

DEEP DIVE

Musk's X Corp. Resists Twitter Layoff Battles as Risks Spread

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[Jennifer Bennett](#)

[Reporter](#)

- **DOGE layoffs parallel Twitter firings, worker lawyer says**
- **Company balks at paying arbitration fees amid mass filings**

As Elon Musk says he's stepping back from his role in the Trump administration, his X Corp. faces a growing number of legal battles with employees fired after he acquired the social media platform formerly known as Twitter.

X faces more than three dozen lawsuits tied to Musk's 2022 Twitter takeover and ensuing mass layoffs. Former employees allege the company targeted them based on race, sex, age, or disability or stiffed them on severance payments. Other suits say X skipped legally required advance notice of their firings.

Workers in many cases are wielding the company's standard arbitration agreements against it, demanding X advance the proceedings' costs on a scale that's actually prompted it to resist. If their bids to compel arbitration are successful, X could be on the hook for millions of dollars in fees on top of severance payments. The X litigation also highlights the risks of Musk's slash-and-burn approach to the federal workforce, which has drawn suits from public sector unions, states, and individual workers.

There are "enormous parallels" between Musk's early X layoffs and his tenure at the Department of Government Efficiency, said Lichten & Liss-Riordan PC's Shannon Liss-Riordan, who represents former Twitter workers. X was a "beta test" for DOGE and he "tried to use some of the same tricks," such as "Fork in the Road" emails pressuring workers to resign, she added.

Liss-Riordan brought the first X layoff suit and represents more than 2,000 workers seeking arbitration. "For the last couple months we've been filing a case against them every week" in court, she said.

Musk is a named defendant in DOGE lawsuits and some worker cases against X.

At X and DOGE, he “moved into a managerial role for an organization that he understood to be suboptimal,” said University of Tennessee law professor Joan MacLeod Heminway, who’s studied the challenges of representing the entrepreneur. “In both cases, his approach to effectuating change was to engage in slash-and-burn, directive management,” she added.

X quickly pushed many claims stemming from those firings to arbitration, relying on clauses in workers’ employment contracts. But now, ex-employees have pushed back, alleging X won’t pay the fees to advance those proceedings and paradoxically asking judges to make the company honor its own requirement.

Severance, Layoff Notice

A week after Musk’s first day at X following the takeover, itself a messy legal fight after he attempted to back out, Liss-Riordan’s first suit landed on X’s doorstep.

That case began in California before being transferred to federal court in Delaware, where a dismissal motion is pending. The would-be class of workers not subject to arbitration agreements alleges X didn’t pay promised severance or comply with the Worker Adjustment and Retraining Notification Act.

Attorneys for X and Musk didn’t respond to requests for comment on where the worker litigation stands and the company’s approach to arbitration fees. An email to X’s former press inbox went unanswered.

More than a dozen of the federal cases against X involve severance. At least eight invoke the WARN Act, and seven allege discrimination. The company settled one age bias case in April and reached a back pay deal with former cleaners in 2024.

X will defend one severance victory at the US Court of Appeals for the Ninth Circuit in July. The Second Circuit heard the company’s challenge to an order making it pay arbitration fees May 15 but hasn’t yet ruled, and a similar fight is brewing in the Ninth Circuit after a federal judge ruled that he couldn’t make X pay up in other districts.

Thanks to that decision, Liss-Riordan has filed around half a dozen new arbitration bids this year. X also initiated three arbitration bids although in other disputes, the workers’ attorney said, the company claims it can’t find the relevant arbitration agreements and refuses to fight in that arena.

Former X rank-and-file aren’t the only ones heading to court. Ex-CEO Parag Agrawal and other former C-suite executives advanced their lawsuit against the company and Musk over

severance. X prevailed in an unpaid-bonuses suit by its former senior director of compensation, a Liss-Riordan client who—before his firing—had recommended against paying.

Double-Edged Sword

Liss-Riordan said she's completed more than 145 individual arbitrations. The details are typically confidential, but when a judge sought specifics at a hearing May 8, she told him the workers had won nearly all of them so far, with awards ranging from "\$100,000 to millions of dollars."

"A lot of companies think that they have a get-out-of-jail-free card" when proposed class suits are sent to arbitration, the Boston-based lawyer said in an interview. Employers think workers "won't bother" pursuing individual disputes, but many are "realizing they have to be careful what they wish for" as arbitrations—and their attendant fees—pile up, she said.

X could be looking at millions of dollars in fees for thousands of arbitration proceedings, Morgan, Lewis & Bockius LLP's Michael E. Kenneally, who represents X, told the Second Circuit during that May 15 argument.

Mass arbitration—where workers' lawyers initiate hundreds or thousands of proceedings against a single employer—became popular within the past decade, and fee fights are more common in those than in one-off disputes, two law professors who study arbitration said.

The prospect of paying fees for multiple individual proceedings can "create pressure or leverage for the employer to consider a global settlement," said Pace University law professor Imre Szalai.

When employers push arbitration agreements with class action waivers, mass arbitration becomes the "only avenue" for workers to coordinate, University of Louisville law professor Ariana R. Levinson said.

It's "important that the courts enforce the agreement against employers" when workers are the ones seeking arbitration, but it would be better to keep disputes in court, Levinson said. If employers didn't hand out class waivers, "then this whole situation wouldn't arise," she added.

To contact the reporter on this story: [Jennifer Bennett](mailto:jbenett@bloombergindustry.com) in Washington at jbenett@bloombergindustry.com

To contact the editors responsible for this story: [Andrew Harris](mailto:aharris@bloomberglaw.com) at aharris@bloomberglaw.com; [Carmen Castro-Pagán](mailto:ccastro-pagan@bloomberglaw.com) at ccastro-pagan@bloomberglaw.com