consequence.

According to Craigslist:

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<sup>52</sup> See Jessica Logan, *Internet Replacing Streetwalking for Inland Prostitution*, THE PRESS ENTERPRISE, January 1, 2008, available at [http://www.pe.com/localnews/sbcounty/stories/PE\\_News\\_Local\\_S\\_prostitution02.9893.html](http://www.pe.com/localnews/sbcounty/stories/PE_News_Local_S_prostitution02.9893.html).

<sup>53</sup> See MELISSA FARLEY, PROSTITUTION & TRAFFICKING IN NEVADA: MAKING THE CONNECTIONS 145 (2007).

<sup>54</sup> See Jessica Logan, *Internet Replacing Streetwalking for Inland Prostitution*, THE PRESS ENTERPRISE, January 1, 2008, available at [http://www.pe.com/localnews/sbcounty/stories/PE\\_News\\_Local\\_S\\_prostitution02.9893.html](http://www.pe.com/localnews/sbcounty/stories/PE_News_Local_S_prostitution02.9893.html).

<sup>55</sup> See Jessica Logan, *Internet Replacing Streetwalking for Inland Prostitution*, THE PRESS ENTERPRISE, January 1, 2008, available at [http://www.pe.com/localnews/sbcounty/stories/PE\\_News\\_Local\\_S\\_prostitution02.9893.html](http://www.pe.com/localnews/sbcounty/stories/PE_News_Local_S_prostitution02.9893.html).

[o]ne of the subcategories of the “services” section of the craigslist website is titled ‘erotic.’ Craigslist introduced this subcategory several years ago at the request of users, so that legal escort services, massage workers, exotic dancers and others whose ads often contain adult content [...] would have a dedicated area in which to post their ads.<sup>56</sup>

In other words, Craigslist dedicated a portion of its web site to johns, created a special category for those seeking prostitution and those trafficking in women and children, a category that would help provide them legal protection through the vague and euphemistic title of “erotic” and now “adult” services.<sup>57</sup>

#### **H. Some Recent Arrests/Investigations Of Sexual Traffickers Who Prostituted Children Through Craigslist**

In 2008 alone, the FBI discovered 2,800 advertisements for child prostitution posted on Craigslist.<sup>58</sup> The FBI’s web site describes numerous incidents of women and children being prostituted through Craigslist. For example, Anthony Thomas, 35, of Mansfield, Texas, was sentenced on June 4, 2009 to serve 6 years in prison on charges of transporting a victim interstate to be prostituted, and persuading, inducing, enticing and coercing a victim to travel across state lines to be prostituted.

The FBI investigation in this case began with information one agent saw on an “erotic services” posting on Craigslist in the Atlanta, Georgia, area, that contained an advertisement for a young woman later identified as the victim.

Levar Simms, a 30-year-old resident of Washington, D.C., was recently sentenced to 96 months of incarceration for interstate transportation of a minor to be prostituted. Simms first encountered his victim, a 16-year-old girl, on July 6, 2006, when he pulled up alongside her in his car outside of a shelter for juveniles in Greensboro, North Carolina.

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<sup>56</sup> Memorandum in Support of Craigslist’s Motion for Judgment on the Pleadings at 4.

<sup>57</sup> While some of the explicitly pornographic photos have recently been removed in light of pending litigation in the United States, the basic content has remained unchanged. The “adult services” category remains a web site offering prostitution services.

<sup>58</sup> See Abbie Alford, *On Line Sex For Sale*, FOX23.COM, Apr. 2, 2009, available at <http://www.fox23.com/content/solvingproblems/story/Online-Sex-For-Sale/GwqPO79BNE2vU6RWF39J4w.csp>.

Simms transported the girl to Washington, D.C., and prostituted her through advertisements on Craigslist in the “erotic services” section.<sup>59</sup>

According to United States Attorney David E. Nahmias, “The use of internet websites like ‘Craigslist’ to facilitate the sexual exploitation of vulnerable young women is a growing problem.”<sup>60</sup>

## **I. A Look At Craigslist’s Updated “Adult Services” In The United States**

Craigslist has demonstrated a total disregard for those persons violated on a daily basis by way of its site. Craigslist has made clear by its inaction that it has no intention of preventing such violations; the change of name from “erotic services” to “adult services” amounting only to a token gesture. In maintaining its advertisements for prostituted women and children, Craigslist has also demonstrated a total disregard for demands by members of the U.S. Congress that it take steps to prevent its web site from facilitating violence against women and children.<sup>61</sup>

While the pictures in the advertisements for Craigslist “adult services” are slightly less explicit than those in the international “erotic services” section, they clearly advertise prostitution, with titles such as, “AMAZING BUSTY ASIAN KOREAN GIRL JUST ARRIVE” or “A GIRL COME FROM TAIWAN.”

That the “adult services” section advertises sex with women and children for money is manifestly clear from browsing the subject headings. In reading the full content of the advertisements, it is necessary to draw reasonable inferences given that they are

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<sup>59</sup> See FBI Press Release, *District of Columbia Man Sentenced to 96 Months in Prison for Interstate Transportation of a Minor for the Purpose of Prostitution Defendant, Who Advertised on "Craigslist," Forced a 16-Year-Old Girl Into Prostitution*, July 7, 2008, available at <http://washingtondc.fbi.gov/dojpressrel/pressrel08/wf070708.htm>. See also, FBI Press Release, *El Dorado Hills Man Arrested on Sex-Trafficking Charges*, July 1, 2008, available at <http://sacramento.fbi.gov/pressrel/pressrel08/sc070108.htm>; FBI Press Release, *Florida Man Arrested on Federal Sex Trafficking Charges for Prostituting Girl He Solicited on Internet*, April 15, 2009, available at <http://losangeles.fbi.gov/dojpressrel/pressrel09/la041509.htm>.

<sup>60</sup> See FBI Press Release, *Pimp Who Claimed To Be Modeling Agent Sentenced to Prison - Reed Tricked Victim after Putting Her Photos on "Craigslist"*, June 4, 2009, available at <http://atlanta.fbi.gov/dojpressrel/pressrel09/atl060409.htm>.

<sup>61</sup> See Exhibit A, Letter from certain Members of Congress to Craig Newmark, Founder, Craigslist and James Buckmaster, Chief Executive Officer, Craigslist, June 10, 2009.



written in coded language. The code words often reveal the underlying harm and the vulnerability of the women and children involved.

For example, when a user clicks on an ad for “Avail Latina 24/7”, Posting ID: 1206234125, posted on June 5, 2009, one reads:

Greetings,

My name is Serrenna, I travel to all of Chicago and all suburbs of IL and Northwest Indiana.

Sorry, but I cannot receive any text messages and I do not pick up on private or blocked calls.

Please be a gentlemen when contacting me thank you.

Serrenna ~ 773 494 9805 (At this current time, I do not host. Out calls only.) [sic]

Serrenna, who is available seven days a week, twenty-four hours a day, “travels” to provide sex for money. Serrenna’s request that men “act like gentlemen” is most likely a code word for “please, no violent sex.” Serrenna’s request can only be described as a pathetic expression of hope that she will not be physically abused, a danger which she inevitably faces twenty-four hours a day, seven days a week. The advertisement of Serranna is one of many that describe women and children who are traveling to different locations to give sex for money.

Craigslist’s prostitution ad for Tanya in Fairbanks, Alaska, Posting ID: 1207829240, similarly notes that Tanya will only be in town temporarily:

Visiting Fairbanks June 6th thru June 13th, Visiting Anchorage June 13th thru July 21st. I am driving, so I'm also availble to stop anywhere inbetween.

I have alot of experience as a upscale quality service provider. I 'm a gorgeous blonde, with faboulous playmate looks & style. 5'4 /34B I accept Visa/MC, you may email me.[sic]

Are we to believe that Tanya is simply driving around in her car in Alaska, during a limited time period only, at her own leisure, with a credit card machine ready in hand to

process orders for “upscale quality service”? More likely she is being driven, along with other children, or she is being trafficked, in Alaska, from June 6<sup>th</sup> to July 21<sup>st</sup>.

Another Craigslist ad, entitled “High class and upscale adult services,” posting Posting ID: 1206229718 dated June 5, 2009, states that in addition to erotic massage and role playing:

By the way, I will be more than welcomed to accompany you anywhere in the United States, and I will be dressed for the occasion so that you can get an exquisite escortee. [sic]

It is probable that the particular woman or child advertised as “high class and upscale adult services” who is available “to accompany you anywhere in the United States” is being trafficked for prostitution. This could also be an advertisement from a pimp to other pimps, offering a woman or child for sale.

While Craigslist dismisses any reading between the lines of its advertisements for “adult services” as mere speculation, the number of arrests already made for the sex trafficking of minors through Craigslist should assure this Court that such inferences are entirely reasonable.

A police detective from the San Bernardino County region in California reported that in one weekend in December 2007, 700 people advertised in Craigslist’s “erotic services” category, as it was then called.<sup>62</sup> The tremendous volume of Craigslist’s prostitution advertisement across the United States and across the globe is allowing the sex trafficking industry to thrive; in return, Craigslist becomes increasingly profitable as it has access to more users and charges fees.

#### **J. A Look At Craigslist’s “Erotic Services” In Vietnam, Panama And Indonesia**

If there were any doubt that Craigslist has become an international, on-line “Las Vegas,” an on-line sex provider that profits from sex trafficking, one need look no further than two identical posts which happen to appear in Craigslist’s “erotic services” category

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<sup>62</sup> See Jessica Logan, *Internet Replacing Streetwalking for Inland Prostitution*, THE PRESS ENTERPRISE, Jan. 1, 2008, available at [http://www.pe.com/localnews/sbcounty/stories/PE\\_News\\_Local\\_S\\_prostitution02.9893.html](http://www.pe.com/localnews/sbcounty/stories/PE_News_Local_S_prostitution02.9893.html).

currently available in Vietnam and Panama (Craigslist did not consider it necessary to change the name of its international "erotic services" advertisements):

The Trip You Always Wanted To Vietnam - w4m  
(Vietnam)

Reply to: pers-8ueej-1206316934@craigslist.org Date:  
2009-06-05, 5:20PM ICT

Vietnam travel in your future plans? Change the way you plan your travel. This trip stop dreaming and wishing and start making your dreams come true. It is time to check it out for your self. See and taste and feel what everyone is talking about. All of it is true everything you have read and heard about the Asian sex scene is true only it is way, way better. Whether you are traveling to Thailand, China, Korea or Japan and points in between I can help you. I offer an information service that gives you the knowledge to arrive here and not waste any time or money wondering where to go, what to do or how much to pay. This trip spend your time having fun and all the sex you want. This trip leave prepared and know before you leave where you are going, what you are doing and how much you are paying. Save your self time and money and worry and leave prepared. This trip do the work upfront and then have as much sex as you want when you want it.

Location: Vietnam

it's NOT ok to contact this poster with services or other commercial interests

PostingID: 1206316934

\*\*\*\*\*

For The Trip You Always Wanted To Panama - w4m  
(Panama)

Reply to: pers-rkgkj-1206328806@craigslist.org Date:  
2009-06-05, 5:55AM EST

Panama travel in your future plans? Change the way you plan your travel. This trip stop dreaming and wishing and start making your dreams come true. It is time to check it out for your self. See and taste and feel what everyone is

talking about. All of it is true everything you have read and heard about the Latin America sex scene is true only it is way, way better. Whether you are traveling to Costa Rica, Brazil, Argentina or Dominican Republic and points in between I can help you. I offer an information service that gives you the knowledge to arrive here and not waste any time or money wondering where to go, what to do or how much to pay. This trip spend your time having fun and all the sex you want. This trip leave prepared and know before you leave where you are going, what you are doing and how much you are paying. Save your self time and money and worry and leave prepared. This trip do the work upfront and then have as much sex as you want when you want it.

Location: Panama

it's NOT ok to contact this poster with services or other commercial interests.

Even blatant prostitution advertisements such as these, aimed at businessmen and tourists looking for women and children for sex in developing countries, may have additional purposes. They may also enable those who are trafficking in women and children to trade them over the internet.

In Craigslist's ads for "erotic services" in Indonesia, one comes across advertisements from a "Western business" man seeking a sexual companion:

Western man and regular visitor seeking young asian girl for fun or more. send pics and detail if interested.

Location: Grand Hyatt Bali

it's NOT ok to contact this poster with services or other commercial interests. PostingID: 1190937002<sup>63</sup>

It is likely that, rather than receive a response from a "young Asian girl" this "Western business man" will likely receive a message from an Indonesian pimp. Or perhaps, this "Western business man" is a pimp himself, looking to acquire or trade in young Asian girls. Perhaps the "young Asian girl" that is sold to him through this site then becomes the "exotic Asian girl" on Craigslist in New York, Chicago or Las Vegas.

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<sup>63</sup> Craigslist's "erotic services" web site categories in Bali, Indonesia, Panama and Vietnam, last visited on June 7, 2009, available at <http://www.craigslist.org/about/sites>.

It is a fact that sex traffickers earn huge sums for their victims. According to studies conducted by the United Nations, prostituted Asian women and girls in the United States and Japan may be sold for up to \$20,000 each. Trafficking all over the globe has soared thanks to the growth of sex tourism, an industry blatantly advertised through Craigslist.<sup>64</sup>

Craigslist cannot deny that its web site provides an extraordinary opportunity for the coordination of transnational sex trafficking, from Indonesia to the United States.

#### **K. Craigslist's Profitability, Power And Corporate Responsibility**

While Craigslist is not a publicly traded company and does not release information concerning its profits, financial news analysts observe that the company that "is indifferent to money [...] gushes profits." In particular, Craigslist is "burning up the market" in classified advertisement.<sup>65</sup> A recent article in the *New York Times* which estimated Craigslist's profits to be over 100 million forgot to mention how much of those estimated profits were derived from Craigslist's "adult" and "erotic services."<sup>66</sup> The *New York Times* based its information on a report by the AIM Group. According to the report prepared by the AIM Group and released on June 10, 2009, Craigslist's projected revenues from "erotic" and "adult services" combined for one month only amounts to over five million, an estimate it describes as conservative.<sup>67</sup> Projected over a year, it is fair to estimate that Craigslist's global profits from its adult/erotic services ads will constitute over half of its overall profits.<sup>68</sup>

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<sup>64</sup> See Press Release, United Nations, *New Global Treaty to Combat Sex Slavery of Women and Girls* (February 2000), available at <http://www.un.org/events/10thcongress/2098.htm>.

<sup>65</sup> See Adam Lashinsky, *Burning Sensation*, CNN MONEY.COM, December 12, 2005, available at [http://money.com/magazines/fortune/fortune\\_archive/2005/12/12/8363113/index.htm](http://money.com/magazines/fortune/fortune_archive/2005/12/12/8363113/index.htm).

<sup>66</sup> See Brad Stone, *Craigslist Revenue Is Said To Top \$100 Million*, N.Y. TIMES, June 9, 2009, available at <http://www.nytimes.com/2009/06/10/technology/internet/10craig.html?ref=business>.

<sup>67</sup> See Exhibit B, *Craigslist Tops \$100 Million Revenue*, Classified Intelligence Report, AIM Group Vol. 10, No. 11, June 10, 2009.

<sup>68</sup> One of the AIM Group's clients is Ebay. Ebay owns 24% of Craigslist. One of the AIM Group's employees has openly denounced lawsuits concerning Craigslist's adult/erotic services web site on the AIM Group blog. See Peter Zollman, *AGs Keep Blathering About Craigslist; Now They're Targeting Other Sites, As Well*, AIM GROUP BLOG, May 26, 2009, available at

While Craigslist made the rather ambiguous claim in its Memorandum in Support of its Motion for Judgment on the Pleadings that net proceeds from its “erotic services” section would be donated to charity,<sup>69</sup> it has since backed down from that position. Since posting the newly revised “adult services” section in the United States, Jim Buckmaster has said that “[w]e are making no representation regarding how revenue from the “adult services” category will be used.”<sup>70</sup>

In any event, it is not at all clear what Craigslist had meant by “net proceeds” with respect to its profits over “erotic services.” Moreover, it is unimaginable to think that charities would wish to receive proceeds from sex trafficking. CATW can assure this Court and has assured Craigslist that it does not wish to receive one penny derived from the profits of sexual exploitation.<sup>71</sup>

For as long as websites such as Craigslist create advertisements for prostitution, they contribute to not only the world’s oldest oppression, but to one of the most serious human rights abuses imaginable.

While Las Vegas is just one city attracting sex trafficking from all over the globe, Craigslist’s universe goes from Alaska all the way to Vietnam, allowing coordination between sex traffickers between different countries. Craigslist is a powerful company that receives tremendous profits from its ability to advertise anywhere at any time. With that power comes responsibility. The trafficking of women and children that occurs through Craigslist is prohibited under domestic and international law.

In addition, Craigslist has a corporate social responsibility (*CSR*) to address the issue of sex trafficking and the prostitution of persons that occurs every day by way of its site. To date, the United States has chosen to document its CSR policies, principles and

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<http://aimgroup.com/index.php/article/ags-wont-give-up-on-craigslist-theyre-now-targeting-other-sites-as-well>.

<sup>69</sup> Memorandum in Support of Craigslist’s Motion for Judgment on the Pleadings at 3, footnote 1.

<sup>70</sup> Jenn Abelson, *Craigslist Changes Get Early Approval, But Advocates Wait To See If Ads Make A Return*, BOSTON GLOBE, June 2, 2009, available at [http://www.boston.com/business/articles/2009/06/02/craigslist\\_ad\\_changes\\_get\\_early\\_approval](http://www.boston.com/business/articles/2009/06/02/craigslist_ad_changes_get_early_approval).

<sup>71</sup> See Exhibit C, Letter from Norma Ramos, Co-Executive Director, CATW, to Craig Newmark, Founder, Craigslist, December 1, 2008.

aspirations in soft law instruments; one notable example being the OECD Guidelines for Multinational Enterprises (the *OECD Guidelines*).

The OECD Guidelines provide that multinationals need to “respect the human rights of those affected by their activities consistent with the host government’s international obligations and commitments,” and “support and uphold good corporate governance principles and develop and apply good corporate governance practices.”<sup>72</sup>

Even “absent a legal duty, [multinational corporations have] an ethical or moral duty to respect the fundamental human rights contained in the Universal Declaration of Human Rights.”<sup>73</sup>

While the OECD Principles constitute soft law, they are nevertheless guiding principles and should be taken into account when conducting global business such as the global advertisement business of Craigslist.

Craigslist must therefore take positive action to protect the women and children made vulnerable and exploited through its website by entirely eliminating the “adult services” section from its web site. Craigslist could set an *industry standard* by no longer hosting such advertisements. This would go a long way towards creating a human trafficking-free internet.

Craigslist continues to cynically profit from the rank exploitation of others by functioning as an online pimp, rendering Craigslist complicit in sexual exploitation.

Craig Newmark has observed regarding the nature of his business, “[w]e’re just motivated by the same values we all learn in Sunday school or the equivalent. The Golden Rule and that it’s more important to help people.”<sup>74</sup> Ceasing his facilitation of human trafficking through the use of his website would be the powerful alignment of action in support of those words.

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<sup>72</sup> OECD, GUIDELINES FOR MULTINATIONAL ENTERPRISES 14 (2008), available at <http://www.oecd.org/dataoecd/56/36/1922428.pdf>.

<sup>73</sup> Barbara A. Frey, *The Legal and Ethical Responsibilities of Transnational Corporations in the Protection of International Human Rights*, 6 MINN. J. GLOBAL TRADE 153, 164 (1997).

<sup>74</sup> See Adam Lashinsky, *Burning Sensation*, CNNMONEY.COM, December 12, 2005, available at [http://money.com/magazines/fortune/fortune\\_archive/2005/12/12/8363113/index.htm](http://money.com/magazines/fortune/fortune_archive/2005/12/12/8363113/index.htm).

### III. CONCLUSION

For these reasons, the Court should deny defendant Craigslist's motion for judgment on the pleadings.

Dated: July 10, 2009  
New York, New York

Respectfully submitted,

Norma Ramos, Esq.  
Coalition Against Trafficking in Women  
PO Box 7427  
Jaf Station  
New York, New York 10116  
(212) 643-9895

/s/ Alexander A. Yanos  
Alexander A. Yanos  
Ruth Teitelbaum  
Freshfields Bruckhaus Deringer US LLP  
520 Madison Avenue, 34<sup>th</sup> Floor  
New York, New York 10022  
(212) 277-4000

This *amicus curiae* brief has been endorsed by the following individuals and organizations:

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Executive Director  
Chicago Alliance Against Sexual Exploitation (CAASE)

Frank N. Barnaba  
President  
The Barnaba Institute

Taina Bien-Aime  
Executive Director  
Equality Now

Catharine A. MacKinnon, Elizabeth A. Long Professor of Law, University of Michigan Law School, and long-term visitor, Harvard Law School (affiliation for identification purposes only)

Rachel Lloyd  
Executive Director  
Girls Educational & Mentoring Services (GEMS)



Annie Fukushima  
Founder & Director  
Students & Artists Fighting to End Human Slavery

Ambassador Swanee Hunt  
President  
Hunt Alternatives Fund

Jenny Rivera  
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Rights and Equality  
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Melissa Farley, Ph.D.  
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Victor Malarek  
Author, THE JOHNS AND THE NATASHAS

Sonia Ossorio  
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NOW-NYC

Allen Wilson  
Co-Executive Director  
The SAGE Project, Inc.

Francine Braae  
Co-Executive Director  
The SAGE Project, Inc.

Jonathan Tasini  
Executive Director  
Labor Research Association

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University of Texas at Austin

Robert Brannon, PhD  
Co-Founder  
National Organization for Men Against Sexism (NOMAS)

Dr. Laura Lederer  
Global Centurion  
Kathy Maskell  
U.S. Advocacy Director  
Love146

M. Liliane Kohl and Denise Grossman  
Chairs  
The Temple Committee Against Human Trafficking  
Montreal, Canada

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Michael Cory Davis  
Founder/Filmmaker  
The Journey Film Group, Inc.

R. Lindsey Parsons, EdD  
Manager, Finance and Human Resources at Tower Wealth Management  
Tallahassee, FL

Emily Fitzpatrick  
Founder/President  
On Eagles Wings Ministries & Hope House Project  
Asheville, NC

Lacie Morrison  
Freedom Initiative  
Seattle, Washington

Linda Caswell  
Founder  
Hadassah House  
Oklahoma City, Oklahoma

Cindy Wilkins  
President  
Groups On Tour, LLC

Tracy Sproul

# **Exhibit A**



**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

June 10, 2009

Mr. Craig Newmark, Founder  
Mr. James Buckmaster, Chief Executive Officer  
Craigslist  
1381 9th Ave.  
San Francisco, CA 94122-2308

Dear Mr. Newmark and Mr. Buckmaster:

As Members of Congress involved with the recent passage of the William Wilberforce Trafficking Victims Protection Act, we are deeply disturbed by the number of violent crimes that have resulted from the “Erotic Services” section of Craigslist. According to *The Washington Post*, “[i]n the Washington area, according to police, at least 50 women have been raped or severely beaten in the past two years by men who responded to ads they posted on Craigslist.”<sup>1</sup> Just over half of rape victims do not report the crime<sup>2</sup>. This statistic, coupled with the number of cities your company serves, leads us to believe that the number of crimes that may result from your site could be staggering.

While we were pleased to note the recent agreement reached between your company and various State Attorneys General to discontinue the “Erotic Services” section, we have a series of questions that we hope will demonstrate your commitment to ending the violence which has resulted from it. It is imperative that creating an “Adult Services” section to replace the aforementioned section must not simply shift the same solicitations to a newly entitled section, but instead must lead to fundamental change.

- Please provide a copy of the standards for the “Adult Section.” What process was used to develop these standards? Who are the individuals who developed these standards, and what are their professional backgrounds? What, if any, formal affiliation do they have with Craigslist?
- How many personnel will be hired to screen the “Adult Section” listings and to monitor the would-be advertisers?

---

<sup>1</sup> Aaron C. Davis, *Online Sex Connections Linked to False Sense of Security*, THE WASHINGTON POST May 21, 2009 at B1

<sup>2</sup> <http://www.rainn.org/get-information/legal-information/reporting-rape>

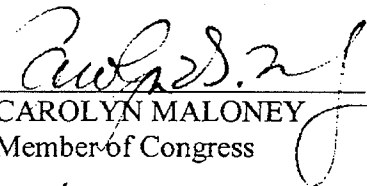
- What means do you intend to employ to ensure that those who seek listings in the new “Adult Section” are not victims of unlawful trafficking, and that the “users” of their “services” are not unlawful, paying customer johns or violent abusers?
- What level of cooperation do you intend to establish with police agencies to ensure the enforcement of criminal laws and the facilitation of criminal investigations?
- What training will your staff receive to ensure that they can properly apply your promulgated standards?
- What supervision and auditing will take place to ensure proper application of the standards?
- What accountability will there be for employees – and for Craigslist – if listings for illegal activity are posted?

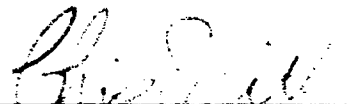
The evidence suggests that Craigslist’s “Erotic Services” section abetted unlawful commercial sex trafficking. It seems clear that anyone viewing the listings would recognize the purpose and illegality of them and the euphemisms such as “roses per hour” and “donations” in place of payment fees.


Collectively, we have a long-documented history of action on issues related to sex-trafficking which is why we are particularly concerned by events that have resulted from use of your site. We hope that in the coming weeks you will ensure that your stated reforms meet their intended goals to end the abetting of prostitution and human trafficking.

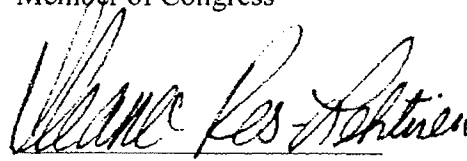
We ask for a written response to the questions posed in this letter and request a meeting to go over these issues. Should you have any questions, please contact Orly Isaacson with Representative Maloney at 202.225.7944.

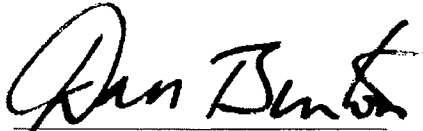
Sincerely,

  
 CAROLYN MALONEY  
 Member of Congress

  
 CHRISTOPHER H. SMITH  
 Member of Congress

  
 KAY GRANGER  
 Member of Congress

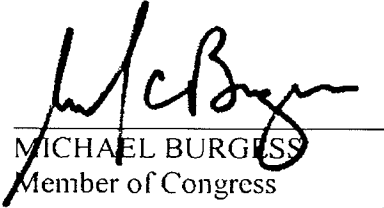
  
 ILEANA ROS-LEHTINEN  
 Member of Congress



DAN BURTON  
Member of Congress



FRANK WOLF  
Member of Congress



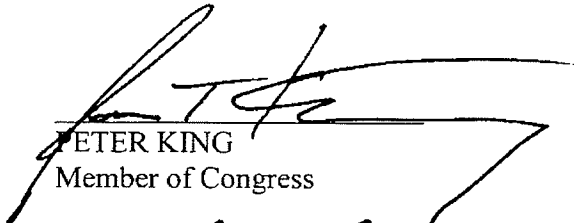
MICHAEL BURGESS  
Member of Congress



JO ANN EMERSON  
Member of Congress



CATHY MCMORRIS RODGERS  
Member of Congress



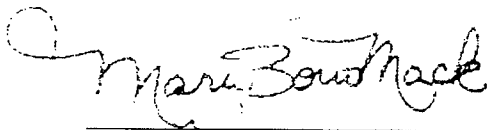
PETER KING  
Member of Congress



ANH JOSEPH CAO  
Member of Congress



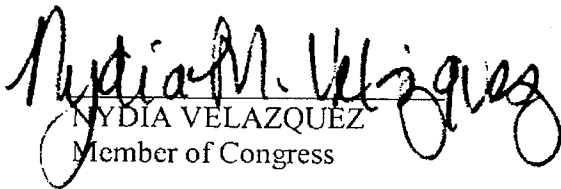
JEFF FORTENBERRY  
Member of Congress



MARY BONO MACK  
Member of Congress



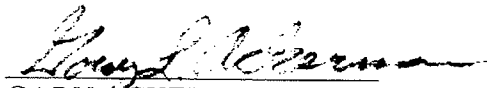
STEVEN LATOURETTE  
Member of Congress



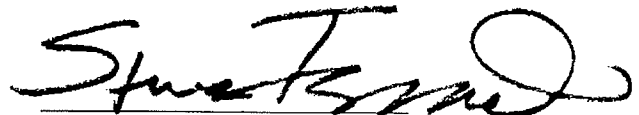
NYDIA VELAZQUEZ  
Member of Congress



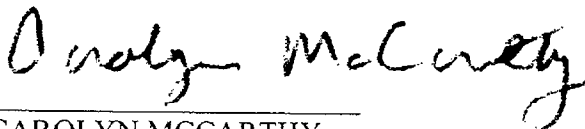
YVETTE CLARKE  
Member of Congress



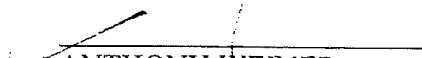
GARY ACKERMAN  
Member of Congress



STEVE ISRAEL  
Member of Congress



CAROLYN MCCARTHY  
Member of Congress



ANTHONY WEINER  
Member of Congress

*Diane E. Watson*

DIANE WATSON  
Member of Congress

*Paul Tonko*

PAUL TONKO  
Member of Congress

*Daniel E. Lungren*

DAN LUNGREN  
Member of Congress

*Brian Higgins*

BRIAN HIGGINS  
Member of Congress

*Gwen Moore*

GWEN MOORE  
Member of Congress

*Brian P. Bilbray*

BRIAN BILBRAY  
Member of Congress



## **Exhibit B**

# classified intelligence report

Consulting Services to the Classified Advertising Industry

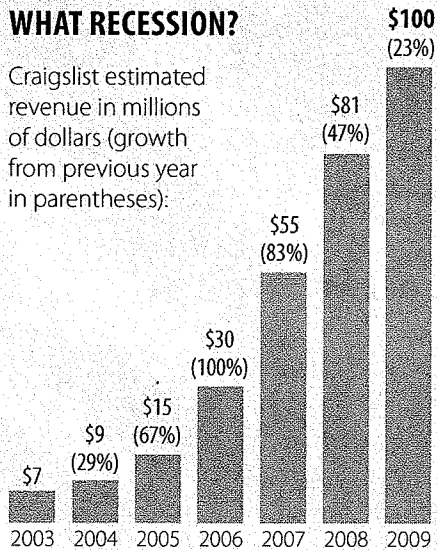
Vol. 10 No. 11

June 10, 2009

## Craigslist tops \$100 million revenue

### WHAT RECESSION?

Craigslist estimated revenue in millions of dollars (growth from previous year in parentheses):



### 2009 DETAIL

Source	1-month revenue	Projected revenue
Jobs	\$4,930,000	12 months: \$59,160,000
Apts / Housing	\$888,000	12 months: \$10,656,000
Erotic	\$2,550,000	5 months: \$12,750,000
Adult	\$2,550,000	7 months: \$17,850,000
<b>TOTAL</b>		<b>All 2009: \$100,416,000</b>

AIM Group estimates

### Inside

#### Craigslist

Craigslist revenue: 100 million smackers

June trial set on eBay's suit over alleged share reduction

Who shares free-ad space with Craigs?

Craigslist is law-abiding

#### general

Adicio, Gabriels thrive in tough economy

#### real estate

Zillow COO talks to CI



Photo illustration generated at obamicon.me

Craig Newmark

# Craigslist revenue: 100 million smackers

By PETER M. ZOLLMAN

Craigslist, the most important global force in classified advertising today, up 23 percent over its 2008 revenue, according to an analysis by the AIM Group / Classified Intelligence. And our \$100 million estimate may be very conservative; we believe revenue could easily exceed the nine-figure mark.

Despite the general decline in recruitment advertising in the United States and globally, and despite the fact that Craigslist charges nominal rates for recruitment ads in just 18 cities (all of them in the U.S.), we expect the company to generate almost \$60 million in help-wanted ads this year. And it could easily double that number by adding fees for advertising in, say, a dozen cities – which increases the site’s effectiveness for advertisers, despite the fact that they have to pay.

Owned primarily by founder Craig Newmark and CEO Jim Buckmaster, with at least 24 percent held by unhappy shareholder EBay, Craigslist is a highly profitable site with core values more like a not-for-profit community organization. And while it could readily double or even triple its revenue by charging in more cities, it’s doesn’t seem interested in doing so. In the “factsheet” about Craigslist on the site, it explains that it’s not driven to generate revenue because “we rely on local communities to suggest ways to make money without compromising Craigslist.”

Even so, it’s not without its problems.

Craigslist has increasingly been under assault recently:

- Attorneys general in several U.S. states challenged Craigslist about its “erotic services” category. Initially, the company signed an agreement in November with 43 states to self-regulate that category, but in May it shut down “erotic” services entirely and replaced it with “adult” services, neatly sidestepping the deal it had signed. And where under the original agreement it had planned to donate all proceeds from “erotic” ads to charity, under the new “adult” category Craigslist says it will decide whether to do so, or not. That certainly means additional millions in revenue for Craigslist.

- Kijiji and its counterparts, owned by EBay, have beaten Craigslist to the punch in some countries. While Craigslist is run like a not-for-profit, and Buckmaster repeatedly says the company is not concerned about com-

## ON THE WEB

Here are some relevant links to this Craigslist report:

Craigslist circa 1998:

<http://tinyurl.com/craig98>

Craigslist Foundation annual report:

<http://tinyurl.com/r72cq2> (PDF)

“Boot Camp” for non-profits:

<http://tinyurl.com/r22bgz>

Craigslist compares job-site prices:

<http://tinyurl.com/oj22dg>

Joint agreement with 43 attorneys general:

<http://tinyurl.com/ofdnhg> (PDF)

Connecticut AG’s timeline:

<http://tinyurl.com/p5bh7b>

Craigslist lawsuit against South Carolina AG:

<http://tinyurl.com/r8w9ww> (PDF)

Craigslist petition for TRO against South Carolina AG:

<http://tinyurl.com/p64yog> (PDF)

Cook County (Ill.) sheriff’s lawsuit:

<http://tinyurl.com/qaggw8> (PDF)

Motion to dismiss Cook County sheriff’s suit:

<http://tinyurl.com/qk8ql7> (PDF)

EBay’s lawsuit against Craigslist:

<http://tinyurl.com/onpp92>

petition or about revenue, Kijiji and EBay are decidedly for-profit efforts, and they play an increasingly important role in EBay’s long-term strategy to manage multiple tools for business-to-consumer, consumer-to-consumer and even business-to-business sales of merchandise and autos. EBay noted revenue in its classifieds businesses grew 57 percent in 2008 – a very difficult year for classifieds in general, globally. (Of course, EBay’s classified revenue started from a very small base. No matter; compare that with the increase of 47 percent in Craigslist’s 2008 estimated revenue, and a drop of nearly 30 percent in newspaper classified revenue in the United States in 2008, and you get the picture.)

- The term “Craigslist killer” has become part of the lexicon, unfortunately, and frankly, we think, most unfairly. At least three killings and at least two attempted killings-

Continued on **Page 3**

## Craigslist revenue

Continued from **Page 2**

for-hire have been linked to Craigslist – along with literally thousands of other crimes and prostitution arrests. While crime has been associated with classifieds long before there was an Internet, even, the notoriety does not reflect well on Craigslist. (It may help increase the site's profile, and thus its page-views, but we're confident the whole crime-on-Craigslist thing doesn't sit well with either Buckmaster or Newmark.)

- Growth in traffic, page-views and the number of cities Craigslist penetrates appears to be slowing. It can't increase exponentially forever. However, if you're running a non-profit – or you're thinking like one – that may not matter so much.

The AIM Group estimated revenue for Craigslist the way it has for the last seven years, by simply counting the number of paid ads for a given period and extrapolating an annual figure. It's not a flawless method, but it's remarkably simple.

We're extremely conservative in our approach; Craigslist's revenue should top \$100 million this year, even without any changes. And if it added new cities or categories where it is charging for ads, or if the "adult services" category generates significantly more, it will easily exceed our expectations.

Our revenue research this year was complicated by the fact that in the middle, Craigslist switched from "erotic" ads – which were essentially a non-revenue item, since the company had agreed to donate all of that revenue to charity – and moved to "adult services." In his blog post about the change, Buckmaster noted that while all revenue from erotic services

ads was to be donated to charity, "we are making no representation regarding how revenue from the 'adult services' category will be used." Thus, the company will probably profit greatly from the millions that category is likely to generate. Our estimate of \$17.9 million for 2009 is based only on 150 cities, so revenue is likely to be considerably higher.

Craigslist has always been a low-cost business. The company proudly proclaimed for many years that it employed just 25 people or so in "a Victorian house in the Inner Sunset neighborhood of San Francisco." Its primary expenses are servers (located in San Francisco and Phoenix), bandwidth, some programmers and customer-service representatives. It's now up to about 30 employees, and because it has committed to have each adult services ad reviewed before it is posted, it may have to ramp up hiring. (Reviews of those ads, of course, could be done by an outside party or performed outside the U.S. at lower costs.)

The company has long cooperated with police and prosecutors in cases of crime tied to Craigslist; in fact, Newmark, who now calls himself "founder and customer service rep," spends a lot of his time answering e-mails and working with law enforcement or other agencies to track down people using Craigslist illegally or improperly. When South Carolina Attorney General Henry McMaster threatened the company with prosecution for hosting ads from prostitutes – ads that are clearly protected by the federal Communications Decency Act – the company fired back. It filed a preemptive lawsuit to block McMaster from taking action, and, a few days

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## classifiedintelligence report

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# CRAIGSLIST REVENUE: CITY-BY-CITY CALCULATIONS

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue	Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>ATLANTA</b>						<b>ORANGE COUNTY</b>					
Auto	52,000					Auto	32,100				
Jobs	4,600	\$25.00	\$115,000	12	\$1,380,000	Jobs	6,700	\$25.00	\$167,500	12	\$2,010,000
Real Estate	24,500					Real Estate	16,400				
Erotic	2,100	\$6.25	\$13,125	5	\$65,625	Uncounted					
Adult	1,100	\$6.25	\$27,500	7	\$192,500	Adult	1,600	\$6.25	\$40,000	7	\$140,000
<b>Total</b>			<b>\$155,625</b>		<b>\$1,638,125</b>	<b>Total</b>			<b>\$175,000</b>		<b>\$2,150,000</b>
<b>BOSTON</b>						<b>PHILADELPHIA</b>					
Auto	20,000					Auto	23,300				
Jobs	11,000	\$25.00	\$275,000	12	\$3,300,000	Jobs	5,100	\$25.00	\$127,500	12	\$1,530,000
Real Estate	5,500					Real Estate	13,500				
Erotic	1,200	\$6.25	\$7,500	5	\$37,500	Erotic	900	\$6.25	\$5,625	5	\$28,125
Adult	700	\$6.25	\$17,500	7	\$122,500	Adult	700	\$6.25	\$17,500	7	\$122,500
<b>Total</b>			<b>\$300,000</b>		<b>\$3,460,000</b>	<b>Total</b>			<b>\$150,625</b>		<b>\$1,680,625</b>
<b>CHICAGO</b>						<b>PHOENIX</b>					
Auto	23,400					Auto	51,200				
Jobs	9,400	\$25.00	\$235,000	12	\$2,820,000	Jobs	5,200	\$25.00	\$130,000	12	\$1,560,000
Real Estate	24,400					Real Estate	26,100				
Erotic	2,300	\$6.25	\$14,375	5	\$71,875	Erotic	1,300	\$6.25	\$8,125	5	\$40,625
Adult	700	\$6.25	\$17,500	7	\$122,500	Adult	800	\$6.25	\$20,000	7	\$140,000
<b>Total</b>			<b>\$266,875</b>		<b>\$3,014,375</b>	<b>Total</b>			<b>\$158,125</b>		<b>\$1,740,625</b>
<b>DALLAS</b>						<b>PORTLAND</b>					
Auto	70,000					Auto	25,200				
Jobs	6,200	\$25.00	\$155,000	12	\$1,860,000	Jobs	5,600	\$25.00	\$140,000	12	\$1,680,000
Real Estate	18,800					Real Estate	10,000				
Erotic	1,600	\$6.25	\$10,000	5	\$50,000	Erotic	500	\$6.25	\$3,125	5	\$15,625
Adult	500	\$6.25	\$12,500	7	\$87,500	Adult	500	\$6.25	\$12,500	7	\$87,500
<b>Total</b>			<b>\$177,500</b>		<b>\$1,997,500</b>	<b>Total</b>			<b>\$155,625</b>		<b>\$1,783,125</b>
<b>DENVER</b>						<b>SACRAMENTO</b>					
Auto	36,800					Auto	17,900				
Jobs	5,700	\$25.00	\$142,500	12	\$1,710,000	Jobs	3,500	\$25.00	\$87,500	12	\$1,050,000
Real Estate	14,400					Real Estate	2,800				
Erotic	700	\$6.25	\$4,375	5	\$21,875	Erotic	1,100	\$6.25	\$6,875	5	\$34,375
Adult	400	\$6.25	\$10,000	7	\$70,000	Adult	500	\$6.25	\$12,500	7	\$87,500
<b>Total</b>			<b>\$156,875</b>		<b>\$1,801,875</b>	<b>Total</b>			<b>\$106,875</b>		<b>\$1,171,875</b>
<b>HOUSTON</b>						<b>SAN DIEGO</b>					
Auto	38,600					Auto	21,100				
Jobs	4,400	\$25.00	\$110,000	12	\$1,320,000	Jobs	8,100	\$25.00	\$202,500	12	\$2,430,000
Real Estate	8,800					Real Estate	6,200				
Erotic	800	\$6.25	\$5,000	5	\$25,000	Erotic	1,700	\$6.25	\$10,625	5	\$53,125
Adult	300	\$6.25	\$7,000	7	\$52,500	Adult	1,500	\$6.25	\$7,500	7	\$262,500
<b>Total</b>			<b>\$122,500</b>		<b>\$1,397,500</b>	<b>Total</b>			<b>\$250,625</b>		<b>\$2,745,625</b>
<b>LOS ANGELES</b>						<b>SEATTLE</b>					
Auto	40,300					Auto	41,400				
Jobs	19,600	\$25.00	\$490,000	12	\$5,880,000	Jobs	10,400	\$25.00	\$260,000	12	\$3,120,000
Real Estate	8,600					Real Estate	17,200				
Erotic	2,600	\$6.25	\$16,250	5	\$81,250	Erotic	1,300	\$6.25	\$8,125	5	\$40,625
Adult	3,500	\$6.25	\$87,500	7	\$612,500	Adult	900	\$6.25	\$22,500	7	\$157,500
<b>Total</b>			<b>\$593,750</b>		<b>\$6,573,750</b>	<b>Total</b>			<b>\$290,625</b>		<b>\$3,318,125</b>
<b>MIAMI</b>						<b>SAN FRANCISCO BAY AREA</b>					
Auto	46,800					Auto	40,900				
Jobs	7,100	\$25.00	\$177,500	12	\$2,130,000	Jobs	15,900	\$75.00	\$1,192,500	12	\$14,310,000
Real Estate	35,700					Real Estate	12,700				
Erotic	1,800	\$6.25	\$11,250	5	\$56,250	Erotic	4,400	\$6.25	\$27,500	5	\$137,500
Adult	1,100	\$6.25	\$27,500	7	\$192,500	Adult	3,100	\$6.25	\$77,500	7	\$542,500
<b>Total</b>			<b>\$216,250</b>		<b>\$2,378,750</b>	<b>Total</b>			<b>\$1,297,500</b>		<b>\$14,990,000</b>
<b>NEW YORK CITY</b>						<b>WASHINGTON</b>					
Auto	28,900					Auto	17,300				
Jobs	26,200	\$25.00	\$655,000	12	\$7,860,000	Jobs	10,700	\$25.00	\$267,500	12	\$3,210,000
Real Estate	27,000					Real Estate	7,400				
Apts/Housing	88,800	\$10.00	\$888,000	12	\$10,656,000	Erotic	1,900	\$6.25	\$11,875	5	\$59,375
Erotic	9,500	\$6.25	\$59,375	5	\$296,875	Adult	1,500	\$6.25	\$7,500	7	\$262,500
Adult	7,600	\$6.25	\$190,000	7	\$1,330,000	<b>Total</b>			<b>\$316,875</b>		<b>\$3,531,875</b>
<b>Total</b>			<b>\$1,792,375</b>		<b>\$20,142,875</b>	<b>ADULT LISTINGS, OTHER U.S. CITIES</b>					
						50 other U.S. markets (Pop. >250,000)	30,000	\$6.25	\$750,000	7	\$5,250,000
						Average x 85 cities (Pop. > 150,000 < 250,000)	39,100	\$6.25	\$977,500	7	\$6,842,500
						<b>Total</b>			<b>\$1,727,500</b>		<b>\$12,097,500</b>

## Projections

- 2009 revenue: \$100 million
- That's almost \$60 million in job ads
- More than \$10 million in NYC rentals
- An estimated \$12.8 million for first five months of 2009 in the now-canceled erotic-services category in 150 U.S. cities.
- A projected \$17.9 million in adult-services revenues in 150 U.S. cities.
- Craigslist pulls in at least \$1.8 million a month in NYC; \$1.3 million a month in the San Francisco Bay Area; and almost \$600,000 a month in Los Angeles.

## Methodology

- One-month count in jobs in 18 cities, rounded to the nearest 100. Multiplied by 12 months.
- One-month count of broker-represented apartments in NYC, rounded to the nearest 100. Multiplied by 12 months.
- One-week count of adult-service ads in 58 cities with populations above 250,000. Ads were rounded to the nearest 100. Multiplied by the remaining weeks of the

year. Estimates for 85 cities smaller than 250,000 population were derived by averaging the ads in the 58 larger markets and dividing by half (smaller markets typically report a smaller number of listings).

- One-month calculation of erotic services in 150 cities were derived by taking a 5/7 proportion of adult services ads.
- We also counted one month of automotive and real estate listings in the 18 cities in which Craigslist also charges for job ads. We made no attempt to delete duplicates.

## Notes

Note 1: Craigslist charges \$10 per ad per seven days, \$5 per reposting per week. If an ad runs for one week and is reposted three consecutive weeks for a one-month run, the total price for that ad per month is \$25. Divided by 4 weeks, that makes the average price per ad in the Adult category \$6.25. Our projections are computed on this basis.

Note 2: We could not count the Erotics category in Orange County because the category has been removed.

## Craigslist revenue

Continued from **Page 3**

later after (potentially) scoring some political points in the conservative Southern state, McMaster accepted a temporary order blocking him from following through on his threats. The Electronic Freedom Forum, a free-speech organization, said the company caved on the "erotic" vs. "adult services" in "a sad and all-too-familiar [lesson]: Bullies often get their way when no one stands up to them."

While it's being hammered in the media but raking in huge chunks of cash, Craigslist hasn't been sitting quietly as it did in its early days and waiting for growth to come organically. Although the site spends essentially nothing on marketing and advertising, it has added support of French, German, Italian, Portuguese and Spanish in its classifieds during the past year or so, and has also added native-language "skins" to serve users in countries where English is not the first language. Those are radical changes for the site, which still uses a design that's almost as basic (except for growth and additional categories) to the Web 1.0 home

page it launched in 1995. (Here's what it looked like in 1998: <http://tinyurl.com/craig98> )

As part of its non-profit-like behavior, Craigslist helps fund the Craigslist Foundation, founded in 2000 by Newmark. The fund, which reported income in 2007 of \$823,000, provides information to non-profits through a Web site and through "boot camps" where speakers talk about board governance, marketing, finance and public relations for organizations. The fund reported program spending of \$543,000 and expenses of \$248,000 in 2007. (The report for 2008 hasn't been published yet.)

With 20 billion page-views, 40 million new ads posted and 50 million users each month globally (40 million of them in the U.S.), according to Craigslist, the site is a behemoth that is having a profound effect on every aspect of classifieds. Where it goes from here – more towards profits, more towards "community;" selling out to eBay (doubtful) or buying out eBay's share (equally doubtful); taking on the reluctant role of defender of Internet freedom, or not – is what makes our job watching Craigslist interesting.

## June trial set on EBay's suit over alleged share reduction

A June 22 trial is scheduled in Delaware Chancery Court in the battle between Craigslist and EBay, Craigslist's only independent shareholder.

In a lawsuit filed April 22, 2008, EBay accuses Craigslist founder Craig Newmark and CEO Jim Buckmaster of trying to manipulate Craigslist's stock to cut out EBay's interest after it launched a competing free-classified site in the United States.

Neither company is speaking publicly about the lawsuit these days; the only information is available in court filings and on Buckmaster's blog, <http://blog.craigslist.org/>. But Craigslist's attorneys, Perkins Coie LLP of Seattle, confirmed the court date.

The suit, which was met with a countersuit by Craigslist, charges Newmark and Buckmaster with "breaching their fiduciary duties of care, loyalty and good faith" to EBay through "self-dealing transactions ... designed specifically to benefit themselves to the detriment of EBay."

The battle is over about 25 percent of the shares in Craigslist, which were sold by Phillip Knowlton, a former staffer who received the stock from Newmark. (*See CIR 5.16, Aug. 24, 2004.*) After Knowlton left the company, his shares were shopped in a private offering to dozens of companies (including many newspaper companies, which decided to pass them up). EBay paid a price we estimated at \$10 million to \$12 million. Because the purchase was not considered material to EBay financially in 2004, the company did not have to publicly disclose what it paid.

EBay placed founder Pierre Omidyar on the Craigslist board of directors, and the companies reached an extensive shareholder rights agreement. Newmark said at the time, "Although I never figured that part of Craigslist might be owned by a public company, (EBay chairman / CEO) Meg Whitman and Pierre Omidyar showed us that they were interested in us for all the right reasons." Buckmaster talked about ways Craigslist might benefit from the relationship, including multilingual expansion of Craigslist, "more resources to deal with online scammers, ... advice on setting up user rating systems," and, he added, apparently in jest, that "perhaps we can help them with things like pageload speed."

Ironically, for a stake that's no doubt worth hundreds of millions of dollars today, it was widely regarded in 2004 as an odd investment at best. One media executive who reviewed the offering said companies that decided against

trying to buy Knowlton's shares probably did so because "there was nothing to gain. You were buying a minority interest. You got no voting power and the guy running the company isn't interested in making money. Who's going to take a deal like that to the CEO?"

EBay's purchase fueled a frenzy on Craigslist discussion boards and other Web sites, questioning EBay's motives and even the future of Craigslist. Buckmaster and Newmark periodically added comments of their own; Newmark called the agreement between Craigslist Inc. and EBay "rock solid."

The companies apparently got along well until 2007, although the seeds of trouble were probably launched in March 2005 when EBay launched Kijiji, its own free-classifieds site. At the time, Kijiji was only in six countries – none of them primary English-language countries or sites. (*See CIR 6.05, March 9, 2005.*) Or perhaps trouble began brewing even earlier, in November 2004, when EBay spent \$290 million for Marktplaats.nl, a Dutch classifieds site. At the same time, Craigslist was launching in eight markets to bring the number of cities where it was represented to 65.

Regardless, the battle was on in June, 2007, when EBay launched Kijiji in the U.S. and Craigslist notified EBay that it believed Whitman et al were engaging in competitive practices in violation of the shareholder agreement. The companies fought over who should serve as EBay's representative on the Craigslist board, or whether EBay should even have a board seat. Later, Buckmaster told Whitman to take a hike – saying he and Newmark no longer wanted EBay as a shareholder and wanted to buy back EBay's shares. Whitman responded that EBay had "firewalled" Kijiji off from its Craigslist interest and hoped to maintain a good personal relationship with Newmark and Buckmaster. She said EBay wanted to acquire the remainder of Craigslist "when Newmark and Buckmaster feel it would be appropriate."

By April 2008, any pretense of niceties between the companies was over. EBay filed its lawsuit in Delaware; Craigslist responded with a complaint in California, charging EBay with unfair competition, false advertising, trademark infringement and more. Buckmaster's not much for speaking publicly or to media outlets, but on his blog he charged (among other things) that EBay was advertising to draw prospective Craigslist users to Kijiji. He said searches

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## EBay suit

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for Craigslist on Yahoo.com were bringing up EBay ads to misdirect users from Craigslist onto EBay sites instead.

EBay, for its part, continues to expand its classified businesses and highlights them consistently as one of its top growth areas.

There's no indication of settlement talks, and it seems doubtful that Craigslist will be willing to accept an EBay that is the company's only independent shareholder while it is also a direct competitor. It's equally or even more doubtful that Newmark and Buckmaster would sell out to EBay. With nine-figure revenue and costs that are probably a very small fraction of that amount, they should have the resources to fight it out in court for a long time, if necessary. ●

# Who shares the free-ad space with Craig?

While Craigslist charges a fee for some recruitment and rental ads in specific cities, and all adult-services ads, it is primarily a free classified site. We have therefore narrowed down our list of Craigslist competitors to 12 sites that offer free classifieds for all or most private-party advertisements.

## BackPage

Launched March 2004, BackPage is an online classified portal for 25 alternative newspapers, community newsweeklies and TV stations. Owned by Village Voice Media, BackPage is now in 250 cities in three countries, in both Spanish and English. It has 2 million users and 2.5 million postings each month. The only paid categories are some adult classifications and rentals in New York though free ads only run locally. To expand a free listing beyond the local region there is a small fee.

## EPage

Privately owned EPage.com is an elder of the free classifieds world, having launched in 1993. The EPage Network provides classified ad and auction content for other Web sites. Free to set up and fully customizable, 28,000 classifieds sites such as YourOnlineClassifieds.com and HighlandClassifieds.com now affiliate with the network. Product comparison site

Top3.com, AuctionPage.com network, and community-idea site BetterIf.com are offshoots of EPage. It is billed as the world's largest classified network, with 3.5 billion ads so far, and 700,000-plus monthly visitors. Anyone can place 10 ads at no charge.

## Gumtree

Part of EBay's Kijiji family of 2005, Gumtree launched in London in 2000 as a classified rental and employment resource. It's now in 60 cities in the U.K., Ireland, Poland, Australia, New Zealand and South Africa. Still with a strong emphasis on rentals, Gumtree has 25,000 rental listings each month. Monthly visitors top 1 million. All private-party and business-services ads are free, including up to three photos and a YouTube video. There is a fee for recruitment advertising.

## IList

If we were handing out an award for most innovative Craigslist competitor, this one would win hands down. This San Francisco-based start-up was founded in May 2008 as a free social-classifieds site. The new IList Micro lets you not only advertise via Twitter but also set up tweet alerts for items of interest. Listings prominently display the seller's identity, and link directly to her profile on other social networks.

You can post your own listings on Facebook, MySpace and FriendFeed. You can notify your Gmail, Yahoo and Hotmail contacts of your ad as well. With one click you can place your ad on Craigslist. Shoppers can add listings to their Favorites list or contact the seller. With the IList Flash widget, you can add IList ads to your blog or Web site. You can also set up e-mail, RSS and SMS alerts to help you find that elusive item, service or job.

## Kijiji

An EBay property, Kijiji offers free classifieds in 34 countries, for merchandise, vehicles, services, real estate, employment and personals. Advertisers can sell, indicate an interest in trading, upload a photo, and map their location. First launched as a French-English bilingual site in 2005 in Montreal and Quebec City, Kijiji quickly moved into Europe and Japan, later China and India – and into the United States in 2007. Kijiji also offers paid listings to be featured at the top of the results search or on the site's home page.

## Kugli

Based in Rumania, this six-year old classified site is in hundreds of countries. Its 95,000 ads include links and

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## free ad-space

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photos. The most active U.S. city, Los Angeles currently offers more than 400 ads. In Guangzhou, Guangdong, China, however, the most trafficked region, you can view more than 9,200 ads. Every ad is free – even recruitment and services, and each advertiser receives a weekly report on views and replies.

## Locanto

With local listings for all major U.S. cities as of 2006, Locanto is now in 27 other countries in both English and Spanish. All Locanto advertising – even recruitment – is free. Job-seekers can post their resumes at no charge. Each free ad includes up to four photos and hyperlink. With two clicks you can share your ad on Facebook. Additional features include anonymous e-mail service, mapping, and RSS feeds.

## Oodle

While Oodle is an aggregator of more than 80,000 Web sites in the U.S., Canada, the U.K. and India, a consumer can place a free classified ad directly on the Oodle site. Its Oodle Marketplace product powers other classified sites for Facebook, Walmart

MySpace, Military.com, NewYorkPost Classifieds and many others, with featured listings and banner advertising. Oodle has 40 million listings, with 500,000 added each day. About 200 million consumers use the site.

## PennysaverUSA

Long the print-shopper leader, this Harte Hanks classified print and Web product began with the California-based Pennysaver and Florida-based Flyer. Its print publication is delivered each Wednesday to more than 9 million U.S. households. It has evolved into a robust online classifieds network that includes competitor American Classifieds and others. Consumers can download free coupons and vie for prizes in weekly online contests. Private party online-only ads are free, with 350 characters of text, five photos, video, online map, and e-mail response form. Minimally-priced upgrades include featured ads, additional copy and hyperlinks.

## StumbleHere

This two-year-old free classifieds site aggregates from and posts free ads to hundreds of classified sites including Craigslist, Trulia, MySpaceClassifieds, Oodle and AOLAutos. Free ad features include photo, video and the

opportunity to share your ad on Facebook. Additional low-cost features include top placement in search results and featured ad. StumbleHere also offers free online games and a forum.

## USA4Sale Networks

USA4Sale.net's flagship Ocala4Sale.com launched in 1998. USA4Sale Networks was named best classified Web site by Editor & Publisher and Mediaweek for 2009. Since launching, its classified network has published hundreds of thousands of classified ads, primarily in Florida. All basic private party listings are free, with minimal fees for borders, color, attention-getting headlines or hyperlinks. You can follow USA4Sale as CoolClassifieds on Twitter, and as Gainesville4Sale and Ocala4Sale on Facebook and MySpace.

## WebCosmo

Launched in 2007 in 40 U.S. cities, all classified ads including recruitment and business services are free. Advertisers can choose a local, statewide or countrywide listing. Additional freebies include opinion polls. Online business owners can take advantage of a free page rank tool and social-bookmarking widget. ●

# Alternative weeklies see a rise in adult-oriented listings

Some alternative weeklies reported a bump in adult-oriented listings in the wake of Craigslist's changes to the category.

A story in Washington City Paper said adult ads there were up 38 percent in May, compared to the same month of 2008. Its sister paper in Minneapolis had "almost doubled," the story said, and added that SF Weekly in San Francisco reported that the week before Craigslist imposed its changes, the paper had 160 adult ads; the week after, 910. All three papers are owned by Village Voice Media and their online classifieds are powered by

Backpage.com.

A trend or a blip? It's too early to tell. It could be that adult advertisers decided to try the alternative weeklies at least while Craigslist was under so much scrutiny by law enforcement. For the most part, lawmen aren't aiming their radar guns on the weeklies.

Carl Ferrer, VP of marketing and sales for VVM-owned Backpage, acknowledged that listings have increased across many categories, but he declined to specify.

## Despite what you read, hear or think, Craigslist is law-abiding

Is Craigslist a hotbed of crime? Not really.

Reading the paper or watching the tube you might think so. And it's certainly true that thousands of crimes – many of them petty, but others including assaults, murders, solicitation of a hit-man, a rape, prostitution and more – have been linked to Craigslist.

On balance, though, Craigslist is probably no more or less safe than any other classified advertising publication or Web site. Classifieds have always been linked to crimes. The classic was when someone advertised a diamond ring for sale, typically in the local newspaper. A “buyer” shows up to “inspect” the ring, sticks a gun in the owner's face, and away it goes.

But because of high-notoriety cases including the Boston “Craigslist killer,” one of at least four killings linked to Craigslist, the site has generated terrible publicity lately.

Law-enforcement officials throughout the U.S. have complained that prostitutes were posting regularly on Craigslist. Absolutely true. But Craigslist is far from the only site where prostitutes post, and the federal Communications Decency Act protects Craigslist from any responsibility for posts made by users. Regardless, Craigslist agreed in November to crack down on illegal activity. In an agreement signed with 43 state attorneys general and the National Center for Missing and Exploited Children, the company agreed to crack down on content and illegal activity in its erotic services section, charge people to post ads and require them to submit a working telephone number. The company agreed to donate all of the money from erotic services ads to the NCMEC.

“It's very promising what Craigslist has done,” NCMEC President Ernie Allen told us. “I understand that erotic services ads are down 80 percent. More importantly, Craigslist has helped us find and help children.”

In March, the company said erotic services ads were down as much as 95 percent from November in cities including Atlanta, Chicago, Los Angeles, New York and Seattle.

By May, however, that agreement was effectively scuttled.

Since the agreement covered “erotic services” ads, and the company killed that category and replaced it with “adult services,” the deal can be followed or ignored at Craigslist's option.

While Craigslist declined to be interviewed for this report, CEO Jim Buckmaster's blog counters the attorney

generals' comments with examples of sexually explicit ads on competitor Backpage.com, operated by Village Voice Media, which publishes 17 alternative weeklies in the U.S. Of course, any law enforcement legal battle with smaller sites would generate far less media coverage – which may be why Craigslist has been targeted. And it may be one reason such battles haven't happened yet, although several law enforcement officials recently said they were expanding their investigations of online prostitution advertising beyond Craigslist.

Carl Ferrer, VP of marketing and sales at Backpage, had harsh words about Craigslist. “Craig's erotic service change was very whack-a-mole – adult clients switched categories within his own site like personals and massage,” Ferrer told us.

While it's not clear what changes are spillovers from the legal battle, Backpage is also working to clean up. “Each month, our users remove 150,000 bad postings from over 2 million,” said Ferrer. “Backpage.com also requires a credit card to post in any adult service or massage category. We did this from our very launch and over four years before Craigslist.”

One of the most heinous crimes tied to Craigslist is that involving Philip Markoff. The 22-year-old Boston medical student is accused in the April 14 slaying of masseuse Julissa Brisman, whom he met through Craigslist. Police in Austin, Texas, say Nathaniel Briscoe found an ad placed by prostitute Amy Elizabeth Dickey on Craigslist and killed her in an encounter in May. In Minnesota in 2007, Katherine Anne Olson was shot and killed by Michael John Anderson after she responded to a Craigslist ad for a babysitter. Anderson was convicted earlier this year. And the list goes on.

Federal law is clear that Craigslist is not legally responsible for users who post ads that propose illegal activity, or who commit crimes. Section 230 of the Communications Decency Act states, “No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.”

That hasn't stopped prosecutors and lawmen from making a lot of noise.

South Carolina Attorney General Henry McMaster in May demanded that Craigslist remove “the portions of the

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### Craigslist and the law

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Internet site dedicated to South Carolina ... which contain categories for and functions allowing for the solicitation of prostitution and the dissemination and posting of graphic pornographic material." He gave Craigslist 10 days to comply or face a criminal investigation. Craigslist sued in federal court to stop him; he later agreed to an order blocking him from action until a court rules on the lawsuit. McMaster, who's expected to run for governor, claimed it a "victory."

In Illinois, Cook County Sheriff Thomas Dart sued Craigslist as a public nuisance helping facilitate prostitution, asking that the site take financial responsibility for his department's enforcement efforts. That case is due in court this summer.

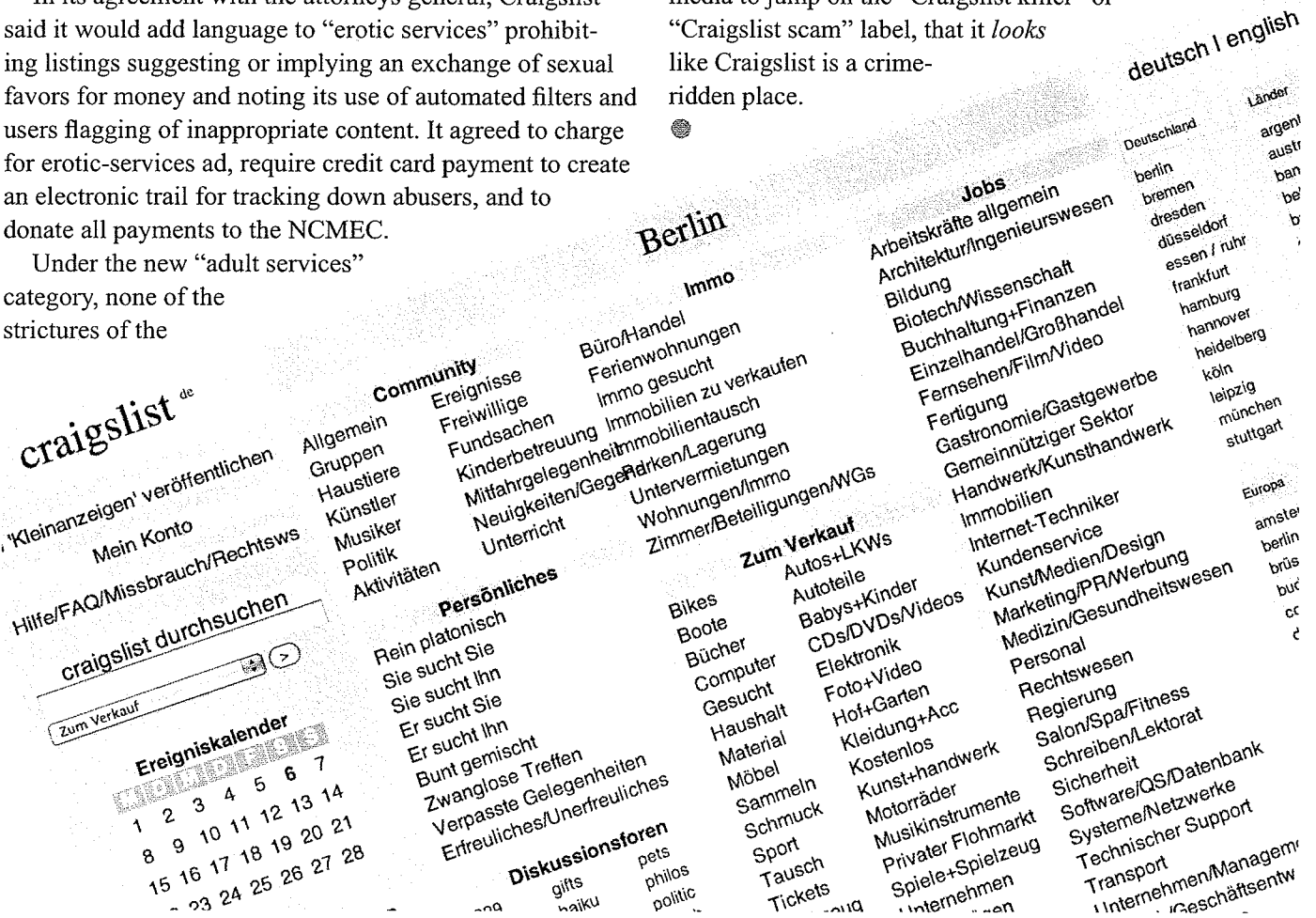
In its agreement with the attorneys general, Craigslist said it would add language to "erotic services" prohibiting listings suggesting or implying an exchange of sexual favors for money and noting its use of automated filters and users flagging of inappropriate content. It agreed to charge for erotic-services ad, require credit card payment to create an electronic trail for tracking down abusers, and to donate all payments to the NCMEC.

Under the new "adult services" category, none of the strictures of the

November agreement – which was voluntarily signed by Craigslist – apply. Craigslist has indicated it may continue some or many of the practices, but it is not required to do so.

Numerous law enforcement officials have praised Craigslist for its assistance in various investigations, including the Markoff case. Craigslist requires a subpoena, but then fully cooperates in investigations by providing IP addresses, e-mail trails and any other information requested in a legal case. Newmark, himself, has done a lot of the work in the past (especially with real estate scams in New York City).

Even if Craigslist dumped adult ads, prostitution, robberies, assaults and other scams would continue. They're linked to other Web sites, and even print classifieds. Craigslist has no monopoly on miscreants. It's just that it has so many users and so many ads, and it's so easy for media to jump on the "Craigslist killer" or "Craigslist scam" label, that it looks like Craigslist is a crime-ridden place.



Craigslist recently began skinning some international sites in native languages, supporting German, French, Italian, Portuguese and Spanish. The city's predominant language is the default, but users can toggle between that and English.

## general

# Despite tough times, Adicio, Gabriels thrive

BY MYA FRAZIER

Despite challenging economic times, or perhaps because of them, two of the classified industry's premier technology providers are successfully expanding their traditional customer bases and taking pitched battles for market share with them.

For years, Adicio Inc. and Gabriels Technology Solutions competed to be the go-to source for newspapers providing online classifieds. Each takes a different approach to the market. Gabriels provides white-label, customized portals for real estate and automotive. It also provides recruitment and general-classifieds technology. Adicio offers more modular services for recruitment, automotive and real estate, meaning the customer has some control over which templates it uses as well as a good bit of control over the overall look-and-feel. It also offers stand-alone platforms for rentals, virtual job fairs and transportation general classifieds.

And while one company is an apple and the other is an orange, each has coaxed customers away from the other, usually due to price and / or service. The customers we talked to were positive about their current choices and not particularly negative about their former choices. Apparently, sometimes they want an apple, sometimes an orange.

Gabriels, based in New York, was founded in 1994 as the definitive publisher of New York apartment guides. The company launched the first real estate portal for Digital City New York, an America Online product, and deployed The Relo National Home Search for Leading RE, representing nearly 800 independent real estate brokerages across the U.S. In 2001, it snagged The New York Times as its marquee client with a new real estate portal. (See CIR 5.07, April 13, 2004.)

Adicio, based near San Diego in Carlsbad, Calif., began operation in 1997 as CareerCast, providing best-of-breed recruitment-advertising technology to newspapers, broadcasters and niche operators, including professional associations and trade publishers offering job boards. In 2004, it began offering real estate and automotive technology; since the old name didn't fit, it changed its name to Adicio in 2005. (See CIR 6.07, April 12, 2005.)

Adicio markets itself as "the developer of interactive classified advertising software solutions for the careers, real estate, and motors markets", while Gabriels says it is the "leading private-label e-commerce technology provider for architecting and developing custom Web applications."

## Adicio's win column

Adicio diversified its client base from the get-go, with aggressive expansion not only in North America but Europe. (It maintains an office in Amsterdam.)

The Wall Street Journal, Cablevision and Advance Internet are marquee clients. It also provides technology and support for Monster.com newspaper affiliates and virtual job fairs. Adicio powers more than 500 niche recruitment sites for clients including the American Medical Association; Diversity, Inc.; Nielsen Business Media; IEEE, the global engineering association, and Raycom Media, operator of 46 television stations throughout the U.S. In fact, more than half of Adicio's clients are non-newspapers.

In recent months, Adicio has gained some momentum among newspapers by attracting several former Gabriels clients, including the Seattle Times and the Chattanooga (Tenn.) Times Free Press for real estate and motors, as well as Sound Publishing in the Pacific Northwest, The (Charleston, S.C.) Post and Courier and the Daytona Beach (Fla.) News-Journal. In addition, Adicio won a number of new real estate and motors clients during the past year, including the Tulsa (Okla.) World, Belo Interactive, Medi-aNews Group, The Huntington (W.Va.) Herald-Dispatch, the Buffalo (N.Y.) News, Blethen Maine Newspapers and the Virginian-Pilot in Norfolk.

"Success feeds on itself. As we attract new clients, they make requests about product upgrades and features, and we take that feedback and incorporate and continue to evolve our products to meet client needs," said Tony Lee, Adicio's chief alliance officer.

In addition to upgrading its products, Lee said Adicio has shed its image as a "great product with Cadillac prices."

"At one time, we were more expensive than anyone else, but we have created smart ways to do what we do even better for less," Lee said. "We're very pleased with our many

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## thrive

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recent additions of new clients that have judged our platforms to be the best performing and most cost-efficient in the market.”

Adicio has also grown its client support staff, he said, noting the company employs 94, up about 10 percent from a year ago.

Lee said the recent wins reflect Adicio’s focus on aggressively growing its real estate and motors client base, and its successful pricing strategy.

Despite the challenges newspapers face, Lee said the issue of newspaper survival doesn’t impact Adicio’s broader strategy: “Newspaper brands will continue online, and they are working hard to migrate revenue online. Newspapers aren’t going to give up online unless they literally fold up and disappear.”

Lee joined Adicio full-time in 2006 from Dow Jones, where he was publisher of The Wall Street Journal Online Vertical Network, which used Adicio-powered careers and real estate sites. (He’d been on the company’s board for many years.)

### A switch to Adicio

Ed Bourn, online and technology director at the Chattanooga paper, said his company initially chose Gabriels for its online real estate tools in 2006. “Gabriels was the smart decision at the time. Within two years, though, real estate agents and auto dealers got more sophisticated than we were. They passed us because we didn’t have the dollars to invest in constantly updating [our] site. We were better off going with Adicio [in 2008, which] leapfrogged us to where we needed to be technically. Back in 2006, Adicio’s product wasn’t where we needed it to be.”

In April, though, Bourn switched gears and turned to Adicio to launch a new real estate portal, following its launch nearly a year ago of Adicio’s recruitment platform. He praised the company’s customer service, SEO technology and data-collection capabilities – and cited some design differences between Adicio and Gabriels products. “Our site works fundamentally like other [Adicio] sites” because of its template, Bourn said. “We added some very good design guys here that can make the template site look a lot different than other template sites, but we didn’t have those skills two years ago. It’s cookie-cutter and not custom, but the idea and wants of other newspapers are rolled into their technology. They don’t do one-offs in regards to technol-

ogy. Gabriel’s is more custom per platform, but there was less shared technology.”

Gatehouse Media, which publishes 90 dailies and more than 400 other publications, with more than 300 Web sites, works with both Adicio and Gabriels.

Steven Rogers, online automotive and real estate manager at Gatehouse, said the company selected Adicio’s real estate product that will be rolled out to nearly 200 Gatehouse newspapers, including 98 in the first 12 months.

“For us, both platforms were equal. Adicio just gave us a better price. That’s what drove our decision,” he said.

### A switch to Gabriels

But Gatehouse recently chose Gabriels to launch online automotive ads at 129 papers in the company’s New England region by the end of June. Adicio had previously powered autos at three Gatehouse papers. Why did it pick Gabriels now?

“The pricing structure, the quality of the platform and some of the reporting features and functionality [that are] not available with Adicio [are] available with Gabriels,” Rogers said. “And from a relationship standpoint, we’ve been working better with Gabriels than Adicio based on the way the contracts are structured. With Gabriels, we only pay per active account. If there is no income, there is no expense.”

Rogers said his decisions were also influenced by earlier relationships with each company. Before he joined Gatehouse in April 2008, Rogers worked for The Post and Courier for the paper’s Web site, Charleston.net.

“I had experience with the real estate platform in Charleston with Adicio so I felt pretty secure with choosing them, but on the same note, Gabriels was our automotive platform when I was there, so it was a win-win. I had experience with both and I had an opportunity to choose where to go,” he said. “We are losing Adicio as a vendor for automotive, but gaining them for real estate, so it’s been a very positive experience on both sides.”

Other sites that switched from Adicio to Gabriels include The New York Times and The Orange County (Calif.) Register – both switched several years ago and now run Gabriels-backed auto sections – and two real estate sites operated by Lee Enterprises papers.

### Gabriel’s win column

Some of Gabriels’ notable launches beyond newspapers include FrontDoor.com, the Home & Garden Network’s

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## thrive

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national real estate portal; The Real Estate Book's TREB.com, and UniqueHomes.com for Network Communications. It also built the shopping section of HGTV.com for Home & Garden Television and an international site for the Food Network, first deployed in the U.K.

Although Gabriels has recently landed new pure-play Internet clients that aren't print-related, it remains committed to working with newspapers to develop online classifieds: "Newspapers are still a very important part of our business," said Michael Gabriel, CEO and founder.

"We've grown over 100 percent in the last two years alone," Gabriel said. "We've launched five national portals within the last two years, across real estate and automotive. ... Every one of these sites receives millions of visitors per month and many also have in excess of a million listings in the system."

The sites were developed with technology licensed from Endeca, a Massachusetts search technology company whose media and publishing clients include AutoTrader.com and The Guardian, based in the U.K. (Endeca also supports Home Depot.com and Walmart.com, high-traffic sites with high inventory.)

"Two years ago we made a conscious decision to embrace new technologies and to be competitive with large-scale national portals because newspaper clients need (that)," he said, adding that many Gabriels clients could not afford to develop an Endeca application themselves. "[Endeca's] technology ... is more comparable to a Google-like experience where data is indexed so data can be delivered faster and in a form so that ads and featured advertising can be very targeted. We've made a tremendous investment, not only from licensing, but also from a development perspective. It's a much more sophisticated platform to develop on."

Gabriels employs 100 developers today, including 15 recently added Endeca engineers.

"Newspapers needed more than technology to succeed," he said. "They require content in the form of both good information that will keep users coming back to their sites, and most critically they need comprehensive listing inventory for their real estate, automotive, and employment sites in order to be competitive. ... National capabilities are nice to have, but having local and expanded content in local service area and surrounding counties is critical. Many clients

don't have the necessary inventory to maintain a visitor retention rate because the user experience is lacking because there is not enough content."

## Network effects

In addition to its national portals, he said, Gabriels still works with 300 newspapers.

"We are doing a lot of interesting stuff with high-profile clients with large volumes of data and high traffic," he said. "Our efforts as an organization are delivering our new product lines to our newspaper clients and bringing new business opportunities to our partners, so they have the content and listings to be competitive in the marketplace."

More recently, Gabriels worked with The New York Times to relaunch its online real estate section, realestate.nytimes.com, and GreatHomesAndDestinations.com, a site focused on luxury and vacation homes worldwide.

Adicio has long capitalized on the network effect of the inventory it hosts, specifically in recruitment. For years, recruiters could upsell ads nationally that would be seen in participating career sites on the Adicio platform.

In January, Adicio pulled together the 500-plus job sites it supports into a single, searchable portal, launching under its long-standing brand name, CareerCast.com.

Similar to the way aggregation sites like Indeed.com and SimplyHired.com work, when job-seekers click on a listing in CareerCast, they are directed to the originating job board and can apply there. Job-seekers can create an account on CareerCast.com, upload or create resumes and cover letters, and use stored personal data to apply to jobs listed on any Adicio-powered site. Their resumes are only visible to recruiters on the sites on which they apply.

Because there's no central resume repository, resumes can't be mined, as they are on sites like Monster, CareerBuilder and HotJobs. Recruiters can buy ads on Adicio-powered job sites through CareerCast's online e-commerce platform, but there are no sales teams selling listings on the portal. So there are no blurry rules of engagement – something affiliates of the Big Three have to work through.

"Our goal is to drive traffic to our clients' sites, while encouraging recruiters to post jobs through the portal to client sites that are the best match for their hiring needs" Lee said. "The response so far from our clients to the portal has been terrific. They're especially pleased with the traffic we're driving to their job listings, as well as to the articles and videos on their sites that we highlight on our home page, all at no charge. It's been a great win-win."

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**thrive**Continued from **Page 13****Both companies profitable**

Adicio has been “consistently profitable” almost since its inception, Lee said. The company is privately held – minority-owned by News Corp., which obtained its ownership in

its 2007 purchase of Dow Jones.

Gabriels, too, is profitable, according to Gabriel, who recently repurchased a 5 percent stake in the company from New York real estate magnate Barbara Corcoran for “many, many multiples of value of what the stock was originally purchased for” in a 1996 investment. He now owns 100 percent of the company’s shares. “We’ve been profitable since we released our first book,” he said. ●

## One platform, one brand for U.S. newspaper classifieds?

BY JIM TOWNSEND

A new white paper out from the American Press Institute calls for U.S. newspapers to set aside their differences (and evidently, their uniqueness) and create a unified, national platform for classifieds under a single brand.

Titled *Creating an Industry-Wide Classified Platform and Brand*, the report acknowledged there are quite a few issues to work through – notably, antitrust laws that attach criminal penalties to price-fixing (or even price discussions).

*“Now more than ever before, newspapers throughout North America have the motivation and the circumstance to create a single classified platform to rival non-newspaper sites --- through better leveraging of technology; superior user experience; and a powerful, unified national brand,”* the report proclaimed.

“Motivation” and “circumstance”? A bit like the guy who gets religion on the way to the gallows, we suppose, but, OK, we buy that.

*“The Craigslist of the world have a head start, they have the traffic – but they also have vulnerabilities.”*

That’s true. Craigslist in particular is vulnerable. Offer even a marginally better consumer experience, Craigslist

can be beat. But 95 percent of the ads would have to be free, and there’d have to be a bazillion of them.

*“By working together, we can make it happen.”*

Therein is the rub. It’s hard to circle wagons pulled by cats.

How would newspapers pull it off? Foremost, it requires an “ongoing investment in the technology” and suggest the establishment of an “independent, industry-supported ‘innovation skunkworks.’”

It also requires an “investment in category-specific expertise ... so that potentially revenue-generating trends can be spotted and exploited ...” Hey wait a minute. That’s what we do!

Here are the must-haves, according to the API:

- *It must be broad in scope, with a common platform easily deployable at any individual newspaper and linked together across markets;*
- *It must permit both local branding and strong overall consistency of brand;*
- *It must be able to bring together all of the classified listings in a community, either through scraping (which would direct a user to the site where the content was originally published)*

*or through syndication agreements (which would republish the content on this new site)*

- *It must exceed all current offerings in appearance, functionality and trust.*

The report was the product of discussions started by senior newspaper execs in API-hosted “summits” held in November and January. A committee that Walter Hussman, president and CEO of Wehco Media, publisher of the Arkansas Democrat-Gazette in Little Rock; John Newby, publisher of The Times in Ottawa, Ill., and Brian Tierney, CEO and publisher of Philadelphia Media Holdings.

The next step, the report says, is to gain consensus from the committee about moving forward. It suggests the API staff facilitate contacts with other industry leaders and associations for input and involvement.

Eventually, the facilitators will have to identify “potential deal-breakers” for newspapers and “devise strategies to address these,” the report said.

It’s going to be an all-uphill battle in a war that some would say might have already been lost. But bless ‘em for trying to *do something*.

Clients can download the report from our Web site: <http://aimgroup.com/index.php/ci/publication/2088/>

# Google's Cohn Q&A: Let users drive innovation

BY MYA FRAZIER

*Russ Cohn, industry leader, classifieds, publishing and local market for Google, is based in the U.K. and has spent nearly a decade in search advertising. He recently presented at the International Classified Media Association annual conference in Estonia. (See CIR 10.10, May 20.)*

*Cohn took some time out to talk to CIR about his view of the future of classifieds, how publishers can work with Google to drive traffic and emphasized the Google mantra of allowing user behavior to drive innovation, noting: "The classifieds business has not thought enough about the user."*

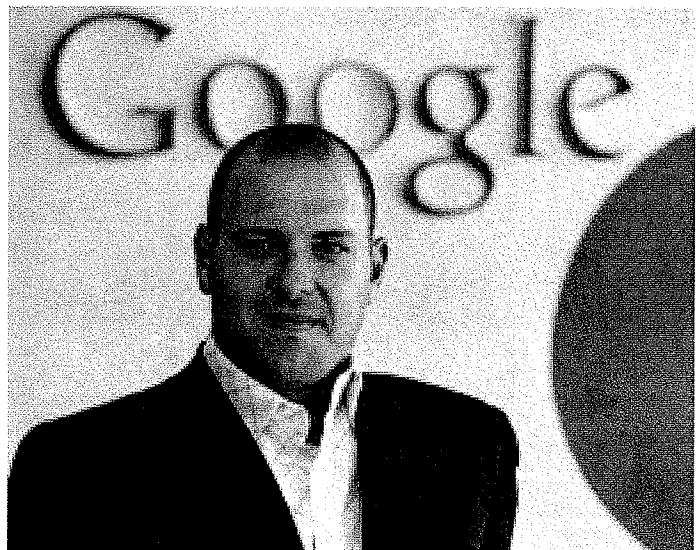
**CIR: What do you think the future of classifieds is?**

Cohn: That's a tricky one because it's hard to tell the future and things are evolving fast. The obvious thing everyone knows, per country, region and business model, users have changed their behavior. This is true in newspapers and across most media; people are online more than in the past. There are fewer print products, less TV viewing. There's the bigger element of user behavior changing and that is driving the market.

But people will always look for value and local tools are improving all the time and can enhance the experience of classifieds online. New tools on community engagement are emerging and are changing things. It's kind of all-pervasive. People want things and they want them where they want and how they want them. They want more and more tools to find what they want quickly, but in a deep way. Look on the advertiser side, that's where the money is right now. You can't talk about advertising without talking about advertising's value – the business customer – businesses have to continue to learn how to add value. They have to give measurement and performance and values in term of audience.

**CIR: Is that part of the problem? The focus seems to be more on giving advertisers what they want versus meeting the changing behavior of consumers online.**

Cohn: From a Google point of view it always has been and always will be about the user. When we go out and talk to the market, we stress the importance of focusing on the user. The classifieds business has not thought enough about the user. Good publications had the listings and users



**Russ Cohn**

could go to one newspaper to find what they needed. And [newspapers] could charge such high rates because they owned the audience. In the future, they will have to focus on the user to keep people coming to the business and ultimately to give advertisers more value.

The struggle I see, in speaking to people in the industry, is that they can't prioritize because business is declining for some at a rapid rate. It's 'I can't think how do I put maps on my site, when I'm trying to stop a 50 percent decline in revenue.' And they find it very hard to focus – particularly smaller publications. But you've got to give the user a better time and better experience.

**CIR: I know your expertise is in jobs, property, dating, professional services and manufacturing markets. Among these, which one has room for growth and innovation in the classified space?**

Cohn: It depends which way you look at it, whether its innovation form a vertical search point of view or the user experience. I think user demand is pretty high for all the typical classified sectors. There's not massive untapped opportunity somewhere. With the recession, the demand for things has gone up, demand for jobs, unemployment is increasing, whatever the number is, there's no shortage of interest in jobs and there's innovation in jobs on the social

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## Q&A

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front, networks are evolving at an exponential rate and taking jobs away from the job boards.

### **CIR: So is it jobs then?**

Cohn: All these markets follow the same pattern over time. You have the aggregator or big portals coming up quick to give aggregating views of the market because it's too complicated to go everywhere. Financial, retail, travel -- that was the easy step from print. Job boards, property portals, it was easy for the business to put those listings in front of an audience. But we are seeing more action from advertisers, taking more control of their own businesses, and building up their Web sites as part of the overall business. ... Look at real estate and jobs, there's big move incorporate with YouTube, using own site, giving potential employees insight into what it's like to work there. Video is exploding. In real estate there's a big opportunity around video.

### **CIR: How can publishers take better advantage of what Google has to offer?**

Cohn: We have a fantastic array of tools. We have a great audience, a wide audience. We are the No. 1 search engine in most markets. Consumers come to Google to find information they want and care about and search is the doorway or gateway of that interest. The fact that we have the audience is the starting point of that. We offer great tools so we can grow our ecosystem by giving away stuff for free. Not only can these businesses get in with maps and natural search and AdWords, on the market side there are ways to receive that traffic to better engage users.

How do we reach an audience? Natural search, paid search, AdSense and maps, these are ways to get traffic to site and when they are on a site they help publishers engage better. With AdSense, with monetization on the site, it can make more money for a publisher and the tools and insights for search. And Google Trends allows publishers to see what people are searching for on Google, and build strategy around where the interest lies. For example, petro prices, energy and the recession are words we see spikes in search related to what people care about. You can use these tools to get insights into what people want.

### **CIR: What is Google's global classified strategy? If not a global view, can you outline your view for the U.K.?**

Cohn: We don't have a classifieds strategy. We don't see ourselves as a classifieds business. We know there's a sizeable customer opportunity and we play well from an advertising and publishing opportunity. We partner with the leading players in classifieds directly and publishing; they spend a lot of money to gain customers and use our tools and services to get Google users, to bring them on to their site. Our strategy is to focus on the verticals.

### **CIR: Where does classifieds belong on Google and how does it relate to Google Base? What happens when buyers don't know what in particular they're looking for?**

Cohn: Actually the way the industry pegs their data is very important. Often, we don't have location specifics to what they are looking for and it's hard to aggregate that data back. For us, it is hard to get it online in a meaningful way.

### **CIR: How is Google working with classifieds publishers and other content providers to get better data?**

Cohn: You've got local business centers encouraging advertisers and partners to feed into and get better results in the match. That's what primarily drives the Google maps interface. We encourage them to submit in there and get better listings when they are searching in those environments. We encourage them to feed to use as much as possible.

### **CIR: What do you see as the future of Google Base and its relationship with classifieds?**

Cohn: Google Base is being use for product search, but we are not using it for classifieds sectors. I can't tell you the future of Google Base because I don't know it. It's difficult to say how we will look at it. The mission is all the world's information, so we want as much information as possible, and an increase in local search. We aren't going to get all the data, but we want to improve how we tag video, for instance. For us, it's about trying to partner and get as much information form local sources, but we don't really have the road map for the future of Google Base. ●

# WAN: There's revenue potential out there – grab it!

By KATJA RIEFLER

BARCELONA – It's easy to get distracted here – the weather is always nice, the sightseeing opportunities fabulous, the food and wine excellent.

However, the more than 350 participants from 51 countries that found their way last week to Spain in order to attend one or more of the World Association of Newspapers (WAN) series of 3 days of conferences got a lot of food for thought on top the scenic venture.

The conference program was packed with newly released data on advertising and revenue generating: Price Waterhouse Coopers gave insights into its brand new "Moving into multiple business models" reports, WAN shared insights into its "World Digital Media Trends 2009" that is about to be published within the "Shaping the Future of the Newspaper" (SFN) project. The three big trends: the growth of internet revenues, the growth of mobile delivery, and the growth of video on the Internet.

Global printed newspaper advertising share will have dropped by 7 percentage points 2012 (21.6%) compared to 2003 (28.3%). Internet share will have jumped from 3.4 percent to nearly 20 percent in the same period. Search still shows the biggest growth rate among online advertising formats. Banners continue being strong. Classified ad revenue is declining.

But it was not only dry facts. You could also learn about how to avoid ending up in a tent in a desert surrounded by dead donkeys (read more later on) and listen to jokes on the economy. Simon McDonald from the Financial Times was especially good at this in his presentation: "A recession is when your neighbor loses his job. When you lose your job, it's a depression," he explained and added a quote from the late Sam Walton, founder of Walmart: "I was asked what I thought about the recession. I thought about it and decided not to take part."

\* \* \* \*

This latter quote could have been as well the motto of the whole event: Most speakers praised their own companies being the lucky exception from the overall crisis. There's still revenue to be made; customers appreciate creativity and support; and despite the problems newspaper companies all over the world are facing due to the advertising slump, the print business overall is healthy and growing. Johnny Hustler, managing director, Archant Lifestyle, United Kingdom, showed how Archant's regional magazine

business began a mere 10 years ago. The company is now the largest publisher of regional magazines in the U.K., with 53 titles and more than 1 million copies each month – the magazine business is responsible for one-third of Archant's revenues. Key to the success is total customer care, according to Hustler: "We're doing almost anything for our larger clients – even the menus for company celebrations."

\* \* \* \*

Becoming an agency for customers in addition to providing quality publishing seems to have become a common strategy among newspaper publishers. Theo Blanco, executive sales & marketing director at Uppsala Nya Tidning in Sweden, told the audience that they can sell almost everything to advertising customers – if they can provide the desired reach. "Newspapers make things too hard! It's time we jump off the Titanic and onto a space shuttle," he said. "Our motto is: 'Make money now!' We don't have time to wait five or 10 years."

Axel Springer presented new solutions for cross-media advertising sales and the concept of converged media marketing. Ears perked when Daniel Biene mentioned "user-generated advertising" – a contest from Axel Springer's big tabloid Bild in which consumers pitch the best advertising for the newspaper. The winner will gain €60,000 in cash – not small change in these overall depressing times.

\* \* \* \*

How do you aggregate strong local brands into a single powerful national advertising medium? That was showed by Juan Luis Moreno, Internet strategy director of the Vocento Group in Spain. Through all the change, the only thing that has not changed from print to online is the brand, and its engagement with users, Moreno said. "We have to recover our brand influence in the digital environment. ... At Vocento, we don't say we have a business based on media. Our business is our brands."

Vocento's three-pronged strategy to achieve these changes are: – Organizational and cultural change and brand consolidation via the Internet through creating emotional bonds with users as well as a brand network and the incorporation of market trends.

Since the strategy's implementation, Vocento has grown double the average market growth in terms of unique users in Spain. It is also in the Top 10 online players – the first media company to enter the Top 10, he said.

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**WAN**Continued from **Page 17**

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Classifieds, in print as well as online, remain a major part of the income of publishing houses. In young economies like the United Arab Emirates print can still maintain its leading position - Francis Matthew, editor of Gulf News, blamed this to marketing and aggressive pricing as well as an Internet market in its early stages. In Latin America Internet in classifieds is very much on the rise. Guilherme Augusto Machado from Diários Associados, Brazil, showed great online advertising and classifieds self service tools. In the U.S., where a lot of other online advertising formats are available, the dependence of newspaper publishers on online classified revenue nevertheless is still disturbingly high. According to WAN research do only newspapers with a daily circulation of less than 20,000 copies rely to less than 70 percent on classifieds for their digital revenue. Recruitment is responsible for about 50 percent of all the income.

\* \* \* \*

Guardian News & Media is one of the most ambitious news providers on the Web, expanding its reach well beyond its traditional borders. Part of this expansion is the development of its "green" blog network dedicated to environmental issues and sustainable development. Demonstrated by Matt Gilbert, bizdev manager of Guardian News and Media in the U.K., and Kevin Tan, SVP of international for Adify from the U.S., such networks have great potential for attracting new advertising revenues for newspaper companies.

What the Guardian and Adify have done is pull 41 like-

minded blogs and independent Web publishers together in a vertical-ad network to make their combined audience attractive to advertisers. The network attracts 4 million unique users a month – affluent and well-educated with strong "green" attitudes – and has 25 million page impressions.

\* \* \* \*

How to reach niche audience with print and or online products was shown by two speakers. Peter Vandevanter talked about I-News, and individuated news in general. MediaNews Group recently created personalized editions for guests at a Denver hotel. Ads sold for 10 times the typical \$25 CPM of newspapers. Dan Pacheco, Founder of Printcasting.com in Bakersfield, agreed: "New advances in print-on-demand and digital inkjet printing create a compelling picture for on-demand, personalized and niche publishing."

Advertising in the current testing period is free, but in the end all members of the value chain will profit: The business model calls for 60 percent of revenues to go to publishers because they print, distribute and market the publications locally. Thirty percent goes to contributors, proportionate to content use. And 10 percent goes to the network to cover costs of improvements and maintenance.

\* \* \* \*

Last not least: What about the dead donkeys? This metaphor was used by Juan Bascones from Havas Media to warn about focussing too much on return on investment: If the only answer you find to economic difficulties is increasing the load of your pack animals while cutting the food you will celebrate early successes - and end-up with destroying your biggest asset – the donkeys, in case you are a peasant, the newspaper brand, if you are a publisher. ●

**Little adds CEO, ContentNext, to her role**

Caroline Little, who ran WashingtonPost.Newsweek Interactive, is now managing ContentNext Media, which publishes the terrific site / e-mail product PaidContent.org.

Little is CEO of North America for Guardian News & Media. Adding day-to-day responsibility for ContentNext is just part of her role; she's also responsible for growing the parent company's business and advertising in the U.S. She's been on the board of

ContentNext since it was acquired by Guardian last summer. She replaces CEO Nathan Lane, who's joining the e-commerce fashion company Gilt Groupe. Lane in turn replaced ContentNext / PaidContent founder Rafat Ali, who of course remains with ContentNext as one of its two premier reporter / bloggers.

In the announcement on PaidContent, Little said there's no plan to merge ContentNext with Guardian

(which offers solid coverage of media in the U.K. and sometimes Europe), or with Guardian America. "Our goals remain the same, and we need to continue to stay focused and execute on them," she said.

ContentNext also operates MocoNews.net, about mobile devices and services; PaidContent:UK; and ContentSutra.com, a companion site that focuses on India.

## real estate

## Zillow COO: From Zestimates and mortgage quotes to mobile

BY BRIAN BLUM

The company is still not profitable, but traffic is up, there's loads of money in the bank, and Spencer Rascoff of Zillow is feeling fine. That's the takeaway from our recent interview with the online real estate portal's COO.

Our wide-ranging conversation didn't necessarily start off in a positive direction. Our first question to Rascoff was intentionally provocative: Given the economy and the housing crisis, we asked, why is Zillow still in business at all?

"The question you should be asking is actually the contrary," Rascoff said. "Why are we doing so well? We're setting record traffic numbers every day and [while the company doesn't release numbers] monetization has dramatically improved."

As far as traffic, Rascoff is right on the money. Zillow is consistently ranked among the Top 5 most-visited real estate Web sites in the U.S.. Hitwise had Zillow at No. 3 in May with 9 million unique visitors a month (a 70 percent growth from the same month last year). ComScore put Zillow in fifth place.

Rascoff says the uncertainty in the housing market has been a boon for Zillow. "Volatility benefits information providers," he said. "Of course we don't benefit from the advertising downturn. If it weren't for that, our revenue would be even higher."

Zillow has a four-pronged strategy for making money. The company sells enhanced listings to brokers and individuals; exclusive Realtor display slots; CPM-based display ads to industry vendors; and pay-per-click mortgage listings.

Rascoff seemed most excited by Zillow's mortgage marketplace, which the company introduced in April. "What we're trying to do is replicate what we did with home valuations in the mortgage space," he explained. "In a typical lead-generation model, the buyer fills out a form, then the phone rings with a call from a lender. On Zillow, the buyer still fills out a form, but shares no personal information."

Once the form is posted to the marketplace, the 5,000 lenders in the Zillow system can start to bid on it. Within 3-5 minutes of a request, the potential borrower will receive

around 20 quotes (up to 60 if the borrower has good credit and lives in a desirable area), Rascoff said.

The borrower can then compare lenders through an easy-on-the-eyes table display, and check out reviews and ratings before deciding which lender to contact.

In April, Zillow received 65,000 loan requests. About 25,000 loan quotes were generated per day, Rascoff said. Doing the math, that means some 750,000 loan quotes flowed through the system that month.

Zillow sells lenders cost-per-click spots in its rate tables at an average cost of \$5-\$10 per click for a direct link to the lender's site.

Among Zillow's other revenue generating components, the company's enhanced listings don't break any new ground: \$10 a month secures a more prominent placement. One difference between Zillow and other real estate classified companies such as Realtor.com: basic listings come with complete functionality. There are no extra charges for additional photos or virtual tours, just for a better position.

Zillow also sells standard display ads, directly and through its newspaper consortium, which is made up of 11 major publishing companies including Hearst, Media General, Scripps, MediaNews Group, and Community Newspaper Holdings Inc. (CNHI). The papers in the consortium have the option to upsell local advertisers to the Zillow site.

Zillow launched a new program in April with newspaper consortium partner CNHI to power the real estate sections of its 100 newspaper Web sites. The Zillow pages are co-branded with the local newspaper. Rascoff says Zillow has plans to eventually co-publish with up to 180 newspaper sites in the U.S.

In this area, Zillow competes directly with Trulia's Publisher Platform, which made waves in April when it took over the Washington Post's online real estate section. Trulia to date has far fewer partners than Zillow, however.

That hasn't stopped the two companies from engaging in some friendly banter. A lighthearted battle broke out on Twitter in April between David Gibbons, community

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## Zillow

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director of Zillow and Rudy Bachraty, social media guru of Trulia, The topic wasn't the dueling publishing platforms but the two company's different uses of SEO. Rascoff was quick to explain.

"Trulia aims to be a vertical-search engine," Rascoff said. "If you go to look for listings in San Francisco on Google, you will see Trulia. You go to their site, then click over to Prudential. It's a pure cost-per-click model."

Zillow takes an entirely different approach, Rascoff continued. "We're more like an online real estate community. We try to keep people on our site." Zillow doesn't buy placement on Google and its listings aren't even search-engine optimized. The company has never paid for advertising of any kind, in fact. Zillow's traffic is generated entirely by word-of-mouth or through articles in the media, Rascoff said.

Another area in which Zillow and Trulia compete is in the Q&A department. Trulia has its "Voices" forum while Zillow's is more plainly called "Advice." Zillow Advice receives about 2 million page views a month. There were 80,000 contributions during April. Participants seem enthusiastic...but then Rascoff should know. "I spend about 3 hours a night on Advice." (Now that's what we'd call dedication to the job.)

Zillow has also been very active with social media. The company runs two multi-author blogs – GeekEstate and the Carnival of Real Estate – in addition to its corporate blog. Several staffers individually tweet. And Zillow was a founding member of REBarCamp, a real world techie forum where Web 2.0 savvy Realtors and geeks get together in bars to create an "un-conference" without an agenda. These meetings typically attract up to 200 participants.

Clearly, Zillow has expanded beyond its original mission to provide home valuations of most homes in the U.S. – a feature that has become increasingly commoditized (HomeGain, Realtor.com, CyberHomes and EPraisal all have similar functionality).

With 4 million homes for sale on the site (including 50,000 for-sale-by-owner properties), Zillow's not going

anywhere. But the road ahead will be tough. 21.9 percent of the homeowners on Zillow are currently underwater and the overall Zillow home value index is down 14 percent year over year.

Zillow has not been immune to the worldwide recession either. Despite having raised almost \$99 million, the company last year laid off 25 percent of its staff. "We wanted to remove any capital markets risk from the company," Rascoff explained. "We wanted to be sure we could survive on our own forever without raising any more money."

Zillow has since replaced most of those downsized and headcount is back up to 150. Most of the initial cuts were in research and development.

Moving forward, Zillow's future may not be tied to the Web at all. Enter the iPhone.

Zillow released its iPhone app at the end of April. In its first 24 hours, the app had 15,666 downloads, making it the No. 1 real estate app in the Apple App Store. That number is now up to close to 400,000.

While Rascoff shied away from a specific data point, Zillow CEO Rich Barton said in an interview with WebWare's Rafe Needleman that up to 20 percent of the site's queries are coming from the new iPhone app. "There will be a time soon when people will be accessing Zillow mostly from their mobiles," Rascoff predicted.

So far, anecdotal evidence suggests that iPhone consumers are using Zillow much as original visitors to the Web site did three years ago. "They're walking the dog around the neighborhood and looking up what their neighbors' homes cost," Rascoff said. He expects that usage will eventually shift more to the for sale arena as on the Web.

Last week, Google unveiled a mobile version of its Google Earth program. Although the idea of iPhone owners watching a Google Earth representation of the real world around them seems to remove the reality from the virtual, it would make it that much easier for consumers to locate available property.

Imagine a flashing red home on a 3D Google street view map screaming out "foreclosure." Click a button and you're on the phone with the broker.

If it happens, Zillow will undoubtedly be there. ●

## **Exhibit C**



*Category II consultative status with the United Nations Economic and Social Council*

**in Women**

December 01, 2008

Craig Newmark, Founder  
1381 9th Ave  
San Francisco, CA 94122

Dear Mr. Newmark,

The Coalition Against Trafficking in Women (CATW), now in our 20<sup>th</sup> year, is a non-governmental organization (NGO), that has Category II consultative status with the United Nations Economic and Social Council (ECOSOC). We are the first U.S. based organization to combat human trafficking internationally with over 200 partners worldwide working to combat the sexual exploitation of women and girls.

You need to address the fact that those who exploit women and girls are using your website to facilitate human trafficking. Your actions could lead to fewer women being subjected to physical and psychological injury and we encourage you to do more. Prostitution not only harms prostituted women, but also harms all women by reinforcing degrading stereotypes that women are sexual commodities to be bought and sold. Demand for prostitution fuels sex trafficking, in which 80 percent of human trafficking victims are women and girls, and 70 percent of those women end up in prostitution.

Prostituted women often suffer severe health consequences. They include physical injuries inflicted by buyers, pimps and traffickers; psychological devastation, such as trauma, depression and suicide, and, HIV/AIDS and other sexually transmitted diseases. Normalizing prostitution gives men and boys the message that all women and girls can be had for a price. The resulting destructive attitudes are not confined to sex industry victims, but are directed against all girls and women.

The New York Times, dated 11/07/08, "Craigslist Agrees to Curb Sex Ads," you state that Craigslist will be donating funds, raised from sexual exploiters, to charities that combat child exploitation and human trafficking. Your idea to impose a sex trafficking tax on your sex exploitation ads is *misguided* and will do nothing to end the human rights abuse known as human trafficking.

The solution is clear, take down your welcome sign to the commercial sex industry and refuse to be an online enabler to traffickers. Stand for the equality of women and girls by no longer profiting from the commercial sexual exploitation of others. Now that would be a truly principled, progressive action to take!

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[www.catwinternational.org](http://www.catwinternational.org)

Sincerely,

A handwritten signature in cursive script that reads "Norma Ramos". The signature is written in black ink and is positioned above the typed name.

Norma Ramos, Esq.  
Co-Executive Director

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