Today, a jury got to hear Elizabeth Holmes' lies for themselves

Today we heard Elizabeth Holmes speak in court – through recordings made for a *Fortune* article by Roger Parloff. In those recordings, Holmes claims that Theranos worked with the military, was currently working with pharmaceutical companies, that the company could do more than a thousand tests on its proprietary machines, and that the results were "at the highest level of quality."

None of this was true.

Parloff has about 10 hours of taped conversations with Holmes
Lying to reporters is not illegal, but it's generally a bad idea since we tend to record our conversations. We've heard a lot about Parloff's article in US v Elizabeth Holmes, because it was frequently sent to prospective investors as part of the materials Holmes supplied about the company.

Parloff has about 10 hours of taped conversations with Holmes, the founder and former CEO of Theranos. He profiled Theranos after he noticed fancy celebrity lawyer David Boies had been arguing on behalf of a company Parloff had never heard of – and had won the case.

Parloff interviewed Holmes – as well as a who's who of Theranos notables, including former Secretary of State Henry Kissinger, former Stanford professor Channing Robertson, and Mark Laret, the CEO of UCSF Medical Center. He toured the Palo Alto headquarters of Theranos. He did not see the clinical lab. (Or, for that matter, any third-party analyzers.) He also

toured the manufacturing facilities in Newark, California, which he said was “not a buzzing factory – no assembly lines or anything.” He went to a Walgreens and got his blood drawn with a fingerstick.

During the course of their conversation, Parloff pointed out that Quest Diagnostics did 600 different tests. He asked Holmes if Theranos did all those tests, too. “Our platform can yield – I’m thinking of the best way to say this – we can do all those tests, so we can provide data back to clinicians for all the same tests,” she responded. That was a lie – we’ve heard testimony that Theranos devices couldn’t perform more than a handful of tests.

She went on to say that Theranos devices had been used in Afghanistan

Later, Holmes told Parloff that Theranos has “done work overseas for pharmaceutical companies and a little bit with foreign governments in the past, but right now we’ve got our work cut out for us here.”

She went on to say that Theranos devices had been used in Afghanistan, but he was not to ask her board member, Gen. James “Mad Dog” Mattis, about it – it was off the record, and besides, Mattis couldn’t talk about it. Earlier in the trial, Mattis testified that to his knowledge, Theranos devices were never used overseas.

In another recording, Holmes said that she thought Theranos could do 1,000 tests on its proprietary machines. But only 200 tests are offered on the website, she claimed, because “we have operationalized certain tasks, expecting a certain set of ordering patterns.” The 200 are the most commonly-done ones, she said, “but we are adding to it.”

“Before the article comes out, we may have a new batch,” she added. This didn’t seem true, either – particularly given Theranos’ struggles with quality.

She seemed to be playing him

As Parloff's testimony went on, I noticed how well she seemed to be playing him. At one point, she emailed Parloff to tell him, "As you know we want to generally keep the focus off the hardware. A way to do this if you are referring to it/the automation in our lab is to use the word analyzers which is likely the best word to use besides analytical systems (rather than the word device)."

Sources don't get to dictate vocabulary in journalism — at least, not in good journalism. It wasn't the first time she played Parloff, either.

In one recording, she explained that the secrecy was because Theranos hadn't finished filing its patents. "The fact we have a single device that can perform any test is a big deal," she said.

"The next story is that it would be done by this device." And it wasn't just one story, she teased: the story after that would be about the decentralization of the devices. "Hopefully we have the opportunity to tell that story with you," Holmes said.

Parloff did more due diligence than most people who invested in Theranos

What happened here is pretty obvious — Holmes dangled future exclusives in exchange for the opportunity to dictate the terms of the article, even down to the vocabulary that Parloff used. The word "device" appears twice in his story, and neither time is it in reference to Theranos machines.

Parloff wasn't a chump, though; by the time he'd written the article, he'd already done more due diligence than most people who *invested* in Theranos. He'd heard that Theranos labs were still using venipuncture and asked Holmes about it. She said it was a problem of scaling.

He pressed: it wasn't because her system couldn't run certain

tests? She answered by saying it was a matter of volume. “Our biggest point on that is our whole business is about eliminating the need for people to do venipuncture unless they want to, in which case they can, but everything we do is about eliminating that,” Holmes told him.

The exchange that defense lawyers are most likely to focus on, however, wasn’t recorded. Parloff asked Holmes directly if she kept, for instance, a Siemens analyzer on hand for overflow. “And she said ‘unh-unh,’ like a nonverbal response that said no,” Parloff testified. This was corroborated only by his notes.

“The technology is capable of running all those tests.”
Holmes also emailed Parloff the faked Pfizer and Schering-Plough reports that Theranos actually wrote, complete with conclusions that praised Theranos.

When the article was published, Holmes was effusive in her praise. She did not request corrections or complain about its contents — frankly unusual for a profile of any tech company. (Ask me about the time Apple spokespeople called to complain not about my *facts* but about my *tone*!)

Parloff continued talking to Holmes, probably because he was excited about getting more stories; he did get one about an Arizona law that made it easier for patients to buy their own lab tests from places such as, well, Theranos. In 2015, she told him that as of that year, Theranos had started using third-party analyzers, because their Arizona lab wasn’t certified to perform Theranos’ lab-developed tests.

“The technology is capable of running all those tests,” she told him, lying. As we found out earlier in the trial, Theranos’ devices couldn’t perform more than about a dozen tests.

It was remarkable to hear the recordings of Holmes lying in her own voice

Later that year, Parloff went to another demo, this time in the Boies Schiller law offices in New York. Two devices were there to perform tests on him: potassium (which didn't work on Theranos devices, a former lab director testified) and Ebola. "Both machines were taking a long time, so I didn't stay for the results," Parloff said. He got his results that night. In another recording, Holmes instructed him not to say the same machine ran both of his tests.

Then the sky fell. John Carreyrou's *Wall Street Journal* article published in October 2015. In the article, Carreyrou wrote that the majority of Theranos tests were done on third-party devices and Theranos devices were used for just 15 tests. Parloff immediately contacted Holmes. He asked how many tests Theranos could do as of December 2014. According to Parloff, Holmes lied again, saying, "50, 60, maybe 70, we can get you that number."

It was remarkable to hear the recordings of Holmes lying in her own voice. We've heard now from multiple investors about what she told them, and it's been consistent: the platform could do basically, well, everything; pharma companies had validated it; it had been used in the battlefield. But those investors didn't record like Parloff did.

The defense will argue that Parloff's cooperation with the prosecution in this trial was sour grapes — a journalist trying to get back at a source who duped him, and who's trying to pass his own mistakes off onto Holmes. Today, though, the jury got to hear Holmes' lies in her own voice.

https://www.theverge.com/2021/11/18/22790541/elizabeth-holmes-fraud-lies-recording