Theranos founder Elizabeth Holmes found guilty of criminal fraud

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5 January 2022

On Tuesday a jury in a California court convicted Elizabeth Holmes, the former billionaire and CEO of the startup Theranos, on four of seven counts of criminal fraud for lying about her company and its capabilities for years in order to bilk investors of their money.

After deliberating for 50 hours over seven days in the trial that lasted for three months, the 12-person jury returned a guilty verdict against Holmes on three counts of wire fraud and one count of conspiracy to commit wire fraud against investors. The jury was unable to reach a verdict on three charges of fraud against patients.

Among the investors that were defrauded by Holmes were media magnate Rupert Murdoch, Oracle founder Larry Ellison, Walmart's Walton family and the billionaire family of former Secretary of Education Betsy DeVos. In reaching the verdicts, the jury rejected the defense claim that she was a captive victim of an abusive relationship with her partner and boyfriend, Theranos COO Ramesh "Sunny" Balwani.

Balwani, 20 years older than Holmes, has pleaded not guilty to the same charges and will go to trial himself early in the new year. Holmes is out on bail pending her sentencing, which could take place in six months or more. Each wire fraud charge carries a maximum of 20 years in prison plus a $250,000 fine. Some legal experts are predicting she will receive a light sentence.

Holmes, 37, founded Theranos in 2003 while she was attending Stanford University as a chemical engineering student. She dropped out of school and used her tuition money to establish the health technology company in Palo Alto, California. She said the firm would revolutionize blood testing by obtaining "vast amounts of data from a few droplets of blood derived from the tip of a finger," a claim medical experts told her was flawed and impossible to accomplish.

With support from Stanford administrators, Holmes pressed forward with her unproven miracle "lab-on-a-chip" blood testing concept and obtained $92 million in venture capital by the end of 2010. Modeling herself on the charismatic behaviors of Steve Jobs, the founder of Apple Computer Company, Holmes attracted an A-list to the Theranos board of directors including George P. Shultz, former secretary of state; Sam Nunn, former US senator; Henry Kissinger, former secretary of state and James Mattis, retired US Marine Corps general and, later, Donald Trump's secretary of defense.

While the company never delivered a working product, Theranos announced in 2013 a partnership with Walgreens to launch a chain of retail blood sample collection centers. Shortly thereafter, Holmes was being feted by the business press and corporate media and, following her appearance on the covers of *Fortune*, *Forbes* and *The New York Times Style Magazine*, Theranos raised $400 million in venture capital and was valued by Wall Street at $9 billion.

In 2014, when she was 30 years old, Holmes was hailed as the "world's youngest self-made female billionaire" and ranked at number 110 on Forbes' 400 Richest Americans list with a personal net worth of $4.5 billion. At the same time, Holmes appeared on 18 US patents and 66 foreign patents for Theranos technologies such as the blood collection vessel called the "nanotainer" and the blood analysis machine dubbed the "Edison."

One of the patents for the Edison described how the in-store system communicated over the Internet and received instructions for which tests would be run on the blood samples, before communicating these results back through the Internet. These results, in turn, were

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compared to medical data available on the Internet, with the Edison running supplementary blood tests that were more targeted based on the results of the comparison. None of this ever worked.

Just as the personal accolades for Holmes and the accumulation of massive financial assets by Theranos were entering uncharted territory, papers were being published in scientific journals exposing the entire operation as a fraud. In February 2015, a Stanford professor wrote in the *Journal of the American Medical Association* that no peer-reviewed research had been published about Theranos products and services in any medical research journals.

After deadlines were missed with Walgreens and Safeway, which had invested $350 million in retrofitting its 800 stores for the installation of in-store blood testing stations, numerous lawsuits were filed against Theranos in federal court for breach of contract.

By the end of 2015, the *Wall Street Journal* began a series of investigative reports on Theranos by John Carreyrou based on interviews with ex-employees and whistleblowers and internal company documents. A primary source for the Journal was Tyler Shultz, an employee of the company between 2013 and 2014 and the grandson of then-Theranos director George P. Shultz.

Among Carreyou's revelations was that Theranos had been using commercially available blood testing equipment manufactured by other companies to perform its analysis because its own devices did not work.

In response to the reports, Holmes went on a public relations offensive and accused the *Journal* of tabloid journalism and said the allegations were "factually and scientifically erroneous." She appeared on CNBC's *Mad Money* and NBC's *Today Show* and claimed that she was the victim of the established health care concerns who wanted to stop her from "changing the world."

She also went on an internal rampage to silence the whistleblowers, including Tyler Shultz, by sending lawyers after them. The company also used a reputation management firm to discreetly edit entries on Wikipedia about the *Journal's* reporting on Theranos.

Government regulatory bodies at the state and federal level began investigations of Theranos in 2016 and 2017. In March 2018, Holmes and Balwani were charged by the US Securities and Exchange Commission for engaging in an "elaborate, years-long fraud" that "deceived investors into believing that its key product—a portable blood analyzer—could conduct comprehensive blood tests from finger drops of blood."

In a settlement, the SEC required Holmes to pay $500,000, forfeit 19 million company shares and be barred from a company leadership position for 10 years. Balwani did not settle with the SEC. Three months later, both Holmes and Balwani were indicted on the charges covered in the trial that just concluded. The company was shut down on September 4, 2018, after a buyer of its assets could not be secured. The trial did not begin until August 2021 due to the pandemic and other issues.

The saga of Elizabeth Holmes and Theranos is a lesson in the nature of the capitalist system in the 21st century. While the courts and the media—as well as the billionaire investors who were bilked—would like the world to believe that Theranos is an aberration and just one bad apple within an otherwise completely healthy economic order, the abuse of science and the resources of society carried out by Holmes between 2003 and 2018 was a harbinger of the deadly reality being wrought on the entire planet today by the capitalist elite in the form of the coronavirus pandemic.

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