

# Theranos: A Case Study in Business Ethics

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*This information was pulled together from a podcast, a book, a movie, and various internet sources. Its purpose is to provide the background and context needed to discuss the ethical aspects of the Theranos case, not to provide a rigorous account of what actually happened. In short: we're philosophers, not journalists, and the information below should be taken in this light.*

## Timeline

- 2002: Elizabeth Holmes enrolls at Stanford University.
- 2003: Elizabeth (age 19) founds Theranos.
- 2004: Elizabeth drops out of Stanford.
- 2005 (February): Investments in Theranos total \$6 million.
- 2006 (early): Investments in Theranos total \$45 million. Avi Tevanian joins Theranos's Board of Directors.
- 2007 (late): Avi asked to resign for "asking too many questions."
- 2009 (September): Sunny loans Theranos \$13 million and joins Theranos as President and COO.
- 2010 (early): Theranos approaches Walgreens, eventually cutting \$140 million deal.
- 2011: George Shultz, Henry Kissinger, and others join Theranos's Board of Directors.
- 2013: Walgreens opens 40 Theranos Wellness Centers in Arizona.
- 2013 (September): Tyler Shultz starts working at Theranos.
- 2014 (April): Tyler complains to Elizabeth; Sunny responds; Tyler quits.
- 2014 (June): Roger Parloff publishes cover story on Elizabeth in *Fortune* magazine. Investments in Theranos reach \$400 million; Theranos valued at \$9 billion.
- 2015 (February): Tyler starts talking to *Wall Street Journal* reporter John Carreyrou.
- 2015 (July): FDA approves its first (and only) Theranos blood test (for herpes).
- 2015 (October): John Carreyrou publishes bombshell article in *The Wall Street Journal*.
- 2015 (November): Walgreens stops plans to open more Theranos Wellness Centers.
- 2015 (December): Roger Parloff publishes a "correction" to his February *Fortune* article.
- 2016 (May): Sunny leaves Theranos. Theranos "voids" all tests done on the Edison from 2014-2015.
- 2016 (June): Walgreens ends its relationship with Theranos and closes its 40 Theranos Wellness Centers in Arizona. *Forbes* magazine cuts Elizabeth's net worth from \$4.5 billion to \$0.
- 2016 (November): Walgreens files \$140 million lawsuit against Theranos.
- 2017 (June): Walgreens settles with Theranos for less than \$30 million.
- 2018 (March): SEC charges Theranos, Elizabeth, and Sunny with "massive fraud"; Elizabeth settles for \$500,000 fine but admits no wrongdoing.
- 2018 (June): Elizabeth steps down as CEO of Theranos but remains chair of its Board of Directors. Federal prosecutors bring criminal charges against Elizabeth and Sunny (nine counts of wire fraud and two counts of conspiracy to commit wire fraud). Maximum penalty includes 20 years in prison and a \$2.75 million fine.
- 2018 (September): Theranos officially dissolves.
- 2020 (July): Elizabeth and Sunny scheduled to go on trial for criminal charges.

## Cast of Characters

- **Avi Tevanian:** Friend of Steve Jobs and top-level Apple employee (1997-2006); member of Theranos's Board of Directors (2006-2007); asked to resign after "asking too many questions."
- **Channing Robertson:** Professor of Chemical Engineering at Stanford University; early mentor and supporter of Elizabeth; first and long-time member of Theranos's Board of Directors.
- **David Boies:** Aggressive litigator; outside council for Theranos; tried to shut up whistle-blower Tyler Shultz and prevent John Carreyrou from publishing his bombshell *Wall Street Journal* article.
- **Elizabeth Holmes:** Founder of Theranos; CEO of Theranos from 2003-2018.
- **George Shultz:** Former secretary of state; member of Theranos's Board of Directors starting in 2011; grandfather of whistle-blower Tyler Shulz.
- **John Carreyrou:** Journalist and author of October 2015 *Wall Street Journal* article in in which he claims that the majority of Theranos's blood tests aren't done on its Edison machines.
- **Ramesh Balwani (Sunny):** President and Chief Operating Officer of Theranos (2009-2016); long-time romantic partner of Elizabeth Holmes.
- **Roger Parloff:** Journalist and author of June 2014 *Fortune* cover story on Elizabeth Holmes in which he claims that Theranos can perform over 200 diagnostic blood tests on just a few drops of blood and has performed up to 70 such tests on a single "nanotainer." Published a "correction" in December 2015.
- **The Edison:** Machine claimed by Theranos to be able to perform hundreds of diagnostic tests with just a few drops of blood.
- **Theranos** ("therapy" + "diagnosis"): A blood-testing company founded by Elizabeth Holmes in Palo Alto, California in 2003. Claimed to have developed a device that could perform hundreds of diagnostic tests with just a few drops of blood.
- **Tyler Shultz:** Whistleblower; employee of Theranos (2013-2014); grandson of George Shultz.
- **Walgreens:** Pharmacy chain with over 8,000 stores in the United States; invested \$140 million in Theranos and opened 40 Theranos Wellness Centers in Arizona.

## Facts

- Notable Theranos Board Members include: General James Mattis (former Marine Corps General), Henry Kissinger (former Secretary of State), George Shultz (former Secretary of State), Bill Frist (former Senator, Tennessee), Samuel Nunn (former Senator, Georgia), Admiral Gary Roughhead (former Chief of Naval Operations), and William Perry (former Secretary of Defense).
- Theranos Investors include: The Walton Family (\$150 million), Rupert Murdoch (\$125 million), the DeVos Family (\$100 million), and Robert Kraft (\$1 million).
- Total investments in Theranos: \$700 million.
- Theranos's peak valuation: \$9 billion (2014).

## Helpful Resources

- *Bad Blood: Secrets and Lies in a Silicon Valley Startup* by John Carreyrou (Knopf, 2019).
- *The Inventor: Out for Blood in Silicon Valley*, HBO documentary (2019)
- "The Dropout" on ABC's *20/20* (aired March 15, 2019).
- *The Dropout Podcast* by ABC Radio, hosted by Rebecca Jarvis (January 15 – February 27, 2019).