

Legal Proceedings | Tesla (TSLA) - 10-K 2024

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Prompt Text:

Legal Proceedings summary

Legal Proceedings

Tesla is subject to various legal proceedings, risks and claims that arise from the normal course of business activities. These include proposed class actions and other consumer claims that allege, among other things, purported defects and misrepresentations related to Tesla's products and services.

Litigation Relating to 2018 CEO Performance Award

On June 4, 2018, a purported Tesla stockholder filed a putative class and derivative action in the Delaware Court of Chancery against Elon Musk and the members of Tesla's board of directors as then constituted, alleging corporate waste, unjust enrichment and that such board members breached their fiduciary duties by approving the stock-based compensation plan awarded to Elon Musk in 2018.

Other Litigation Related to Our Products and Services

On January 16, 2019, Plaintiffs filed their consolidated complaint in the United States District Court for the Northern District of California and added as defendants the members of Tesla's board of directors. These lawsuits include proposed class actions and other consumer claims that allege, among other things, purported defects and misrepresentations related to our products and services. On March 22, 2023, the plaintiffs in the Northern District of California consolidated action filed a motion for a preliminary injunction to order Tesla to (1) cease using the term "Full Self-Driving Capability" (FSD Capability), (2) cease the sale and activation of FSD Capability and deactivate FSD Capability on Tesla vehicles, and (3) provide certain notices to consumers about proposed court-findings about the accuracy of the use of the terms Autopilot and FSD Capability. Tesla opposed the motion. On September 30, 2023, the Court denied the request for a preliminary injunction, compelled four of five plaintiffs to arbitration, and dismissed the claims of the fifth

plaintiff with leave to amend the complaint. On September 14, 2022, a proposed class action was filed against Tesla, Inc. and related entities in the U.S. District Court for the Northern District of California, alleging various claims about the Company's driver assistance technology systems under state and federal law. On July 22, 2022, the Court consolidated the two cases and on September 6, 2022, plaintiffs filed a consolidated complaint. On September 30, 2023, the Court dismissed this action with leave to amend the complaint. On July 17, 2023, these plaintiffs filed a consolidated amended complaint. On December 26, 2023, Tesla filed a motion to dismiss the case. On October 5, 2022 a proposed class action complaint was filed in the U.S. District Court for the Eastern District of New York asserting similar state and federal law claims against the same defendants. These complaints allege that Tesla violates federal antitrust and warranty laws through its repair, service, and maintenance practices and seeks, among other relief, damages for persons who paid Tesla for repairs services or Tesla compatible replacement parts from March 2019 to March 2023. On August 5, 2023, a putative class action was filed in the United States District Court for the Northern District of California, purportedly on behalf of all U.S. individuals impacted by the data incident, followed by several additional lawsuits, that each assert claims under various state laws and seeks monetary damages and other relief. On December 19, 2023, the defendants moved to dismiss the amended complaint. On September 28, 2023, the EEOC filed a civil complaint against Tesla in the United States District Court for the Northern District of California asserting claims for breach of fiduciary duty, unjust enrichment, and violation of the federal securities laws in connection with alleged race and gender discrimination and sexual harassment. On September 30, 2023, the Court granted Tesla's motion to compel arbitration as to three of the plaintiffs, and on November 17, 2023, the court granted Tesla's motion to dismiss without prejudice. On November 6, 2023, Tesla moved to dismiss the amended complaint. On March 14, 2023, a proposed class action was filed against Tesla, Inc. in the U.S. District Court for the Northern District of California. On December 12, 2023, the plaintiffs filed a Consolidated Second Amended Complaint, which Tesla has moved to dismiss.

Litigation Related to Directors' Compensation

On June 17, 2020, a purported Tesla stockholder filed a derivative action in the Delaware Court of Chancery, purportedly on behalf of Tesla, against certain of Tesla's current and former directors regarding compensation awards granted to Tesla's directors, other than Elon Musk, between 2017 and 2020. On October 13, 2023, the Court held a hearing regarding the settlement, after which it took the settlement and plaintiff counsels' fee request under advisement. On November 15, 2021, JPMorgan Chase Bank ("JP Morgan") filed a lawsuit against Tesla in the Southern District of New York alleging breach of a stock warrant agreement that was entered into as part of a convertible notes offering in 2014. On January 24, 2022, Tesla filed multiple counterclaims as part of its answer to the underlying lawsuit, asserting among other points that JPMorgan should have terminated the stock warrant agreement in 2018 rather than make an adjustment to the strike price that it should have known would lead to a commercially unreasonable result. On June 16, 2022, two Tesla stockholders filed separate derivative actions in the U.S. District Court

for the Western District of Texas, purportedly on behalf of Tesla, against certain of Tesla's current and former directors. On October 21, 2022, a lawsuit was filed in the Delaware Court of Chancery by a purported shareholder of Tesla alleging, among other things, that board members breached their fiduciary duties in connection with their oversight of the Company's 2018 settlement with the SEC, as amended. On November 7, 2022, the defendants filed a motion to dismiss the case and on September 15, 2023, the Court dismissed the action but granted plaintiffs leave to file an amended complaint. On September 5, 2023, an amended complaint was filed naming only Tesla, Inc. and Elon Musk as defendants. On December 19, 2023, the defendants moved to dismiss the amended complaint. On July 14, 2023, the parties filed a Stipulation and Agreement of Compromise and Settlement, which does not involve an admission of any wrongdoing by any party. On December 12, 2023, the plaintiffs filed a Consolidated Second Amended Complaint, which Tesla has moved to dismiss.

Other Legal Proceedings

District attorneys in certain California counties conducted an investigation into Tesla's waste segregation practices pursuant to Cal. Health & Saf. Tesla, a jury in the Northern District of California returned a verdict against Tesla on claims by a former contingent worker that he was subjected to race discrimination while assigned to work at Tesla's Fremont Factory from 2015-2016. If an unfavorable ruling or development were to occur in these or other possible legal proceedings, risks and claims, there exists the possibility of a material adverse impact on our business, results of operations, prospects, cash flows, financial position

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