Shareholders Sue Tesla and Musk for Allegedly Misleading Claims about Self-Driving Safety

Tesla and its CEO, Elon Musk, have been sued by shareholders in a proposed class action for allegedly overstating the effectiveness and safety of their electric vehicles' Autopilot and Full Self-Driving technologies. The lawsuit, filed in San Francisco federal court, accuses Tesla of defrauding shareholders over four years by making false and misleading statements that concealed how its technologies created a serious risk of accident and injury. The suit claims that Tesla's share price fell several times as the truth became known, including after the National Highway Traffic Safety Administration (NHTSA) began investigating the technologies and reports that the Securities and Exchange Commission (SEC) was investigating Musk's Autopilot claims.

The share price also fell by 5.7% on February 16 after NHTSA forced a recall of over 362,000 Tesla vehicles equipped with Full Self-Driving beta software due to safety concerns around intersections. Tesla consented to the recall, although it disagreed with NHTSA's analysis. The complaint seeks unspecified damages for Tesla shareholders from February 19, 2019, to February 17, 2023, led by shareholder Thomas Lamontagne. CFO Zachary Kirkhorn and his predecessor Deepak Ahuja are also defendants.

Tesla still needs to respond to the lawsuit. The company has been embroiled in controversy over the safety of its autonomous driving technologies, which have been implicated in multiple fatal crashes. In response, Tesla has repeatedly defended the safety of its Autopilot and Full Self-Driving technologies, stating that they are intended to assist, not replace, drivers.

Despite the controversies, Tesla's share price has remained high, partly driven by investor enthusiasm for its electric vehicles and renewable energy technologies. However, the stock has lost about half its value since peaking in November 2021. Musk, the world's second-richest person, is expected to promote the company's artificial intelligence capabilities and plans to expand its vehicle lineup at Tesla's March 1 investor day.

REFERENCES:

Tesla, Musk sued by shareholders over self-driving safety claims