

## S.E.C. Sues Elon Musk

Emma Qazi

The U.S. Securities and Exchange Commission (S.E.C.) sued Elon Musk in federal court in Washington on January 14, 2025, claiming that he failed to disclose his ownership of X (formally known as Twitter) stock in early 2022 before he bought the site for \$44 billion. The complaint from the S.E.C. contends that Musk violated securities laws by amassing a large stock position in the company without filing proper notification. The S.E.C. requires these regulatory filings so shareholders can “monitor large investors and potential takeover bids.”<sup>1</sup> Alex Spiro, Musk’s lawyer, called the lawsuit a “sham,” citing what he believes to be a “campaign of harassment” against Musk.<sup>2</sup> This lawsuit marks the third time the S.E.C. has sued Musk. The first lawsuit “arose from inappropriate market-moving social media posts where Musk mused” about taking Tesla, his car company, private.<sup>3</sup>

With the new Trump administration taking power, it is unclear whether incoming regulators will pursue the lawsuit. The news release announcing the filing, which, unusually, did not include any quotes from any top S.E.C. officials, suggests that regulators may be worried about the optics of going after Musk, who has grown closer to President Donald Trump since the 2024 election. Musk began buying Twitter stock in January 2022. According to the lawsuit, in February, Musk’s broker and financial manager communicated about Musk seeking legal advice about disclosing his position. Musk continued to buy Twitter shares after passing the 5 percent ownership threshold in March, which requires public disclosure. According to the complaint, Musk waited until April 4 to disclose his stake, which resulted in Twitter’s stock increasing by more than 27 percent. In October 2023, the S.E.C. sued Musk to compel him “to testify about his share purchases.”<sup>4</sup> Musk appeared for the testimony a year later and agreed to pay nearly \$3,000 “to compensate the S.E.C. for travel costs incurred in sending its employees to take his testimony.”<sup>5</sup> In November 2023, a San Francisco federal judge denied the S.E.C.’s request to impose sanctions on Musk, resulting in Musk taunting the agency on X.

Federal authorities have pursued several lawsuits and investigations since Musk’s takeover of Twitter. The Federal Trade Commission investigated whether X had the resources to protect user privacy after the layoffs of several staff and resignations of senior executives tasked with privacy and security. Former Twitter shareholders have also sued Musk, accusing him of fraud in a case about the late disclosure of his stake.

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<sup>1</sup> Matthew Goldstein & Kate Conger, *S.E.C. Sues Elon Musk Over Twitter-Related Securities Violations*, N. Y. TIMES (Jan. 14, 2025), <https://www.nytimes.com/2025/01/14/technology/sec-elon-musk-securities-violations.html> [https://perma.cc/X85W-P328].

<sup>2</sup> Barbara Ortutay, *SEC Sues Elon Musk, Saying He Didn’t Disclose Twitter Ownership on Time Before Buying it*, AP NEWS (Jan. 14, 2025, 9:32 PM), <https://apnews.com/article/sec-elon-musk-lawsuit-twitter-stock-5c55f71fa7e57f2f8d59ce324e277629> [https://perma.cc/4P2D-5HZQ].

<sup>3</sup> Goldstein & Conger, *supra* note 1.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*