



## Reducing the Risk of Click Fraud

By Jonathan Frieden

Internet advertising dollars have grown steadily since 2002. As companies devote more and more of their ad budgets to this emerging medium, they are confronted with the reality that not every “click” for which they are paying is the result of an action by a potential customer.

Click fraud is a growing concern among Internet advertisers, especially those with pay per click (PPC) contracts sponsored by popular search engines. Experts estimate that between 14 and 30 percent of all clicks of PPC advertisements are the result of click fraud. Recent cases filed against Google and Yahoo have heightened awareness of the problem, as third-party vendors rush to monetize a solution.

PPC advertising program sponsors actually profit from click fraud. Unless the click on an advertisement is obviously fraudulent, the PPC program sponsor gets paid for the click, whether it resulted from the actions of an interested consumer or not. As long as the problem does not cause the PPC advertising sponsors to lose revenue, they have very little motivation to address the concerns of advertisers.

Though an Internet advertiser may not be able to eliminate the effect of click fraud in PPC advertising, a company can reduce or manage its risk by:

- **Understanding the Effect of Click Fraud on the Company’s Specific Advertising Plan.** Some commentators have argued that click fraud is far less of a problem than generally believed, and that it is unfair to expect Internet advertising to guarantee a certain Return on Investment (ROI). They point out that no other form of advertisement guarantees that it will be viewed by an interested potential customer. However, many businesses and individuals expect Internet advertising to differ significantly from other media of communication. In any event, a business starting a PPC advertising campaign must be sure that it can absorb the cost associated with wasted or fraudulent clicks.
- **Carefully Reviewing the Terms and Conditions Applicable to the PPC Advertising Program.** Most PPC advertising programs have terms and conditions that expressly address the issue of click fraud. They detail how the program sponsor identifies fraudulent clicks and outline the specific procedure and deadlines which must be met by an advertiser who wishes to challenge the charges associated with certain clicks. Internet advertisers must carefully review those terms and conditions, comparing them to competing programs, to fully appreciate the risk associated with a particular PPC advertising program. Careful review of PPC terms and conditions will also help businesses to comply with dispute resolution procedures, saving the company thousands of dollars in advertising expenses.
- **Considering the Use of Third-Party Programs to Quantify and Resolve the Problem.** Some third-party vendors advertise software designed to identify fraudulent clicks. This software may give Internet advertisers the information needed to address losses associated with click fraud through the PPC advertising program’s dispute resolution procedures or legal action.

Ultimately, click fraud is a problem inherent to PPC advertising. It will never be totally eliminated. However, knowledgeable advertisers can take action to reduce the effect of click fraud on their businesses.

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