

The automotive and transportation industry faces numerous legal challenges, especially as it navigates new technologies, regulations and global markets in 2025. Here are 10 top legal and policy issues currently affecting the industry and likely to have significant impact in the coming year:

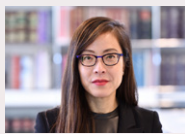
- 1. Autonomous vehicle (AV) regulation** – As self-driving cars become more common, legal questions arise about liability in accidents, insurance, safety standards and regulatory frameworks. Different jurisdictions have varied regulations, creating legal complexities. For example, the new EU AI Act emphasizes that high-risk AI systems must have appropriate human oversight mechanisms. AV manufacturers will need to incorporate fail-safe systems that allow a human to take control of the vehicle in emergencies or if the AI system malfunctions.
- 2. Connectivity, data privacy and security** – With the fitting of eSIM cards in vehicles and the increasing amount of data generated by connected vehicles (telematics, driver behavior, location tracking, over-the-air software updates), issues related to data privacy, cybersecurity, localization and compliance with laws like telecom laws, the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA) are critical. The question as to whether an original equipment manufacturer (OEM) needs to obtain a telecom license or authorization to import connected vehicles fitted with an eSIM telematic control unit (TCU) and to provide connected car services depends on the type of services being provided (machine to machine (M2M), Wi-Fi internet access or telephony), the jurisdiction where the car is used (some countries require a telecom permit to import cars fitted with a TCU that receives national radio frequency as if it was telecom equipment), and the type of business model being used for providing connected car services to the user (direct, resale or agency). In the US, we may expect increased US regulation on imports of connected vehicles, driven by concerns over data access from foreign governments (e.g. China).
- 3. Environmental compliance and emissions standards** – Automakers must meet stringent environmental regulations, including fuel efficiency standards and carbon emissions limits. Legal risks arise from failure to comply, as well as lawsuits related to emission fraud (e.g., the “diesalgate” scandal). President-elect Trump is likely to overturn the Biden administration’s miles per gallon and emissions rules and try to remove California’s authority to have more stringent standards. This is likely to result in continued uncertainty for OEMs in the US market.
- 4. Product liability** – The risk of liability for defective products remains a key issue, especially with the rise of electric vehicles (EVs) and new technologies like battery safety and advanced driver assistance systems (ADAS).
- 5. Intellectual property (IP) protection** – As the automotive industry becomes more reliant on software and digital technologies, protecting IP, including patents related to AI, AVs and EV technology, is crucial. This is a completely different world from the one the automotive and transportation industry is used to, suddenly faced with dealing with telecom standards and patents, which require licensing. Disputes over patent rights and technology licensing can be costly.
- 6. Labor and employment law** – Labor issues in the automotive industry are critical, particularly with union negotiations, automation and the shift toward EVs that may reduce jobs in traditional manufacturing. Legal challenges also arise from worker safety regulations and employee classifications. In a market in which competition for tech talent might become ever more important in this industry, particular attention should be paid to avoiding protections that could be seen as anticompetitive wage fixing or “no poach” agreements.
- 7. Supply chain disruptions and trade regulations** – The automotive supply chain is complex and global, with legal issues related to tariffs, sanctions, trade agreements, and disruptions (e.g., due to geopolitical tensions). Compliance with international trade laws is vital. GCs in this industry will recall that back in 2016, when Trump was in the White House, a series of tariffs were imposed on auto parts and vehicles imported from China – 25% on Chinese-made vehicles, including cars, trucks and auto parts imported from China. Fast-forward to 2024, and these have not only remained unchanged, but as of 2024, the Biden administration has announced plans to increase the tariff on EVs imported from China from 25% to 100%. Trump’s focus on making America great again – it was one of his campaign slogans along with “Made in America” – makes it very believable that his administration will maintain the current 100% tariff proposal on EVs manufactured in China. It remains to be seen how China, Europe and the UK will react. President-elect Trump is also likely to increase tariffs on imports from China, potentially applying a universal tariff of 10% on all imports, and potentially seeking to change automotive rules of origin during the United States-Mexico-Canada Agreement (USMCA) review, which could result in efforts to change rules of origin in other markets.
- 8. Vehicle recalls and safety standards** – Automakers must comply with strict safety standards. When a defect is identified, manufacturers may face legal consequences, including class-action lawsuits, regulatory fines and reputation damage due to recalls. For example, more than 100 million cars with Takata airbags, including around 70 million vehicles in the US, have been recalled since concerns first emerged in 2007. It is the biggest safety recall in automotive history, with regulatory investigations and class-action lawsuits starting to spill over across Europe.

**9. EV incentives and subsidies** – Legal questions surrounding government incentives for EVs, such as subsidies and tax breaks, have increased. Challenges exist in navigating the legal frameworks for incentives in different markets and the impact of changes in policy. Without urgent policy action aimed at an easing of EV targets (e.g., perhaps replacing with emissions-reduction targets and a more technology-neutral approach), or the introduction of measures aimed at promoting consumers' demand for EVs, the automotive and transportation industry in Europe is at serious risk as it continues to face competition from new and cheaper EVs from China. Any subsidies in Europe and the UK would need to comply with applicable EU and UK subsidy control rules, while foreign direct subsidies (especially to Chinese companies) affecting competition in public tenders for major transportation projects in the EU are likely to attract scrutiny from the European Commission under the new EU foreign subsidies regulation. In the US, there is a high likelihood that EV incentives may be repealed.

**10. Litigation, antitrust and consumer protection** – The rise in class-action lawsuits related to defects, false advertising and misleading claims about vehicle performance (such as “range anxiety” in EVs) is a growing issue. Consumer protection laws are evolving to address these concerns. Access to independent repairers (particularly for high performance vehicles) and meeting readily available data portability requests under the EU Data Act as it enters into force in 2025 will be key issues for the legal teams of connected vehicles' manufacturers and data holders. Finally, potential industry consolidation will be likely to attract intense scrutiny from merger and investment control authorities.

Each of these legal and policy issues requires careful consideration, as the automotive and transportation industry adapts to new challenges and opportunities, particularly with the rapid pace of technological change.

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