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Hesai Group Loses US Blacklist Lawsuit Over Military Links

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In a significant ruling, the U.S. District Court for the District of Columbia denied Hesai Group's legal challenge to its inclusion on the Pentagon's 1260H blacklist, upholding the Defense Department's determination of ties to China's defense industrial base. The decision, handed down by the US District Court for the District of Columbia on Friday, underscores growing Western concerns over China's technological advancements and their potential dual-use applications.

The court upheld the Defense Department's finding that Hesai contributes to China's defense industrial base, noting substantial evidence that its lidar technology has potential military applications. Lidar, or light detection and ranging, is a sensor system widely used in autonomous vehicles and advanced driver-assistance systems to generate high-resolution 3D environmental mapping. Hesai, a Shanghai-based lidar manufacturer, was added to the Pentagon's 1260H blacklist in January 2024, alongside more than a dozen other Chinese firms designated under the same criteria.

Hesai strongly denied military ties, stating its products are strictly for civilian use and that no Chinese military entity has influenced its operations. In a statement issued earlier this year, the company declared, "No Chinese governmental or military entity has sought to exert influence or control over Hesai Group's management, strategy, or research-and-development operation". The firm argued that its inclusion on the so-called 1260H list caused severe reputational damage, a sharp decline in its stock price, and lost business opportunities. Despite these claims, the court ruled that technologies with significant military potential, even if primarily commercial, justify inclusion on the blacklist.

The Pentagon's blacklist does not impose immediate bans but serves as a stark warning to US firms about the risks of engaging with listed companies. The ruling reflects broader anxieties about Chinese technology firms, particularly in sensitive areas like autonomous vehicles, where data collection and potential surveillance capabilities raise national security concerns. US lawmakers have previously highlighted risks associated with Chinese-made lidar, radar, and semiconductors, fearing that data collected by these systems could be shared with Beijing.

Hesai's legal battle began in May 2024, when it filed a lawsuit challenging its blacklisting, calling the Pentagon's decision "unjust, capricious, and meritless". The company, listed on Nasdaq since 2023, briefly saw relief when the Defense Department removed it from the list in August 2024, only to reinstate it shortly after based on new information. This alternating blacklist and delisting—initial removal in August 2024, followed by reinstatement, culminated in the court ruling that dealt a legal setback to Hesai's challenge.

As of the ruling's release, neither Hesai nor the Department of Defense had issued further comment on the decision. The ruling is expected to heighten scrutiny of Chinese firms in dual-use sectors, such as lidar, radar, and semiconductors, among Western governments and businesses. For Hesai, the ruling may hamper its global expansion, despite its claim to serve only civilian markets in over 40 countries. As tensions between the US and China over

technology escalate, this case highlights the challenges faced by Chinese firms navigating an increasingly hostile geopolitical landscape.

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