

As the automotive and transportation industry continues to evolve, legal departments are navigating complex challenges around technology, regulation and globalization. This updated list highlights 10 key legal and policy issues currently shaping the industry and expected to remain critical through the rest of 2025.

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). Likewise, China has issued comprehensive regulations on connectivity, data privacy and security that are sophisticated and present numerous challenges for foreign companies.

3. Environmental compliance and emissions standards – Automakers must meet stringent environmental regulations, including standards relating to fuel efficiency, pollutant and greenhouse gas emissions, and hybrid vehicles. Legal risks arise from failure to comply with ever-evolving laws and regulations around the world, including in relation to emission fraud lawsuits. Nowhere are these challenges more acute than the US, where President Trump has been overturning recent US emission laws. For example – and of critical importance to those OEMs selling EVs in the US – President Trump's new budget will end EV tax credits on September 30, 2025. It also ends fines for OEMs that do not meet fuel economy standards and restricts previous tax credits for battery component manufacturing. In addition, while currently being disputed in the US courts, President Trump is challenging stricter emission laws in states such as California. All of this is creating significant challenges for OEMs in the US, particularly in regard to the sale of EVs.

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. Compliance with international trade laws is vital. The Trump administration has taken an aggressive approach to automotive imports, issuing various executive orders, proclamations and memoranda that will drastically impact trade in the automobile industry. The administration's main executive order restricting automotive trade, *Adjusting Imports of Automobiles and Automobile Parts into the United States*, imposes a 25% tariff on automobiles and automobile parts. Additionally, country-specific tariffs and a new inclusion process pose increased challenges and uncertainty for automakers. This uncertainty is further complicated by tariffs, policies and investigations relating to manufacturing and repair materials and components, including aluminum, steel, critical minerals, copper, semiconductors and active anodes. Country-specific automotive trade agreements are underway that may provide some relief, including the US-UK Economic Prosperity Deal, which would establish a quota and decrease tariffs for the UK on some automobiles and automobile parts from 25% to 10%. Challenges to President Trump's tariffs are moving through the federal courts but are unlikely to see temporary or permanent relief anytime soon. There is also increasing risk of retaliation by other countries in response to US tariffs. OEMs and suppliers are facing additional issues related to compliance with the US Uyghur Forced Labor Prevention Act and the UK Modern Slavery Act. These tariffs, policies, investigations and their fluctuating nature impose legal compliance and supply chain challenges for automakers across the globe.

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 will need to comply with applicable EU and UK subsidy control rules. That said, more funds are being made available to support the transition to zero emission vehicles via the EU's new Strategic Dialogue for the Future of the Automotive Industry and, in the UK, via the recently launched Industrial Strategy. In addition, in the EU, the impact of foreign direct subsidies (especially to Chinese companies) is likely to attract scrutiny from the European Commission under the new EU foreign subsidies regulation. In the US, federal EV incentives, such as tax credits for qualifying EV purchases, are being repealed, while Congress may seek to reintroduce registration fee requirements for EVs through future legislation. US state EV incentives and subsidies are unaffected but may face independent challenges. The uncertain status of tax incentives and subsidies in the US poses legal challenges and market risks for automakers.

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 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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