

Santa Clara University

Click Fraud

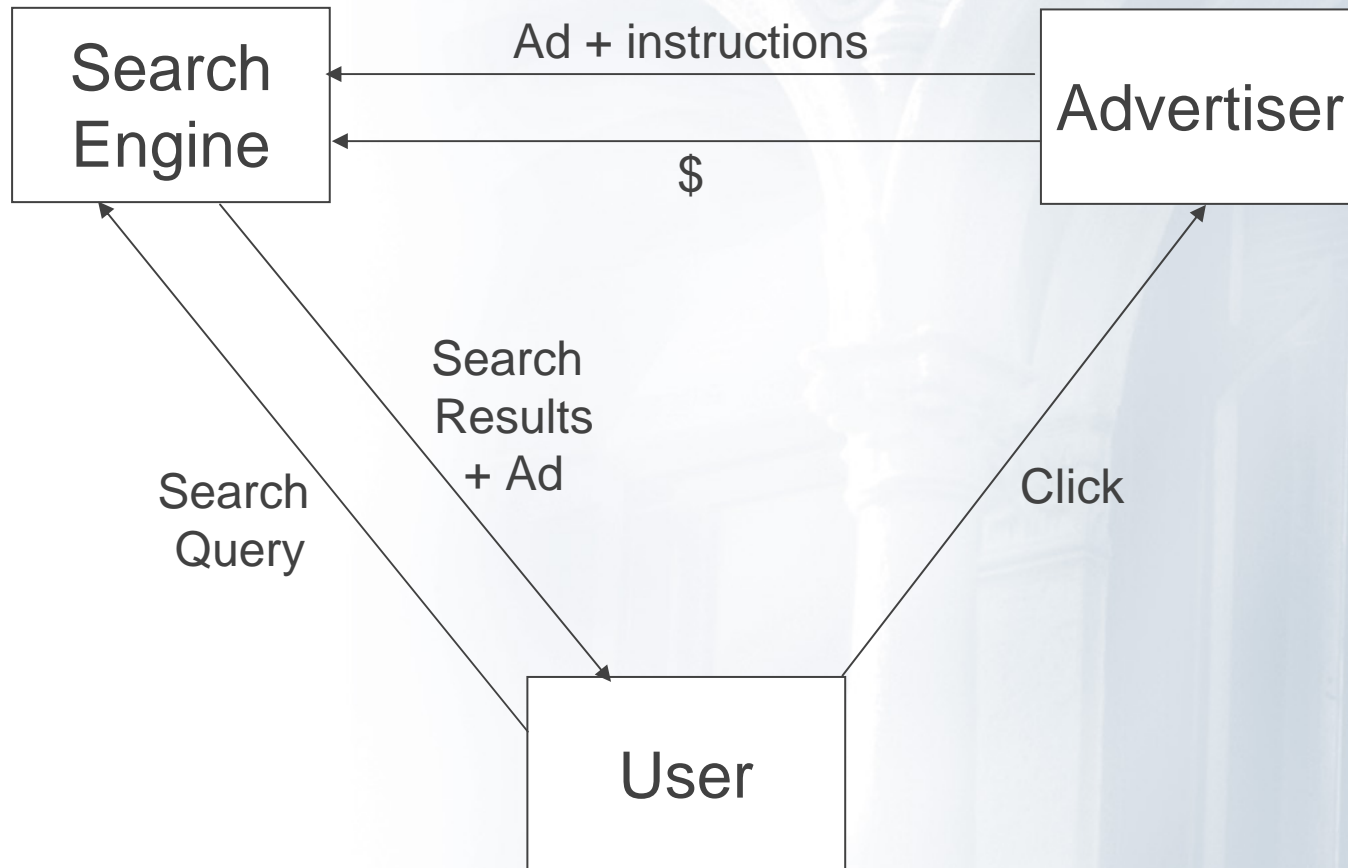
Eric Goldman

Director, High Tech Law Institute

<http://www.ericgoldman.org> • <http://hightechlaw.scu.edu>

egoldman@gmail.com

CPC Advertising



Click Fraud Defined

“When a person, automated script, or computer program **imitates a legitimate user** of a web browser clicking on an ad, for **the purpose of generating an improper charge per click**”

(Wikipedia Nov. 2006)

Click Fraud Defined

- **Types of click fraud**

- Competitor click fraud
 - Deplete competitor's ad budget
 - Improve relative ad positioning
- Publisher click fraud
- Vandalism/pranks

- **Related problems**

- "Impression fraud"
- "Syndication fraud"
 - Draucker Development v. Yahoo, 2:06-cv-02737-CAS-FMO (C.D. Cal.)
- Failing to honor advertiser-specified limits
 - CLRB Hanson Industries v. Google, 5:05-cv-03649-JW (N.D. Cal.)

Advertiser Perceptions

- Advertisers are losing money
 - Ex: 14.8% click fraud rate in Q1 2007 ([Click Fraud Index](#))
- Search engines aren't trying hard enough to block click fraud
 - Search engines' & fraudsters' interests aligned against advertisers
- Advertisers don't have enough information to detect/combat click fraud
- Search engines are a black box when dealing with complaints

Possible Future Resolutions

- Advertisers bid less
- Advertisers audit more
- Parties change payment metrics
 - Redefine “click”
 - CPM or CPA
- Status quo
- Lawsuits

Click Fraud Litigation Taxonomy

● Anti-Click Frauder Enforcement

- Google v. Auction Experts International, 1-04-CV-030560 (Cal. Superior Ct. 2005) (\$75k default judgment)
- United States v. Michael Anthony Bradley, CR 04 20108 (N.D. Cal. indicted June 23, 2004) (case dismissed Nov. 22, 2006)

● Advertiser v. Search Engine

- Fraud/negligence
- Breach of contract/false advertising
 - “Actual clicks”
 - Risk-limiting clauses
 - Feldman v. Google, 2007 WL 966011 (E.D. Pa. Mar. 29, 2007) (AdWords venue clause governs)

● Stockholders v. Search Engine

- In re. Miva Securities Litigation, 2007 WL 809686 (M.D. Fla. Mar. 15, 2007)

Advertiser v. Search Engine Lawsuits

- **Lane's Gifts & Collectibles v. Google** (final approval July 27, 2006)
 - \$30M cash to plaintiffs' attorneys plus up to \$60M in makegoods
 - 556 advertisers opted-out (see, e.g., Feldman v. Google)
- **Checkmate Strategic Group v. Yahoo** (final approval March 27, 2007)
 - <\$5M cash to plaintiffs' attorneys plus uncapped makegoods
 - Covers clicks through July 31, 2006
- **Other Lawsuits**
 - Payday Advance v. FindWhat, 2007 WL 831788 (S.D.N.Y. Mar. 12, 2007) (breach of contract survives 12b6)
 - Go2Net, Inc. v. C.I. Host, Inc., 60 P.3d 1245 (Wash. Ct. App. 2003) (search engine's impression count controls)