Musk Found Liable to Twitter Shareholders in Fraud Lawsuit Over Takeover

By Abhirup Roy and Jonathan Stempel

A U.S. federal jury found Elon Musk liable on Friday for claims he defrauded Twitter shareholders by trying to drive down the social media company's stock price so he could renegotiate or back out of a $44 billion takeover in 2022.

The verdict from a jury in San Francisco federal court came in a closely watched civil trial where Musk, the world's richest person, was accused of falsely claiming on social media that Twitter underreported how many fake and spam accounts, known as bots, were on its platform.

Damages have yet to be calculated but Francis Bottini, a lawyer for the shareholders, estimated they could total about $2.5 billion.

"Musk's status as the world's richest man is not a free pass," Bottini said in a statement. "If you're able to move markets with your tweets you're responsible for the harm you cause to investors."

In a joint statement, Musk's lawyers at Quinn Emanuel Urquhart & Sullivan called the verdict "a bump in the road. And we look forward to vindication on appeal."

The civil trial began on March 2, and jurors began deliberating on Tuesday.

Musk has often chosen to battle shareholders in court rather than settle.

This included a 2023 trial in San Francisco over whether he defrauded Tesla shareholders who claimed to suffer losses after he falsely claimed in 2018 to have "funding secured" to take the electric car company private, and litigation in Delaware over his $139 billion Tesla pay package. Musk won both cases.

Musk ultimately completed his purchase of Twitter in October 2022 and renamed it X.

Musk Liable for Two Statements

Twitter shareholders challenged three statements Musk made not long after agreeing in April 2022 to buy Twitter, where he questioned whether the company was overrun with bots.

Jurors found Musk liable for two of the statements.

One said the purchase was "temporarily on hold" pending confirmation that bots represented less than 5% of users. The other said the percentage of bots could be "much" higher than 20%, and the takeover could not go forward unless Twitter's chief executive proved the percentage was less than 5%.

Jurors also said the shareholders didn't prove a separate claim that Musk engaged in a scheme to defraud them.

Michael Lifrak, a lawyer for Musk, countered that the billionaire's concern about bots was real, and that speaking out about the problem did not show Musk committed or intended to commit fraud.

The lawsuit covers investors who claimed to sell Twitter shares at prices Musk artificially depressed between May 13 and October 4, 2022.

Musk is separately in talks to settle a U.S. Securities and Exchange Commission civil lawsuit accusing him of waiting too long in 2022 to disclose his initial purchases of Twitter so he could buy more at low prices before investors saw what he was doing.

In February, Musk's rocket and space exploration company SpaceX bought his artificial intelligence company xAI, which housed X. The purchase created the world's most valuable private company, worth about $1.25 trillion at the time.