

# Theranos founder's fraud trial to begin in US

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Elizabeth Holmes was worth an estimated \$3.6 billion in 2014, according to Forbes.

A female entrepreneur whose multi-billion dollar start-up looked set to revolutionize medical testing, before it crashed and burned in a blaze of fraud claims, goes on trial next month.

When she launched the diagnostics company Theranos in 2003, at the age of just 19, the charismatic Elizabeth Holmes promised results that were faster and cheaper than traditional laboratories, running an analytical gamut on just a few drops of blood.

Political grandees like Henry Kissinger and James Mattis were drawn to the company's board; media mogul Rupert Murdoch invested his cash in what seemed to be a sure-fire winner.

Holmes was lauded as a visionary, drawing comparisons with Apple founder Steve Jobs.

But years of hype, and billions of dollars later, those promises unspooled; the miracle machines did not work.

And, say prosecutors, Holmes knew it, yet continued to lie to investors, doctors and patients so she could raise more than \$700 million.

At her long delayed trial, which begins in September in San Jose, California, Holmes faces nine charges of wire fraud and two of conspiracy to commit wire fraud that could see her jailed for up to 20 years.

"In terms of how much money the government has alleged has been lost, this case is actually not the biggest health care fraud case in the past year. There are many larger health care fraud cases than the Theranos trial," says Jason Mehta, a lawyer and former prosecutor specializing in health care fraud.

"But in terms of media attention and scrutiny, it certainly ranks right up there as one of the bigger cases in the past decade."

## **'Real patient harm'**

Jurors, who will be selected from Tuesday, could hear from former board members like Kissinger and Mattis, as well as from Murdoch.

But they may also hear from patients who were victims of the faulty tests, and received misdiagnoses of cancer, HIV or pregnancy.

Holmes' lawyers may want to avoid such testimony, but for Mehta, their experiences are key to understanding what happened.

"It's what makes these cases real. It's what makes the government's allegation not just about dollars and cents, but about real patient harm.

"For many jurors, the patient testimonial likely will be the most compelling and the most moving testimony."



Holmes, seen here with Chinese entrepreneur Jack Ma and former US president Bill Clinton was an object of fascination way beyond the Bro culture of Silicon Valley start-ups.

It may also be necessary for prosecutors to prove their case; the 2018 dismantling of Theranos' servers rendered a key company database unreadable.

But for all the potential star power of the witness roster, the most eagerly awaited testimony could come from Holmes herself, if she decides to take the stand.

According to John Carreyrou, the Wall Street Journal reporter who first broke the story and has since written a book about the scandal, Holmes was a true believer in her vision of cheap blood tests—even if she knew the facts didn't really fit.

"Not to say that she didn't know along the way that she was lying at certain junctures and cutting corners, but she felt that was justifiable and the goal was noble," he told CNBC last month.

## **\$3.6 billion**

The combative Holmes was an object of fascination way beyond Silicon Valley for more than a decade.

A highly successful woman in a world dominated by macho venture capitalists and the "bro" culture of start-ups, she amassed an estimated \$3.6 billion, according to Forbes in 2014.

At the time she was the youngest billionaire not to have inherited her fortune.

The high tolerance of risk that brought her immense wealth is also what has led her to battle the charges in court, and chance of a much lengthier jail term, says Carreyrou.

"Nine out of 10 or even 99 out of 100 people in her shoes would have copped a plea several years ago, but she is willing to roll the dice and take it all the way to court."

In 2018, the Securities and Exchange Commission presented the Theranos case as a lesson for Silicon Valley, a warning against the "fake it till you make it" culture.

And for biotech and healthcare start-ups, it's a shadow that's difficult to escape because of the constant comparisons in the public mind.

"I had to waste a lot of time talking about Theranos to people who weren't in the space and in particular, as a fund manager who raises funds from generalist investors... a question we often get is 'How do you avoid the next Theranos?'," said Jenny Rooke, managing director of Genoa Ventures.

"I stifle a laugh and try to be patient here. But the next Theranos is not our problem.

"Those of us who are experts can see the big delta between claims like that and what is possible, and can see the red flags around the lack of peer review and the lack of expert involvement and the lack of transparency."

The trial has been postponed several times—notably because the



defendant had a child in early July. It is scheduled to begin on September 7 and last several months.

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