Twitter Inc

Judge grants Twitter fast-track trial to decide fate of $44bn Elon Musk deal

Social media platform wins early victory in fight to force billionaire to complete acquisition

On July 8, Elon Musk announced that he was backing out of the deal to buy Twitter for $54.20 a share, alleging the company had breached the agreement. *© Jae C Hong/AP*

Hannah Murphy in San Francisco July 19, 2022

Twitter won an early victory in its legal battle to force Elon Musk to complete his $44bn takeover after a judge sided with the social media company and set a timetable for a fast-track trial starting in October.

In her ruling, Chancellor Kathaleen McCormick of the Delaware Court of Chancery warned the "cloud of uncertainty" hanging over Twitter's business would become larger in the event of a long wait for a trial.

"The reality is that the delay threatens irreparable harm to the sellers," McCormick said, ordering a five-day trial and adding that the court had the ability to handle the expedited process.

During the hearing, Twitter's lawyers accused the billionaire Tesla chief executive of "attempted sabotage" of the social media company and said a quick, four-day trial was needed to prevent further damage to its business.

Lawyers for the social platform said uncertainty over the deal inflicted harm on Twitter "every hour of every day" and urged the judge to begin the trial in mid-September.

Although the trial will begin a little later and last a day longer than Twitter had asked, the judge's ruling is far closer to the social media platform's request than Musk's. His lawyers had argued it should not begin until 2023 and labelled Twitter's proposed timetable "preposterous".

Following the ruling, Twitter said: "We are pleased that the court agreed to expedite this trial." A representative from Musk's legal team did not immediately respond to a request for comment.

On July 8, Musk announced he was backing out of the deal to buy Twitter for $54.20 a share, alleging the company had breached the merger agreement by not sharing sufficient information about fake accounts and misleading regulators over the matter.

Twitter is suing Musk in a bid to force him to complete the acquisition. The company accuses him of repeatedly breaching the terms of the merger agreement and trying to retract his offer because tech stocks have dropped since the deal was first struck in April.

In the first showdown in court between the Silicon Valley company and the world's richest man on Tuesday, the social media group argued that Musk was hurting the business by goading it online and disrupting operations, for example by refusing to give the green light to its employee retention plans.

"It's attempted sabotage," Bill Savitt of Wachtell, Lipton, Rosen & Katz, a lawyer for Twitter, said during the hearing. "He is doing his best to run Twitter down. He's doing his best to create jeopardy for Twitter, is doing his best to create exposure for Twitter and he's doing that as a way to try to get out of the contract he promised to consummate."

Savitt also argued that the trial should be expedited in order to allow sufficient time for any ruling to be enforced before deal financing agreements with banks expire in April 2023.

Musk's team had suggested a trial start in February at the earliest. Representing Musk, Andrew Rossman at Quinn Emanuel argued that the debate over Twitter's fake accounts required a lengthier investigation as a "massive amount of data" and "billions of actions on their platform" would need to be analysed.

Rossman said that Twitter had not made its claims that Musk had breached the merger agreement until Musk had moved to terminate the deal, adding: "You cannot delay seeking relief from the court and then show up and expect to expedite."

He also accused Twitter of giving Musk's teams the "run around" when they asked for more information on fake accounts, and said that Musk had no incentive to damage the company given that, as the second-largest shareholder, he has a "far greater economic stake" than Twitter's own board.

Analysts have speculated that Musk may have buyer's remorse given the rout in tech stocks since he agreed to buy the company in April for $54.20. Its share price now stands at $39.07. The two parties could potentially renegotiate a deal at a lower price or agree a settlement.

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