AR/VR Industry is Growing and Facing New Challenges, Perkins Coie Survey Finds

Augmented reality (AR) and virtual reality (VR) are showing clear signs of a growing industry—with increased investment, exciting new content (and types of content) and technological advancements. But with growth comes new obstacles, including heightened legal concerns.

Given our extensive work with companies in the AR/VR space and long history advising clients on the various legal and business issues that arise, we once again conducted a survey to better understand how industry insiders are viewing the future of AR/VR and responding to new developments. Perkins Coie's 2018 Augmented and Virtual Reality Survey—completed by startup founders, technology company executives and investors— follows our inaugural survey in late 2016, providing an opportunity to track the upward trajectory of AR and VR over the past 18 months.

Evolution to Practical Applications, Collaborative Experiences

Respondents this year once again expected gaming to garner the most investor interest over the next 12 months—but the percentage dropped from the 2016 survey (78%) to the 2018 survey (59%). The drop is likely less about bearish attitudes toward gaming and more about the broadening of interest in AR and VR applications in other areas, including retail, healthcare and medical devices, military and defense and real estate. "Enterprise is growing faster than consumer," said one AR-startup founder responding to the survey.

Additionally, 82% of respondents said developers will focus more on collaborative and social experiences for AR/VR, and 81% expect developers to focus on creating AR tools and applications for smartphones. These are further signs of a growing industry and the movement toward more practical applications.

Legal Hurdles Evolve, Too

The 2018 survey also saw a significant increase in the level of concern about legal risks compared to 18 months ago. That's understandable as company leaders getting closer to market are naturally more concerned about legal issues than they were in their companies' first days. Consumer privacy and data security, product liability and health and safety issues, and intellectual property infringement were the top-three legal concerns selected. Within the IP arena, respondents overwhelmingly chose patent litigation as the area most likely to drive disputes and litigation in AR/VR, given concerns about being sued for IP infringement.

Respondents also noted that platforms are increasingly requiring exclusivity in an industry that is now more focused on building fences around hardware. In the 2018 survey, 31% of technology company executives said platforms requiring exclusivity was a challenge they faced in deals with companies developing AR/VR solutions. That's more than twice the percentage (12%) who said it was a challenge just 18 months earlier.

Other Key Survey Findings

- User experience was viewed as the top obstacle for mass adoption of both VR (41%) and AR (39%), reflecting ongoing concerns with technical limitations and performance issues, as well as bulky hardware in the case of VR. Cost was a greater concern for VR (22%) than AR (14%), whereas respondents

expressed more concern about content offerings for AR (25%) than VR (17%).

- Two-thirds of respondents expect the AR market to surpass VR in revenue. However, 51% now think it will happen within three years, whereas only 18% selected that timeframe in 2016. That means that even taking into account the 18 months between surveys, respondents believe the timeframe in which AR will surpass VR is shorter than previously anticipated.
- Growth and exit strategies for AR/VR startups for the next three years mirrored those from the 2016 report. A plurality of this year's startup respondents (45%) said they planned to raise capital to build their companies, followed by 23% who are pursuing acquisitions and 18% who are pursuing strategic partnerships.
- Most respondents plan to monetize AR/VR technology by selling products or subscriptions (59%), followed by charging for additional features or for in-app purchases with free apps (27%).

To view the complete Perkins Coie 2018 Augmented and Virtual Reality Survey report, as well as an infographic summarizing the results, please visit: https://www.perkinscoie.com/2018ARVRSurvey.

Kirk Soderquist and Don Karl are co-chairs of Perkins Coie's Interactive Entertainment practice, and Jason Schneiderman is a partner in the Emerging Companies & Venture Capital Law practice. Perkins Coie represents many of the market leaders in augmented, virtual and mixed reality technology, products, services and content. The firm counsels clients on identifying, anticipating and resolving legal issues raised by this developing technology, including corporate financings, intellectual property protection, software licensing, privacy and data security, product liability, commercialization and content strategy execution. For more information on Perkins Coie's areas of focus in the AR, VR and MR industry, please click here.

In addition to Karl, Soderquist and Schneiderman, the Perkins Coie attorneys who developed the survey report and analysis included Miriam Farhi (Privacy), Andrew Grant (Corporate), David Pekarek Krohn (Patent Litigation), Brendan Murphy (Product Liability) and Ben Straughan (Emerging Companies & Venture Capital).

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