Name: Wagner James Au: "Virtual Reality"
Season 4: Episode #10

Speaker 1:

Welcome to Stayin' Alive in Technology, a series of conversations with Silicon Valley veterans touching on war stories from the past and practical advice for today. And now here's your host, Melinda Byerley, founding partner of Fiddlehead, a digital marketing consultancy.

Melinda Byerley:

(Silence)

Melinda Byerley:

James, welcome to the podcast.

James Au:

Hey, thank you. Good to be here.

Melinda Byerley:

Thank you. It's good to finally connect with you by voice.

James Au:

I know, after doing so on Twitter.

Melinda Byerley:

And on your blog.

James Au:

Yes.

Melinda Byerley:

Both as a Second Life employee and leader. (Laughs)

James Au:

Ah, right, yes.

Melinda Byerley:

So James, tell us where you grew up. I always like to ask people, where did you spend your formative years?

James Au:

I guess it depends on how you define formative, but I'm from Hawaii. I grew up in Hawaii and moved here after college to California. So, I came to San Francisco to be a writer in various mediums and started getting freelance assignments, and started building from there.

Melinda Byerley:

You mentioned that you wanted to be a writer, and of course, the Beat poets. I've drawn writers to San Francisco for a long time. Is that what you wanted be when you were a kid in Hawaii? I'm deeply jealous by the way.

James Au:

Yeah.

Melinda Byerley:

What did you want to be when you grow up?

James Au:

Yeah. I wanted to be a writer and had many interests in many mediums. So I've always been a fan of movies. So I've written screenplays and have gotten kind of far in that process. And also just really in Hawaii even, started noticing that games were becoming basically an emerging art form. And a lot of what I noticed that served me working for Linden Lab, I noticed even in the early games in the late 90s and early 2000s, there's a possibility to have a new platform for creating and for people to collaboratively create. What actually connected me to Second Life, was one of my articles, actually several, I wrote about modding.

Melinda Byerley:

What is modding?

James Au:

Modding is an online gaming community that largely started out of Doom and Quake and those 3D games. So they're basically 3D game worlds. And because the company that made them open source,

the engine, people could start playing with it, and they can create
their own levels and basically their own worlds.

Melinda Byerley:

So modding as in modifying, versus moderating.

James Au:

Right.

Melinda Byerley:

Okay. Cool.

James Au:

And so I started writing about that early on. A lot of the game industry has been totally impacted by modding. Like one of the biggest games in the late 90s or early 2000s, was called Counter-Strike, and that began as a mod of Half-life. It became a huge, huge hit. There's been other mods like that have become full-fledged games. That's when I realized it was possible on a grassroots level for people to compete on the same level as the professional game industry. If they had enough commitment and time and talent, they could create game worlds that were as compelling as what the big companies like Electronic Arts were creating.

Melinda Byerley:

What was the first game you played? Or when did you become aware of technology as a child?

James Au:

I guess the one that stands out to me most was called NetHack.

Melinda Byerley:

I have never heard of this, what is NetHack?

James Au:

Oh my God. (Laughs) NetHack again, very influential game, and also a modded user created game. It's a rogue-like. So a role playing dungeon exploring game, but the unique thing for it at the time was the dungeon was created procedurally. In other words, there was a program that generated the dungeon that you would explore in, and then you the character would go in, and basically if you died, you died. You have to start all over again.

James Au:

There's 1000s of games like that, but one thing that made NetHack revolutionary is, again, it was open source and many people contributed, dozens of people. This was originally shared on college networks. So it can be played basically on any college terminal, which is where I discovered it, at the University of Hawaii.

James Au:

And again, that was one of the articles I first wrote for Salon. And that's where I got my start professionally as a writer with Salon and Wired. But I wrote an article in Salon about NetHack and how it kind of emerged and evolved based on all of these many people around the world adding to it, modifying it, and created this very fascinating, seemingly endless and infinitely various kind of gameplay. That would happen just because there'd been so many different plots and variations to what could happen in the game that really gave it a form of life, even though it was actually mostly text-based-

Melinda Byerley:

Like you have lit a fire or you have opened a door, if I remember from in my days.

James Au:

Yeah. Basically like that, but there would be all this forms of emergent gameplay where you could light your torch, but then the torch might blow out, or you could light the torch and then you could light furniture on fire, things like that. So you would find ways of interacting with the environment. And so that takes a long time to code, but a lot of people had collaborated together online to make this as full-fledged world as possible.

James Au:

Again, this one as it turns out, has been very influential. NetHack has most of the games you see now, the role playing games draw some of their DNA from NetHack and procedural worlds,. Minecraft is a procedural world, most of the big game worlds are procedurally-generated. So, yeah. But again, that was very influential.

Melinda Byerley:

How did you come to work for Linden Lab? And I asked this question in light of how I remember from my time working at the Lab. And for our audience, Linden Lab are the creators of Second Life. I remember how explicit we were that Second Life was "not a game, it was not a game!" And I was after you, you pre-date me.

James Au:

That's a whole story. Yeah.

Melinda Byerley:

Yeah. So let's talk about that. How did you make that transition? How did you come to work there? And how do you think of that relationship?

James Au:

Yeah, I was evolving as a freelance writer writing for Salon and Wired, mostly about the game industry, and game culture. I started focusing on mods, like I was saying, and also online worlds. And the big ones then were Everquest, and some related ones. And the big ones that I kind of directly connected to with Second Life was the Star Wars Galaxies, and then also The Sims Online. And so I did a long article about these worlds as kind of a transition from just the simple kind of fantasy RPG, which was the real kind of standard template.

James Au:

But Star Wars Galaxies to a certain extent, but definitely with The Sims Online, there was a whole attempt to create a more open-ended virtual world. And so I interviewed Will Wright a lot about that. And a lot of the concepts he was talking about, kind of Second Life started running with as well, just like, "let's group and create an open world and let's let the players create it." And that's actually how I was brought on to Linden Lab. And originally, they brought me on with the idea that I might write about them as a reporter, and this is in 2003.

James Au:

And as we were talking, they were thinking, and this is Robin Harper, who was the head of marketing at the time. She said, "Well, maybe you could write for us." And the role that emerged was basically, we have Second Life in closed beta at the moment. There's a very active community in there, and they're already creating an incredible amount of things. Just amazing amounts of user generated content are there, so why don't you go in and report what's in there? So I started going into the world of Second Life and reporting on it as a character myself. So my avatar, I made a white suit as a tribute to Tom Wolfe and sort of went in and just started interviewing people about what they were doing. And that was—

Melinda Byerley:

As Hamlet Linden then.

James Au:

Yes. That started my role. And one of the very first people I met had a beautiful mansion that she created, and it was a glass mansion overlooking the ocean. And so I started talking to her, and she kind of just casually mentioned—like it wasn't important—that she built it while she was homeless in real life, because she was squatting in an abandoned apartment building in Vancouver. And that's literally one of the first people I met. So that's when it struck me, I was like, "Wow, there are amazing stories happening in here."

James Au:

And related to what I mentioned about game versus virtual world, this is actually when Second Life was described as a game by the company, because Linden Lab could see itself as competing with The Sims Online and some other MMOs. And so the emergence as "we're a virtual world platform or not a game," that kind of happened later on as the hype wave hit.

Melinda Byerley:

Yeah. So you were there before the hype if you were in closed beta?

James Au:

Yeah.

Melinda Byerley:

It's hard for people to understand that Philip and I talked a little bit about it too, just how crazy that was, because we weren't so fractured as a media consuming country. It's hard for young people to imagine how fast this company got white-hot.

James Au:

Yeah, it really steamrolled. And a lot of it was just thanks to the explosion of blogging because I was putting all my stories on the blog, New World Notes, that just large media outlets started contacting me and Linden Lab. Like the BBC and MTV came to us pretty quickly, just having read articles that I had written about what the community is doing.

Melinda Byerley:

What was that like? Did they believe it?

James Au:

Well, they were skeptical at first. Just partly because they weren't familiar with the forum or the medium. You're interviewing all these avatars and they say they're homeless in real life, or they're this or that person. How do you know? Okay. Yeah. And I was always careful with... kind of as a matter of journalistic ethics was just to say, "well, this is what they told me they are," and just report this is as... well, I call it "embedded journalists in a virtual world."

James Au:

So I'm embedded and I'm an avatar reporting on other avatars. And this is what they say they are. Although what's been weird, and I've been doing this over 15 years, not one of my stories has been contradicted—

Melinda Byerley:

You didn't find out that somebody was lying about whoever they said they were?

James Au:

Yeah.

Melinda Byerley:

That's wild. Why do you think that Linden didn't want to call itself again after that? What do you think watching both from the inside and the outside lead to that transition?

James Au:

Well, this was a kind of a culture clash within the company to a certain extent. One of the co-founding leaders was Cory Ondrejka. He was the CTO, and he was very much from the game industry. I'm sure you've seen early versions of Second Life when it was called Linden World. It looks very much like a game. Actually it looks a fair amount like Minecraft, or what Minecraft came out to be, where there were creatures in the world and you could throw grenades, and there was combat, and you look like a flying robot. There was that vision where it'd be a fun online game that you play with each other and collaborate on. And then I think Philip Rosedale, as the main founder, his vision was more of a 3D internet, where you can recreate the world around you.

Melinda Byerley:

Based on our conversation, that still appears to be his focus.

James Au:

Yeah. Philip and I have talked about that a lot, because I started coming to the conclusion that the reason Second Life is not growing, the reason why it's plateaued in terms of users, basically people don't know what it is because it looks and sounds like a game—and people treat it as such. But the company is not treating it like a game. And they keep insisting, "well, no, this is a virtual world platform."

James Au:

The thing is that they were hoping that by changing the messaging that companies would use it more and more for real life applications, specifically meetings. And so IBM partnered with them in, I believe 2006 or so, and actually even created a corporate campus. It was an official IBM corporate headquarters. 10,000 IBM employees were using it.

Melinda Byerley:

Predating the pandemic by a few years, working in the visual world.

James Au:

Yeah. And one thing that I will always come back to is anything you see now in Internet culture was presaged and anticipated by Second Life 10 plus years ago. So virtual meetings that was happening in Second Life. And so companies were experimenting with that. So that was part of-

Melinda Byerley:

Yeah, I love to talk about that. I should tell people I learned to work virtually working at the Lab. Our policy of no hybrid meetings, which I don't know if they had that when you were there, which was you either had to all be in meetspace in real world, or you all had to be in Second Life, there was no mixed meeting.

James Au:

Oh, interesting. I think that works better. Yeah. You don't want to be in a virtual world, and—.

Melinda Byerley:

Yeah, because everybody who is remote suffers. But in virtual, everybody is equally challenged. And so therefore, people are more likely to be heard. I think Philip and I talked about this in the podcast too, just the transformative nature of not having to represent yourself in the physical manifestation of your body. I would love to see a scholar at some point talk about things like racism and sexism and other isms, because we're seeing already in the pandemic, women of color have been saying, "I like it better working remotely, we have fewer microaggressions, we feel more accepted, we feel safer."

Melinda Byerley:

And I swear, I felt that at the Lab as well. I mean, I was a pink bunny. I was a little tiny pink rabbit. (Laughs) My therapist and I could talk about why, but that's not for this podcast. But the point is that you could pick whatever you wanted to be. And that allowed people—I felt to see you as you wanted to be seen versus how they saw you or were conditioned to see you by whatever is going on in the culture. It's incredibly powerful.

James Au:

And it's awesome. We're finally at that inflection point where I think people get it. Because these worlds like Fortnite, and Roblox, and so on, are so huge. And this is sort of the expected interaction mode, where if you have an avatar, people are totally, they understand the concept. I think to a certain extent, understand what you're talking about, that power to express yourself not through, you're kind of real life surface, the body you were born with, but express the mind that you've cultivated on your own—by yourself to a certain extent.

Melinda Byerley:

Yeah. Like who your soul is, not to be too spiritual about it, but just
your essence, if you will, that is not sort of limited by the physical manifestation. I always tell people the moment I knew there was something there, I was in a meeting, it was somebody's office. And for those who don't know Second Life, executives at Linden have what they call private islands, essentially. So they're walled off places of the metaverse where nobody can come unless by invitation. It's just like a velvet rope or a lock door in real life.

Melinda Byerley:

And so we're at one of the executives offices having a meeting in Second Life, and it was winter. Their office was a winter scene. It was the middle of summer in San Francisco and I was shivering, I was cold. I was upstairs at the lab, which generally is pretty warm. I found myself, wait a minute, I'm cold, my body is reacting, as though I were in a snowy place. There's something here. This is wild. And I play video games since I was a kid too. I mean, I played even Diablo and The Sims, and I played all that stuff. I had never had a moment like that.

Melinda Byerley:

So I guess I ask, how has Second Life changed from those early days in pre-beta to where it is now? How much has it changed? Or how much has it not changed? Are some of those people you talk to still there?

James Au:

Yeah. A lot of user base has been around for a long time. Another thing that hasn't changed is the size, it really hasn't grown past roughly 600,000 active users.

Melinda Byerley:

Why do you think that is?

James Au:

That's been a fascinating thing that I'm going to write about soon. To me, that's the biggest mystery. And I think it's the biggest mystery in Silicon Valley, is how did something that got an incredible amount of press to the point of it's on the front page of the New York Times, it's showing up on CNN, it's showing up in the Office and other TV shows, movies. Second Life got the most attention at the time of any virtual world. And even crossovers like CSI, the TV show, they had an official experience in Second Life because they had an episode with Second Life in it. And then viewers can jump in.

Melinda Byerley:

The military is doing training exercises inside of it.

James Au:

Yeah. The military, corporations, 1,200 universities at one point, including Harvard and Princeton.

Melinda Byerley:

Art museums.

James Au:

Art museums. So they had all of this focus and attention, and tens of millions of dollars put into it, yet somehow it never grew past its plateau point of about 600,000 people. And to me, that's a massive mystery, especially when you contrast that with, say Roblox and IMVU and some other ones which have grown, either significantly larger or spectacularly larger. I believe Roblox launched in 2007. So I'd have to double-check that, but it hasn't been around that much longer. As you saw, it just IPO'd for many billions of dollars. It has 200 million monthly players.

Melinda Byerley:

Crazy.

James Au:

And again, it's not that dissimilar from Second Life on its basic functionality. So Second Life was incredibly influential to the Silicon Valley world, but also just the real world. Like you're saying, we're seeing a lot of Second Life sort of pioneered, it's starting to become very mainstream. But for some reason, Second Life itself, the platform, it has never been able to grow. And it's an amazing microcosm. I said at my first book, this might be what it is, it just becomes an amazing microcosm of under a million people. So that's one of the biggest mysteries to me.

Melinda Byerley:

I mean, we could talk about that. I have theories too, that timing is important. When I think about processing speed and lag time and user experience, I think about when that hype cycle hit, it was almost too soon. Because the experience just didn't quite match up, it raised everybody's expectations, but you had to have an incredibly fast computer at the time, your average computer could not handle.

James Au:

Yeah.

Melinda Byerley:

Even the computers we were given at the Lab would lag sometimes, and they were obviously the highest end computers you could get. So I think people tried it, they got stuck and left, and it's really hard to get over that. And there's a nerd factor too, like what kind of weirdo does that?

James Au:

I think that was part of it, is that they were getting mainstream
attention, but the mainstream does not have the hardware to actually follow through with it. And again, that brings me back to my point that Second Life announced it was not a game. Before, it really could not deliver beyond gamers, because MMOs of that time, they're already getting larger than Second Life. And it's because gamers have the equipment to run the program. So, that was part of it.

Melinda Byerley:

As a writer, coming from outside and then going inside to one of these companies, I would love to hear that perspective. Because I will tell you as a marketer, and as I've gone through my career, I sometimes chuckle. I know that journalists are trying hard to get it right, but they often get it very, very wrong. And not just in gaming. In other companies I've worked for, I read this article and I go, "Oh, no, that's not at all what happened." I understand why you said it, but that's not how it went down. How did your perspective on work or life or your career or these companies change once you were inside the company?

James Au:

Well, I was always a contractor for Linden Lab. So I would come in on a part-time basis, actually in the office. I did have a desk for a time, but I would come in a few days out of the week and I would work on some side marketing projects, or I'd help out with some side marketing projects. We ran a machinima contest, which I helped put together, and a game development contest where I brought some folks from the game industry I knew to help judge. And so projects like that.

James Au:

And I'd worked for other startups, but that was... I think the kind of game industry or game industry-adjacent startup that I worked for on a regular basis. And far as my writing, Robin was really great. She always gave me latitude to just go off on my own and be independent and write stuff, which I don't know if they would have wanted me to write about. Because a lot of times it'd be a lot of the strange controversies happening within the Second Life community.

Melinda Byerley:

Yeah, the inside baseball.

James Au:

One of the stories that got a lot of attention was people started treating Second Life as a social game. So that meant going to nightclubs and fashion shows and giant parties and things like that, where you take your avatar around and you'd flirt with other avatars. And then you had a lot of virtual sex happening. And so that scene started developing immediately. And because you have people trying to hook up virtually, you have relationships getting tested because of that. So one guy became a virtual detective in Second Life.

Melinda Byerley:

(Laughs) I didn't know that, that's crazy.

James Au:

Yes. And so he would run a sting operation for his clients who suspected that their avatar boyfriend or girlfriend was cheating on them.

Melinda Byerley:

Oh my God, that's funny.

James Au:

He ran a honey trap operation, where he'd have men and women on his clientele list who are on his staff list, who would approach the suspected cheater to see if they would take the bait.

Melinda Byerley:

It's interesting because I came second to Linden after I spent time at eBay and PayPal. In fact, I was brought in to help build the eBay of Second Life, the virtual goods store. They had just bought XStreetSL and they were going to a new platform and all of that. So I had a lot of experience in marketplaces and policy. Yeah. I always tell people the best part about working at the Lab is you get to have a meeting called "skins and nipples." (Laughs) So I guess you're having a discussion about what you can sell and what you can't.

Melinda Byerley:

But I saw a lot of this stuff happening in eBay, so it didn't shock me. I remember at eBay we had, in the diamond rings category, part of your job is category managers, you have to call up your customers occasionally, you call people up and ask them about their experiences. I remember one of the category managers in jewelry calling up somebody who was a top buyer of jewelry, only to discover that the wife was not the one getting the jewelry. Yeah. She's like, "What diamond ring?"

Melinda Byerley:

I mean, if there's human beings and sex and also a place for marginalized people, people who have friends or less mainstream sort of sexual preferences—just like all over the Internet—and now it's everywhere. But it was so sort of shocking that people were coming together to talk about sex in those days.

James Au:

Right. Or engage in it, those avatars. (Laughs)

Melinda Byerley:

Yeah. Although that has been going on for a long, long time. I mean, people were doing that on AOL. I mean, I'm sure they're doing it on BBS's too.

James Au:

Yeah. The innovative thing is, you're talking about categories of content. Detachable penises were a category.

Melinda Byerley:

Yes. All of it.

James Au:

Literally. Yeah.

Melinda Byerley:

(Laughs) Yeah, it was wild. And so now, compared to what we see now on YouTube and stuff is tame. I mean, it's just some furries doing some things. Nobody was getting hurt, they're all grown ups. Now compared to what we see, it just feels like, they were so shocking at the time, but now it almost looks quaint.

James Au:

Yeah. Well, there were some subcultures that were really dark. And that was actually one of the earlier mistakes Linden Lab made. They had an ambivalent response around age play, the Virtual Pedophilia basically. That got them in a lot of hot water. And so they had—

Melinda Byerley:

As well, it should ... I mean, it's a fine line, and we felt it at eBay too. I mean, I sat on some of the policy meetings, you always had to rotate through policy. And in all platforms, it's the discussion. I mean, I've said on this podcast, how wrong I think Facebook got it. I think Meg did such a great job at eBay. No one told her to ban Nazi paraphernalia, she just decided to. She said, "This will not happen." She didn't even wait for the committee. She's like, "This is happening. We're not doing this because it's morally wrong. We will not sell ammunition. We will not sell body parts. We don't have to have a meeting to talk about this. We're just not going to do it." (Laughs) And that's what leadership is. I agree that the Lab had more of the libertarian streak than eBay, but not as much as Facebook, even they knew there were lines.

James Au:

Yeah. So I got that lesson early on the limits of libertarianism is basically in theory, you imagine people being completely free to do whatever they want and that leading to some kind of emergent, utopian

society. But what happens is you also amplify the worst people in
society. So you do end up with pedophiles and Nazis as a major part of it.

Melinda Byerley:

Yeah. No, it's the technology piece of it—both at eBay and at Linden—I worked on issues of copyright, trademark infringement because of various reasons. And so I remember learning, if Disney wanted to pull every piece of content that somebody made in Second Life out of the platform, it couldn't be done, there was no way to go find it.

James Au:

Yeah, it's still a huge issue.

Melinda Byerley:

So in some ways, it's almost like children playing with weapons. They created the thing. And I would tell the audience that if I think about the timing of all this, because in the very first episode of this podcast, I talked to Larry Friedberg, who was part of the first team at eBay to create trust and safety. I talk about the origin, it was created at eBay, it didn't exist, the name "trust and safety" was created there. And Linden was being founded and growing at the exact same time. The problem was that eBay grew so much faster. It turns out that selling things in the real world has real world consequences. So they had to solve those problems faster.

Melinda Byerley:

Linden was never forced to face it right away. And so they didn't have to engineer for it, if that makes any sense. The police were not bagging down their door. Whereas at eBay, there was a growing concern, the media was starting to say, "Oh, you can be scammed online." eBay saw very quickly that if they didn't figure that out, they were going to be in trouble. And so they solved it. I think because Linden was founded at the same time, there was just not as much awareness of trust and safety as a thing you have to solve. And so the infrastructure was not built from the beginning.

James Au:

Right. Well, and we're still learning this lesson of "if you don't start by nailing down the policies of what are the worst possible applications of your platform that you're going to pay for down the road." Facebook is of course dealing with this right now. Well, all the social media platforms.

Melinda Byerley:

We all are too, Minecraft, I have seen those videos on YouTube Kids, where people have inserted some incredibly adult, whether it's murder or suicide warnings, all sorts of crazy stuff going on side. It's still not being solved. It's like we're still struggling in tech to understand that our child can be used for evil.

Melinda Byerley:

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Melinda Byerley:

Are some of the people that you talk to still there? I was thinking about the people that were made famous because of all the virtual land they owned. Are they still there? Do people leave? Or if they do, is the communities growing? You said it's stable. So that implies to me some people are leaving and some people are staying, or must be arriving if they're staying consistent.

James Au:

There's kind of a sort of dipping your toe in and leaving for a while. Many are most of the Second Life users I knew back in the day, they still follow it and they'll come in on occasion. Actually during the pandemic, there was a fairly decent resurgence of old timers coming back in just to—

Melinda Byerley:

(Laughs) Yeah. Time on their heads. Let's go see your friends. Yeah.

James Au:

Yeah. Also, they needed a social network because they weren't meeting people in real life. So it does feel like once you go in and you form a network, there's very few people that leave on a permanent basis. They'll always come back in to see what's happening.

James Au:

And there's new users. I just wrote a profile of new users, or mostly new users because there's a Facebook meme going around, where you post your real life photo next to your Second Life avatar photo. A decent amount of them were people in their early 20s, where the Second Life user base is actually kind of aging overall since people now are in their 40s, 50s, 60s, but they still get an influx of people, either from watching the various videos on YouTube or other social media to check it out. So it doesn't grow for a number of complicated reasons, but you have some new turn.

Melinda Byerley:

What do you think some of those complicated reasons are? Probably can't go to all of them, but what do you think are the two or three that jump out at you as the most?

James Au:

I'd say the top three are lack of a mobile app, which is still an issue. Lack of a game structure, there's no achievements, or any other structure to guide people in.

Melinda Byerley:

Yeah, you kind of have to show up. It's like moving to a new community and not knowing anybody.

James Au:

Yeah. And it was almost by design. Philip was very much influenced by Burning Man. His idea was that you'd show up, and it'd be a bunch of people around. Just like in Burning Man, there's no guidelines, but if you meet people you'd figured it out.

Melinda Byerley:

That only appeals to a subset of the population. Most people are afraid of the blank page. Yeah.

James Au:

Only 20,000 people or so go to Burning Man in the middle of the desert, where two billion or above might be interested, but they don't necessarily want to be thrown into that experience.

Melinda Byerley:

Most people consume, they do not create.

James Au:

Yeah. I'd say game structure and mobile, that would have solved much of the problem.

Melinda Byerley:

I'm actually surprised to hear they still don't have a mobile app. We were talking about it when I was there a long time ago. (Laughs)

James Au:

Yeah. They finally have one that just got approved by Apple.

Melinda Byerley:

Wow.

James Au:

Yeah. I think it's on the market or it's in beta still. And it's not going
to be the full experience, but I'm kind of boggled. If I was going to add a third thing is the fact that Linden Lab has always been, since 2007 or so, very profitable in terms of how much they spend versus how much they make. Because their revenue's really solid. I think because of that, actually another Linden employee was telling me, I was like, "Well, maybe they got profitable too quickly. So there wasn't a sense of urgency." It was like—

Melinda Byerley:

That doesn't usually matter in tech though, because usually the VCs want the exit. They want out. They're usually not interested in an annuity of cash flows. They want a liquidity event and they want to leave.

James Au:

Yeah. And they were prepping for an IPO about 10 years ago.

Melinda Byerley:

Yeah, that's about the time I showed up. (Laughs) We were supposed to be doing that, it did not happen.

James Au:

Yeah, the VCs wanted to exit.

Melinda Byerley:

They always do.

James Au:

(Laughs) I think the company culturally was like, "Well, we're doing well. We'll get to mobile when we get to mobile."

Melinda Byerley:

I would argue that's a potential. Now, that may have changed. I can't speak to the company now, or in reasonable leading or near term, because most of the people I know have left. But when I was there... Again, I'm a business person. I like to play games, but I'm there to make money. This is not art. The culture was very much like, you had to convince the engineers to do things that were good for the business. The engineers worked on whatever they wanted to work on, basically. They were amazing engineers. I'm friends with them to this day, and they've gone on to some of the biggest names in tech, they really knew what they were doing. But there was never any structure around it, never any focus towards what is the business outcome.

James Au:

Right. Yeah. Very engineered-focused company.

Melinda Byerley:

Whereas Google is also engineering-driven, but they're a business first. So it's interesting to see how Google has managed to maintain them. Many hardware engineers I know are very happy at Google, they see it as nirvana. The engineers were happy at Linden, but everybody else was like, "Okay, are we making money? What are we doing here?"

James Au:

Right. And it's a consumer product. You need the Apple mindset, or a game industry mindset. That never happened. They hired a CEO from the game industry, Rod Humble.

Melinda Byerley:

He came in after me. Yeah.

James Au:

Yeah. My sense of autonomy, he just kind of got overwhelmed by the company culture, by the engineering culture. So he couldn't really implement a lot of the ideas he had that would make Second Life more game-like or even just make it more fun. Make it easier to navigate things. So the Second Life user interface still looks like it was created by an engineer. So it looks like a giant VCR, DVD control, remote control.

Melinda Byerley:

Right. Yeah. It doesn't have that modern sort of interface, and so it's ... Yeah, you're right about the culture. When I read Michael Pollan's book about psychedelics, and thinking about this merge in Silicon Valley, I often call them the mother and the father. The mother is this sort of spiritual-like whole earth catalog, and the father is money, like make money. Second Life set firmly on the mother's side. Facebook is on the father's side. And it's interesting because Facebook was exploding while I was there, and we were watching it going, "wait a minute."

Melinda Byerley:

That was another thing I talk about, this was with Coraline Adeyemki, about real world names versus anonymity. And so clearly the trend at the moment when they needed to go public, the trend was towards real names before we understood what the downside of that could be.

James Au:

Oh, yeah. (Laughs)

Melinda Byerley:

I am fascinated and I wonder if there might not be returns to places where anonymity is cherished and priced.

James Au:

Well, there's an interesting ironic turnaround, because just last week Zuckerberg announced that he wants to turn Facebook into a metaverse company. And so he's building what he thinks is going to be a metaverse called Facebook Horizon.

Melinda Byerley:

With Oculus Rift, of course.

James Au:

Right. I've talked to people who have worked on it, and they are having all kinds of problems. Again, it's a corporate culture thing. And part of it is a focus on real names and real identities. That's Facebook's DNA. But a metaverse is all about pseudonyms. It's all about avatars. It's all about—

Melinda Byerley:

Fantasy. It's creating the world you want to live in.

James Au:

Yeah. And also like you were saying, kind of creating your identity or expressing a core part of yourself that's not going to be necessarily what you look like or what job you have or where you live. And that's what Facebook culturally doesn't understand that Second Life understood.

Melinda Byerley:

I remember, did you ever see that episode of Silicon Valley where they're in the world and then they say something and the ads start popping up?

James Au:

Oh, yeah.

Melinda Byerley:

That's what I think of when I Facebook, I'm like, "How are you going to sell ads? People don't want to be interrupted in that experience at all. That would totally take them out of the fantasy."

James Au:

Yeah. It's sort of, their DNA is real names integrated with real interests so they can sell that data to advertisers.

Melinda Byerley:

Correct.

James Au:

And you just cannot do that in a metaverse virtual world. Yeah, that's the big irony. To me, I think they also want to be a metaverse so that it kind of helps them from a political regulation level, because they can say, well, "we're not just a social media company, we're a metaverse company." But they are really not succeeding on that level.

Melinda Byerley:

How do you feel since you've been covering Second Life, the metaverse games for so long? I've always wanted to ask you this. Does it ever annoy you when reporters talk about the metaverse like it's new?

James Au:

Sometimes. I mean, sometimes they will acknowledge Second Life was doing all this over—

Melinda Byerley:

Almost 20 years ago.

James Au:

Almost 20 years ago. Yeah. So they'll do that. I'm more abused. It also took Roblox to put that concept on the map because they very quickly announced, "oh, we're building a metaverse, we're not just building this game platform for kids." So, better late than never. It's fun because I've been doing this for quite a while to come back to that and have a lot of knowledge to share because a lot of the same problems are being repeated, of course, by new companies.

Melinda Byerley:

Yeah. Right. If you listen to the episode with Larry Friedberg, we spend that time going, "We can't believe it. We solve these problems that eBay, why are we not moving forward? Why are they doing this again and again, and again?" This is one of the reasons this podcast exists, James. (Laughs) I'm hoping that over time, people will actually learn to understand the history so we don't keep repeating it.

Melinda Byerley:

So I would love to ask you too, there was something called The Rig at
Linden. Now, there's the Oculus Rift and other virtual reality headsets. What's your take? Are they going to stick or is that just a fad, or a temporary phase on the way to full metaverse?

James Au:

I'm pretty convinced that VR is going to be an interesting niche and it's going to remain as one. So you might on the high level have 50 million people using it, even as the technology improves. I literally before got on this call, we now know that Oculus Quest has sold about five million. That's not a lot.

Melinda Byerley:

No, it's not, not by Facebook standards.

James Au:

No, I mean, they threw billions into this. That's nowhere near how much a game, like a PlayStation 5 or Xbox 360 sells, that's in the tens of millions, over 100 million actually. So they've put all this money in it, and they're barely making a dent. And the Quest is good. It's a good product, they did a really good job. So not taking anything away from them, but anytime this is brought up, the sales, there's always from hardcore VR enthusiasts, "Well, it's because the headset's too thick, is because there's not enough content."

James Au:

The content problem has been solved. And with the thickness issue or the tech issue, I noticed even two, three years ago, Despi and some other retail stores, they couldn't get people to even demo VR. They'd have free demos. It's like, "Well, come take a demo." They had to close up a lot of the booths because nobody was coming by. And so I think there's just a cultural discomfort with basically being blind to the world, like wearing blinders and ...

Melinda Byerley:

I mean, my mother offered to buy me an Oculus, and I was like, "Mom, please don't spend your money on that. Please don't." I am somebody who should by rights enjoy this, but I wondered. I mean, again, I'm no expert like you and Philip and others who think about this extensively. I wonder in my mind about the uncanny valley and sort of like, there's something in our reptilian brains, I believe that just isn't, it's not real enough yet. And so therefore it doesn't lock into our neurons.

Melinda Byerley:

I was thinking about mirror neurons the other day in Second Life like, we know when humans are together, that our mirror neurons affect each other. I started wondering, has anybody done research on whether mirror neurons are affected in the metaverse? Would that be the thing that sort of makes it, if you will, forgive the word, I haven't thought carefully about it, but addictive, if you will. Yeah. Interesting enough. Yeah, immersive enough like, in order for your brain to be interested in something, it's got to

give you some dopamine. And where are you getting the dopamine
from in Second Life? Unless you're creating, you're having virtual sex, you're talking to people, or maybe you're exploring.

Melinda Byerley:

But most of those other things you can do offline in most cases by most people, they were talking about law of large numbers here. And so unless it offers something compelling in those areas beyond what you can get in real life, the brain just isn't interested.

James Au:

I mean, that could be. There have been studies in terms of, I don't know if this qualifies as mirror neurons, but there was a Stanford study that people in Second Life, their avatars would follow the unwritten rules of eye contact and physical space. So you would look at other avatars and make eye contact with them for roughly the amount of time that you would in real life. And your avatar would stand as close to another avatar as you would in real life. So it was sort of, people kind of-

Melinda Byerley:

Just thinking about somebody standing next to me in the metaverse makes me uncomfortable, for real.

James Au:

Yeah. Well, that happens. If someone's standing too close to me, you don't know me, back off. So that's kind of the magic that happens, it is an avatar and that's literally the Sanskrit for a godly incarnation. You feel that yourself is incarnated enough that your avatar follows the unwritten rules of body, proximity and eye contact. So there is that kind of enough immersion, and that doesn't even require VR, that's just looking on the screen. And the fact that you can control your avatar is enough to create that sense of immersion, that kind of magic that you are there, to the point where you don't want to stand too close to people because that seems rude.

Melinda Byerley:

Yeah. So something happened. I was thinking about when Philip demoed the new high fidelity product, the spatial audio to me, I jumped in my seat because it was like he was whispering in my ear.

James Au:

Oh, yeah, it's impressive.

Melinda Byerley:

It's like, so I can't help but wonder, future generations will hopefully listen to this conversation and laugh at us... If we were talking to Henry Ford at the beginning of the 20th century, we're making these early sort of steps into what will become the future. These are the problems we're wrestling with. So, I'm

hoping future generations will understand the questions we didn't
have answers to right now, as we sort of find our way through.

James Au:

Yeah. They're going to have to be answered. I mean, these are going to be large platforms, because it's now mostly kids and teenagers, early 20s. But if they stick with these platforms, the Fortnite's and Roblox of the world, they're going to have to learn what we learned in Second Life, because as people become adults, they're going to have different desires, they are going to have different expectations for what the metaverse looks like.

Melinda Byerley:

Indeed. So with that, I'd like to ask you just a couple wrap up questions. The first is, and you should come back. If you want to talk about other metaverses, the work that you're doing now, I think those would be great follow-ups, just because I think we're laying down some history for people.

Melinda Byerley:

But as we start to wrap up for this, I'd love to ask you, James, what's something you wish you'd learned earlier in your career? I like to ask, is it the thing that if you'd known this 10, 20 years ago would have saved you so much time or energy or money?

James Au:

I've had such a random career where I end up writing books and then working for startups, where I'm working in the game industry, and then also jumping over and consulting for other ones, that I've had kind of a real salad bar of technology experiences. I guess if I had to do it again, I would... I'm resisting, I can almost say I wish I'd learned some code, but that's a double-edged sword. Because if you learn code, then you become a coder. I've always liked to be kind of on the outside.

Melinda Byerley:

I think it's important too. I remember when not Nitasha Tiku first came to the West Coast and I told her how important it was to have people looking at us from the outside, it's important. We need people observing us, those of us who actually work inside these companies. I think journalism and writers have an important place to play right now.

James Au:

Hopefully, yeah. Yeah.

Melinda Byerley:

...Reflecting us and writing about... because we're too wrapped up in our own bubble.

James Au:

They wish I'd learned.

Melinda Byerley:

Has your position on the Oxford comma changed? That's usually good for a chat with a writer.

James Au:

No, always the Oxford comma. (Laughs)

Melinda Byerley:

Pry it from your cold, dead hands.

James Au:

I understand that. Yeah.

Melinda Byerley:

Is copyediting one word or two?

James Au:

That's definitely one word.

Melinda Byerley:

Okay. Just asking. We have some editors in our team. (Laughs) I appreciate it.

James Au:

I don't want to duck what I wish I'd learned beforehand. I would say some practical familiarity with the 3D engines, like learn to create a scene in Unity or Unreal, and know the basics. I think if I learned that earlier then different paths might have opened up. I mean, I've been basically happy where I've gone. I'm working with a metaverse startup called SineWave. Well, they're doing what we talked about, where they're having a platform for virtual meetings and conferences and events, but it was from some people I met in Second Life. But they're Unity-based. So, that's something I'd wish I'd learned a bit earlier, with how to do some basic scenes construction in Unity.

Melinda Byerley:

I'll ask you the last one, what's the best advice you've ever been given?

James Au:

I think the best advice I've gotten from anyone in tech would be from O Malick, who I wrote for, for a few years. A great reporter and blogger. He's a VC now. But it was a matter of realizing that it's a matter of timing, that you're going to be doing things, that you're going to want to have your writing brands, in my case, and you're going to be involved in the industry and the marketplace. And things will not always align, but if you stay focused they will align, and be ready for it.

Melinda Byerley:

That's great advice. Thank you so much, James, for coming to the podcast. I would love to have you back to talk about what's next.

James Au:

Oh, I'd love to.

Melinda Byerley:

Thanks, again.

James Au:

Thank you.

Speaker 1:

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