Google And Yahoo To Settle Click Fraud Cases

By Michael Goldstein, Esq.

In an article appearing in USA Today on Monday July, 16th, 2006, speaks to the fact that click fraud

has hit a peak where the advertisers of Google adwords and Yahoo sponsored listings are paying far more money for illegitimate clicks than ever before. Click fraud occurs in pay−per−click web marketing, when a user or computer programs click on a sponsored link on a search engine such as Google or Yahoo, where the competitor's true goal is trying to deplete adversary's marketing budgets, through fraudulent charge to the advertiser.

For costly search phrases, those over $2 per click that generally comprise the majority of an advertiser's total expenditure; click−fraud was 20.2 percent, according to a survey by Click Forensics.

"For the first time, we have industry data that clearly shows what many have expected −− organizations purchasing higher−priced search terms are significantly more vulnerable to click fraud," said Tom Cuthbert, president and chief executive of Click Forensics, in a statement.

Both Google and Yahoo have been sued via class action lawsuits for this practice and both Google and Yahoo have decided to settle these class−action lawsuits to limit their prospective liability for previous click fraud. The article states, "If approved, the two settlements would address any click fraud that occurred amid more than $22 billion of ad spending... A two−day court hearing on Google's offer to pay up to $90 million in refunds and attorney fees is scheduled to begin July 24... Yahoo's proposed settlement, which doesn't limit how much the company might pay, will take place in a California Federal court."

Perhaps, the most appalling aspect to this whole case is a statement made by Google in March where a company agent stated that from an economic viewpoint it was logical to "let it happen".

Google may be getting out of this case easy, if in fact they are allowed to payout only $90 million dollars. Where Yahoo will not limit the amount of damages they may pay. It should be noted that in the latest ComScore report, Google accounted for almost 50% of the search engine market share, while Yahoo only accounted for 28%.

"The settlement is just a joke," said plaintiff Joseph Kinney, a security consultant who said he has lost about $1,500 to click fraud on ads related to his SafeSpaces.com Web site. "A jury needs to hear these issues and Google needs to be held accountable."

The latest lawsuit to deny the proposed settlement argues that the settlement should be rejected because it would not "adequately compensate advertisers who lost money from fraud".

"Under the settlement, Google can pay a half a percent of your losses, or $5 on every $1,000 of losses claimed", said an attorney for the plaintiff. For instance, a loss of $10,000 would garner a coupon worth $50 from Google that could used only to buy more advertising through Google.

The above article was written by Attorney Michael Goldstein, of

http://www.goldsteinandclegglaw.com/

− Attorney Goldstein is a licensed Massachusetts lawyer who practices in the area of cyberlaw, and intellectual property law.

Google's Wonderland: Trouble In Paradise?

By Dean Phillips

Google's Wonderland: Trouble In Paradise? by Dean Phillips

The fairy tale existance of Google is starting to experience shockwaves.

So, what's the source of these shockwaves? Click fraud. As my readers know, I've written several articles on the subject of click fraud, suggesting that since it's the market leader, Google should take a more proactive approach with the problem of click fraud.

Until now, Google has been mostly quiet about the subject, issuing this single statement to the Securities and Exchange Commission:

"We are exposed to the risk of fraudulent clicks on our ads. We have regularly paid refunds related to fraudulent clicks and expect to do so in the future. If we are unable to stop this fraudulent activity, these refunds may increase. If we find new evidence of past fraudulent clicks, we may have to issue refunds retroactively of amounts previously paid to our Google Network members."

So, why isn't Google doing more about click fraud? In one of my articles, I theorized that with the amount of money involved, it's actually more cost effective for Google to issue an occasional refund to its advertisers, than to develop technology to eliminate click fraud.

That theory was echoed in a recent article, in which the author wrote:

"Google's primary defense against click fraud has been to refund advertisers their money if they complain and Google sees evidence that fraudulent clicks have occured. The problem with this is that the burden of proof is on the advertiser ... and Google knows that most advertisers will not take the time to argue. Therefore, Google has a financial incentive not to deal with click fraud on their own. It not only costs them to deal with the problem but if they do find a solution to stopping click fraud ... it will cost Google much more when they don't get paid for 20 percent or more of their clicks."

However, all of that may be about to change. At an investor conference last Wednesday, Google CFO George Reyes stated:

"I think something has to be done about this really, really quickly, because I think, potentially, it threatens our business model."

My question is this: What took Google so long to come to that realization? It's not like click fraud just magically appeared yesterday. The media has been reporting on the problem for at least the last 3 years.

Smug in its ivory tower, did Google think the problem was just going to go away by itself? Or was it waiting for Overture or one of the smaller pay−per−click companies to solve the problem, so it wouldn't have to deal with it?

These are troubling questions, to say the least. Even more troubling is Google's passive approach to a serious problem, which in my opinion has been reprehensible.

It should be interesting to see what Google's next move is. Google CFO George Reyes statement notwithstanding, I'll believe Google is serious about eliminating click fraud, when I finally see it!


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