

Vancouver couple's Net photo service in Yahoo's picture

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Caterina Fake never expected the on-line game she was creating with her husband would spawn so much interest.

It wasn't an action game, and they didn't have a Hollywood partner. What they had was a good idea and the foresight to shift gears when they realized the best feature of the game was the ability to share photographs.

The game itself was never completed, but the photo-sharing service became an on-line phenomenon called Flickr.com that has been growing by as much as 50 per cent a month since last June.

The site has about 5.5 million photos on it today, and Ms. Fake, a former art director at Salon.com with a degree in English literature, and Stewart Butterfield, a philosophy major who has helped design websites for several large organizations, have turned that giant public photo album into a huge payday from Yahoo Inc.

The Internet giant has agreed to buy the couple's Vancouver company, Ludicorp Research & Development Ltd., for a large, undisclosed sum.

"When a company is growing that fast, you have to decide sale or scale," Ms. Fake said in an interview. There were "a lot" of offers recently, even though the service is still in test mode, but the one from Yahoo "was the star of the bunch."

Yahoo says the photo-sharing site will boost its presence in the hot new social networking services market.

Flickr.com is a free photo storage and sharing service that lets subscribers create communities of specialized interests and personalized information. Along with a handful of others, such as Friendster Inc. and Meetup Inc., the company is at the core of the emerging networking trend.

Yahoo had been watching the progress of Flickr for months, especially its rapidly expanding community of users who provide a rich package of personal information when they sign up for the service. That data is the crown jewel in the world of targeted on-line advertising. Another feature that attracted Yahoo was Ludicorp's method for tagging photos, which lets users label and categorize all the site's content themselves. For example, there's a collection of newborn pictures and information for expecting parents.

"They are the kind of things that we plan on incorporating throughout the Yahoo network

as we roll out next generation services," Joanna Stevens, a Yahoo spokeswoman, said of Flickr's services. "We believe that communities are a very big part of the future of the Internet."

Yahoo agreed to buy Ludicorp last Friday, at a time when the startup was in discussions to secure another round of financing from venture capitalists. Neither side released terms of the deal, which is scheduled to close next month.

The flavour of the acquisition, however, resembles some of the Internet deals of the early dot-com era, with a major media company swooping in to snatch up a new idea in its early stage before a competitor arrives.

Ms. Fake offered some comments on Flickr's own blog. "Woohoo! What does this mean? It means that we'll no longer have to draw straws to see who gets paid," she wrote, adding that Yahoo doesn't plan management changes. "They're not going to replace any of us with suits, nor induce us to wear them."

Yahoo's move to snap up Ludicorp comes just as it and some competitors are attempting to roll out rich new on-line communities.

Yahoo said it plans to begin incorporating Flickr's technology into numerous areas of its own site once the firm releases the next version of its photo software later this year.