**Business: OCULUS**

SUGGESTED HED: Facebook CEO testifies in Oculus intellectual property trial

SUGGESTED DECK: Mark Zuckerburg acknowledges “good” virtual reality is still years away

By Nick Wingfield and Mike Isaac, The New York Times

DALLAS — A few years ago, Mark Zuckerberg, chief executive of Facebook and one of tech’s shrewdest seers, made a huge bet on a new technology, virtual reality, buying Oculus VR, one of the most prominent start-ups in the industry, for more than $2 billion.

His dream of bringing virtual reality to the masses still has not come true.

That frank assessment came from Zuckerberg on Tuesday in a federal courtroom of all places, where Facebook is tangling with a games publisher that has accused Oculus of stealing technology that went into the creation of the Oculus virtual reality headset. The trial offered a window into how Zuckerberg views the progress of one of his biggest bets, and a glimpse of Facebook’s approach to making deals in Silicon Valley.

“I don’t think that good virtual reality is fully there yet,” said Zuckerberg, who wore a suit and tie while testifying, instead of his regular uniform, a T-shirt and jeans. “It’s going to take five or 10 more years of development before we get to where we all want to go.”

Zuckerberg spoke during a court appearance, in which he was questioned about the Oculus deal. He denied accusations that Oculus had taken technology it did not own, and said he had never before testified in a courtroom.

The dispute started more than two and a half years ago when ZeniMax Media sued Oculus just months after Facebook announced that it would acquire the start-up. ZeniMax accused Oculus of stealing important elements of the technology that went into the creation of the headset, eventually including Facebook among the parties it was suing.

While fights over ownership of prominent technologies are common, this one defied some predictions by reaching a jury trial, which started in a federal court here in early January.

“We are highly confident that Oculus products are built on Oculus technology,” Zuckerberg said. “The idea that Oculus products are based on someone else’s technology is just wrong.”

Facebook could face as much as $2 billion in damages if it loses the suit. While there is still excitement throughout the technology industry over virtual reality, most headsets, including those from Oculus, are not selling in big numbers because of high prices and limited content for them.

Oculus has had other issues. In December, a co-founder of Oculus, Brendan Iribe, stepped down as chief executive, assuming leadership of an Oculus group focused on virtual reality on personal computers. In a blog post, Iribe said Facebook would look for a new leader for its virtual reality arm.

On Tuesday, a lawyer representing Oculus and Facebook asked Zuckerberg whether he had realized his goal of creating a new computing platform. “These things end up being more complex than you think up front,” he replied. “If anything, we may have to invest even more money to get to the goals we had than we had thought up front.”

Zuckerberg added that Facebook probably will have to invest more than $3 billion in the next decade to reach its goal of providing hundreds of millions of people with a good virtual reality experience.

Later, a Facebook spokeswoman said that nothing had changed about the company’s commitment to virtual reality. “As we’ve said for years, VR is the next computing platform, and Facebook’s Oculus team is leading the way,” said the spokeswoman, Tera Randall.

The core of ZeniMax’s case is that one of its former employees, John Carmack, shared ZeniMax virtual reality technology with Palmer Luckey, a founder of Oculus, during the company’s early days, technology for which ZeniMax was never compensated. Carmack, a game industry stalwart behind games like Doom, later joined Oculus.

A lawyer for ZeniMax used some of his time questioning Zuckerberg to bolster the company’s argument that Facebook rushed through its review of Oculus when buying it, overlooking details about its dispute with ZeniMax.

In response to questioning from the lawyer for Facebook, Zuckerberg said that the company spends weeks, months or even years thinking about the issues that lead it to make acquisitions. He said Facebook — which has also acquired Instagram and WhatsApp — believes that negotiating deals quickly is important in an environment where it is often competing with companies like Google, Apple and Twitter.

“Being able to move quickly not only increases our chance of getting the deal done, but it keeps us from having to pay a lot more as the deal process drives out,” Zuckerberg said.

For companies that waffle about selling out to Facebook, the social network is willing to deploy fear as a tactic. “If you’re trying to help convince people that they want to join you, helping them understand all the pain they would have to go through is a valuable tactic,” he said. “But I think that’s a little less of what I tend to focus on.”

Zuckerberg said that Iribe was originally asking for $4 billion for Oculus. He settled for $2 billion, though Facebook also agreed to $700 million more in compensation to retain important Oculus team members and $300 million in pay for hitting certain milestones. Facebook’s code name for the Oculus deal was Inception.

Zuckerberg has faced legal challenges before. In 2006, he was deposed in a lawsuit filed by former classmates at Harvard, in which the plaintiffs claimed that he knowingly stole intellectual property to create his social network. That deposition, however, was taken behind closed doors. Zuckerberg settled the suit for a reported $65 million.

Unlike Facebook, ZeniMax is not household name, but many of the games it publishes, including Fallout and Elder Scrolls, have a passionate following. It also has a board of directors stacked with famous names, including the Hall of Fame baseball player Cal Ripken Jr., the director Jerry Bruckheimer, CBS chief Leslie Moonves, and Donald J. Trump’s brother Robert.

A lawyer for ZeniMax asked Zuckerberg about his reaction to ZeniMax’s lawsuit, which was filed not long after Facebook publicly announced its intention to buy Oculus.

“It is pretty common when you announce a big deal or do something that all kinds of people just kind of come out of the woodwork and claim that they just own some portion of the deal,” Zuckerberg said. “Like most people in the court, I’ve never even heard of ZeniMax before.”