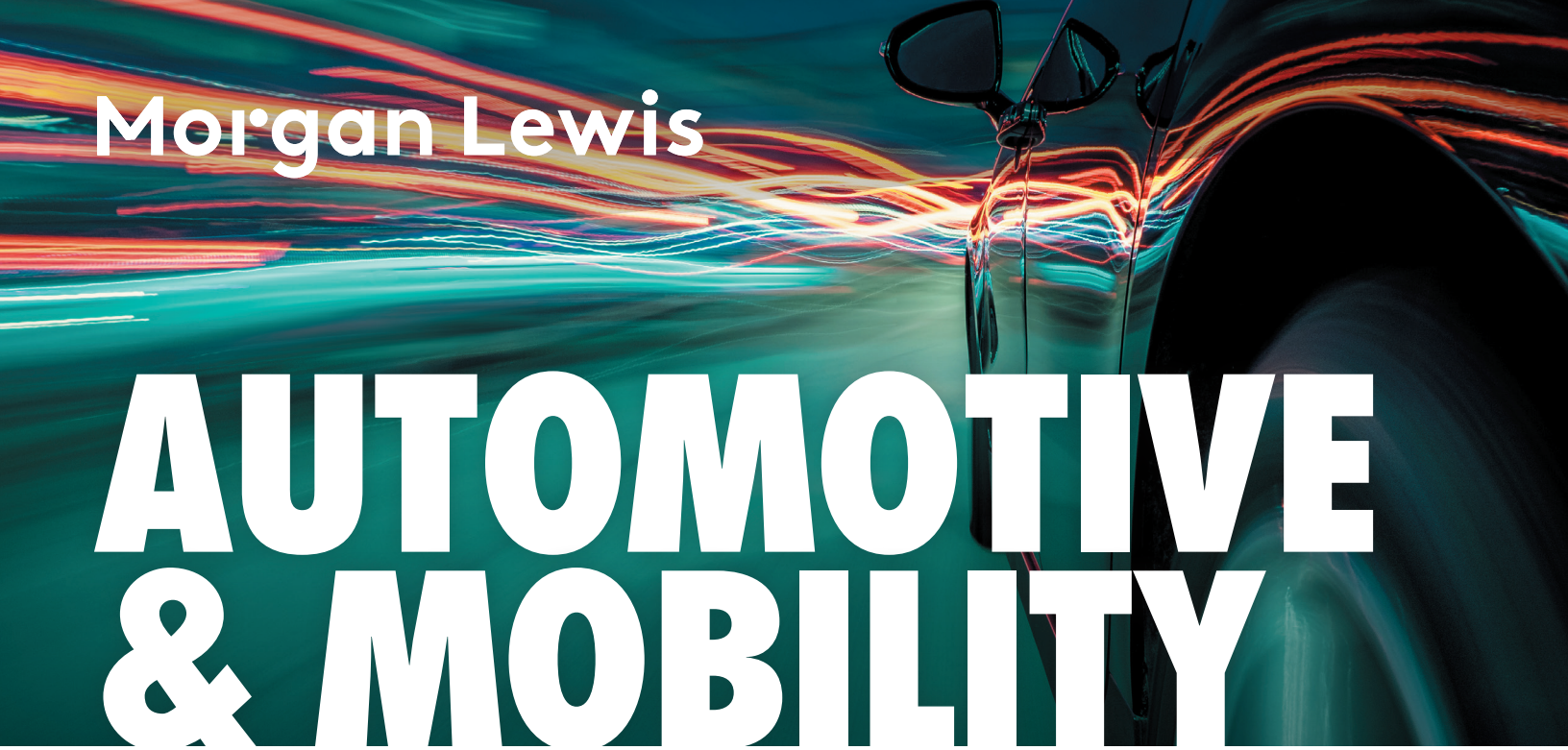

Morgan Lewis

AUTOMOTIVE & MOBILITY

Welcome to the 29th edition of our newsletter on developments in the automotive industry published by Morgan Lewis's automotive and mobility team with contributions from lawyers in our offices around the globe. We counsel our automotive clients on a broad range of industry-specific issues, including matters relating to mergers and acquisitions, antitrust, litigation, regulatory concerns, intellectual property, and labor and employment.

This issue of Morgan Lewis *AUTOMOTIVE & MOBILITY*, which covers the third quarter of 2021, touches on significant joint ventures and investments, recent penalties and antitrust filings, new regulations in China and Germany, and notable intellectual property disputes. All issues of Morgan Lewis *AUTOMOTIVE & MOBILITY* are available at **www.morganlewis.com**.

IN THIS ISSUE

Mergers & Acquisitions: Dongfeng Sold 1.15% Stake in Stellantis for $710 Million; Lear Corporation to Enter Joint Venture with HU Lane Associate; Chery and Haier Formed JV Automotive IoT Platform; Ideanomics to Acquire VIA Motors International; Mazda Restructured China Car JV with Changan and FAW; Faurecia, Hella Announce EUR 6.7 Billion Auto Parts Merger; LEO II Fund to Acquire Schaeffler Global Chain-Drive Business; Yuan Rong Qixing Received $300 Million Financing Led by Alibaba; Porsche and Rimac Automobili Form New Bugatti Rimac JV; Volvo Group, Daimler Truck, Traton Form JV; Action Composites to Acquire Thyssenkrupp Carbon Components; Materion to Acquire HCS-Electronic Materials for $380 Million; Magna to Acquire Veoneer

Q3 | 2021

TABLE OF CONTENTS

Antitrust: SAMR Penalized Huidi Tianjin and FAW for Failure to Make an Antitrust Filing; SAMR Penalized Xiaoju Technology and Beijing Electric for Failure to Make an Antitrust Filing

Regulatory: Multiple Ministries of China Jointly Issued the Provisions on Management of Automotive Data Security; The New "Three Guarantees for Automobiles" Will Be Implemented Next Year; After the German Elections: Cars and Emissions-Free E-mobility - Sharp Differences Between the German Political Parties

Intellectual Property: Right-to-Repair Ballot Initiative Law in Massachusetts Challenged; Jaguar Land Rover Ends Patent Fight with Volkswagen

MERGERS & ACQUISITIONS

Dongfeng Sold 1.15% Stake in Stellantis for $710 Million

Dongfeng Motor Group Co., Ltd. (Dongfeng) completed the sale of 36.1 million shares in Stellantis N.V. (Stellantis), which represents a 1.15% stake in Stellantis, at a price of about $710 million. This is part of the merger agreements based on which Stellantis was formed in early 2021. After the transaction, Dongfeng owns a 4.5% stake in Stellantis and has agreed to a 90-day lock-up period during which it can sell no more shares. Stellantis is a Dutch-domiciled multinational automotive manufacturing corporation formed in 2021 on the basis of a 50-50 cross-border merger between the Italian-American conglomerate Fiat Chrysler Automobiles and the French PSA Group.

Lear Corporation to Enter Joint Venture with HU Lane Associate

Lear Corporation, a US-based automotive seating and E-Systems supplier, has signed a definitive agreement for a joint venture (JV) with Hu Lane Associate, a Taiwanese manufacturer of automotive connector products. The JV will be based initially in Yangzhou, China. The JV will be active in the engineering and production of a portfolio of connection-systems products for current and future vehicle architectures for global automotive OEMs.

Chery and Haier Formed JV Automotive IoT Platform

Wuhu Chery Information Technology Co., Ltd. (Chery) and Haier Digital Technology (Qingdao) Co., Ltd. (Haier) established the JV Anhui Haixingyun Internet of Things Technology Co., Ltd. The registered capital of the JV is RMB 50 million, with 51% to be contributed by Chery and 49% by Haier. The JV will research and develop the first large-scale customized industrial internet platform for the automotive industry based on COSMOPlat (an industrial internet platform developed by Haier), and the new platform will encompass an AI-enabled public data platform, Internet of Things (IoT) technical services, operation and maintenance of an information system, data processing and storage, etc.

Ideanomics to Acquire VIA Motors International

Ideanomics, a US-based technology company with a focus on electric vehicles, has signed an agreement to acquire VIA Motors International (VIA), a US-based electric commercial vehicles manufacturer. The transaction is valued at $450 million. VIA will manufacture electric commercial vehicles including Class 2 through Class 5 cargo vans, trucks, and buses.

Mazda Restructured China Car JV with Changan and FAW

Mazda Motor Corporation (Mazda), Chongqing Changan Automobile Co., Ltd. (CA), and China FAW Corporation Limited (FAW) issued a joint statement regarding capital increase in Changan Mazda Automobile Co., Ltd. (CMA), a JV between Mazda and CA. FAW will make use of the total 60% share it owns in FAW Mazda Motor Sales Co., Ltd. (FMSC) to purchase the new shares. Upon completion of the capital increase, CMA's shareholders will include Mazda (47.5%), CA (47.5%), and FAW (5%). The consideration for FAW's capital increase in CMA is 60% shares that FAW owns in FMSC, which is a JV between FAW and Mazda, before the restructuring. Following the restructuring, FMSC will be a JV owned by new CMA and Mazda. New CMA will continue to be responsible for the operations of former CMA and other Mazda-related business. FMSC will continue to be engaged in Mazda brand vehicle business.

Faurecia, Hella Announce EUR 6.7 Billion Auto Parts Merger

French automotive supplier Faurecia and German automotive supplier Hella announced a potential transaction valued at approximately EUR 6.7 billion. Faurecia intends to acquire a 60% stake in Hella from Hella's family pool, with the remaining shares to be acquired via a debt-funded public offer.

LEO II Fund to Acquire Schaeffler Global Chain-Drive Business

German automotive supplier Schaeffler announced that it has agreed to sell its global chain-drive business to the private equity fund Lenbach Equity Opportunities II. GmbH & Co. KG (LEO II). Financial terms and conditions of the transaction remain undisclosed. The global chain-drive business of Schaeffler employs 560 people at nine sites.

Yuan Rong Qixing Received $300 Million Financing Led by Alibaba

Shenzhen Yuan Rong Qixing Technology Co., Ltd. (Yuan Rong Qixing) announced that it just completed a $300 million Series B financing led by Alibaba. Fosun Ruizheng, Yunqi Capital, and Yaotu Capital, and other old shareholders, as well as Times Capital and Geely's industrial funds followed suit. Yuan Rong Qixing was established in February 2019. It is an L4 autonomous driving solution provider. So far, it has raised a total of an approximately $400 million investment, with a valuation exceeding $1 billion.

Porsche and Rimac Automobili Form New Bugatti Rimac JV

Porsche and Rimac Automobili, a Croatian-based automotive company, have agreed to establish a new JV including Bugatti, and name it Bugatti Rimac. Rimac Automobili will hold 55% of the shares in Bugatti Rimac, and Porsche will own the remaining 45%. Volkswagen will bring Bugatti into the JV, and the shares will then be transferred to Porsche.

Volvo Group, Daimler Truck, Traton Form JV

Volvo Group (Sweden), Daimler Truck (Germany), and Traton Group signed a nonbinding agreement to install and operate a high-performance public charging network for battery electric heavy-duty long-haul trucks and coaches across Europe. The agreement lays the foundation of a future JV headquartered in Amsterdam that will be equally owned by the three parties. It will begin operations in 2022. The parties intend to invest EUR 500 million together to install and operate at least 1,700 high-performance, green-energy charging points close to highways as well as at logistic and destination points, within five years from the establishment of the future JV.

Action Composites to Acquire Thyssenkrupp Carbon Components

Chinese autonomous driving startup Guangzhou WeRide Technology Limited Company (WeRide) announced the completion of its new round of financing of $310 milAction Composites, a carbon components supplier, has acquired Thyssenkrupp Carbon Components. Carbon Components was founded in 2012 in collaboration with the Technical University in Dresden. It develops and produces, among other things, patented, braided, and ultra-light high-performance rims for sports cars, motorbikes, and chassis components, thereby significantly contributing to carbon dioxide reduction in mobility applications.

Materion to Acquire HCS-Electronic Materials for $380 Million

Materion Corporation, a US-based supplier of advanced materials, has agreed to acquire H.C. Starck Solutions' electronic materials business for a purchase price of $380 million. The target business utilizes proprietary technology and material science know-how to deliver tantalum- and niobium-based products and services for the semiconductor, industrial, and aerospace and defense markets. The target business is a provider of high-quality, high-purity tantalum sputtering targets, important in the manufacture of today's leading-edge semiconductor chips.

Magna to Acquire Veoneer

Global automotive supplier Magna International has agreed to acquire Veoneer, an automotive safety technology provider. Pursuant to the agreement, Magna will acquire all of the issued and outstanding shares of Veoneer for $31.25 in cash per share, representing an equity value of $3.8 billion and an enterprise value of $3.3 billion, inclusive of Veoneer's cash, net of debt and other debt-like items as of March 31, 2021.

ANTITRUST

SAMR Penalized Huidi Tianjin and FAW for Failure to Make an Antitrust Filing

The State Administration for Market Regulation (SAMR) issued an administrative penalty decision against Huidi (Tianjin) Commercial Service Co, Ltd. (Huidi Tianjin) and China FAW Group Corporation (FAW), imposing a fine of RMB 500,000 to each of the companies. SAMR found that Huidi Tianjin and FAW failed to make the required merger control filing for their establishment of a JV in July 2018, which is FAW Huidi Automotive Technology Co., Ltd. (FAW Huidi). Huidi Tianjin is a wholly owned subsidiary of Didi (previously named Xiaoju Kuaizhi). After reviewing and assessing the relevant concentration's potential impact on market competition, SAMR further held that the creation of FAW Huidi by Huidi Tianjin and FAW will not restrict or eliminate competition in relevant markets.

SAMR Penalized Xiaoju Technology and Beijing Electric for Failure to Make an Antitrust Filing

SAMR issued an administrative penalty decision against Beijing Xiaoju Intelligent Automobile Technology Co., Ltd. (Xiaoju Technology) and Beijing Electric Vehicle Co., Ltd. (Beijing Electric), imposing a fine of RMB 500,000 to each of the companies. SAMR found that Xiaoju Technology and Beijing Electric failed to make an antitrust filing for the establishment of a JV in December 2018, which is Jingju Electric Vehicle Technology Co., Ltd. (Jingju). Xiaoju Technology is the entity operating business of Didi

group in China. After reviewing and assessing the relevant concentration's potential impact on market competition, SAMR further held that the creation of Jingju by Xiaoju Technology and Beijing Electric will not restrict or eliminate competition in relevant markets.

REGULATORY

Multiple Ministries of China Jointly Issued the Provisions on Management of Automotive Data Security

The Cyberspace Administration of China (CAC), together with the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, and the Ministry of Transport, jointly issued the Regulations on Management of Automotive Data Security (the Auto Data Regulation), which will take effect on October 1, 2021. The Auto Data Regulation aims to protect drivers' privacy and safeguard national security as vehicles are becoming increasingly digitalized in China.

The Auto Data Regulation governs the processing of automotive data in China as well as the safety regulation. Automotive data includes personal information and important data throughout the automotive design, manufacturing, sales, use, and operation and maintenance process (Auto Data). "Personal information" is defined as including information relevant to the identified or identifiable owner, driver, passengers, and people outside the vehicle. The Auto Data Regulation also defines "sensitive personal information" as including location and tracking data, audios and videos, images, and biometric information, but excluding anonymized information.

Auto Data processors should follow the Auto Data Regulation when processing Auto Data in China and when conducting cross-border transfer of Auto Data. The Auto Data processors will include automobile manufacturers, parts and software suppliers, dealers, repair shops, and ride-hailing and car-sharing companies. Insurance companies were removed from the scope of Auto Data processors in the promulgated regulation, which was previously included in the draft regulation.

The Auto Data Regulation sets out four important principles for processing Auto Data, including that (1) Auto Data should be transferred out of vehicles only when necessary; (2) functions should not collect personal information by default, unless otherwise set by the driver before each ride; (3) the coverage and level of definition of vehicle cameras and radars should match the requirements of the relevant functions or services; and (4) anonymization or deidentification should be implemented whenever possible.

Articles 10 to 12 of the Auto Data Regulation provide special protective measures for processing of important data. Processors of Auto Data must (1) conduct a risk assessment and submit it to the provincial CAC office and other competent authorities a report that includes type, quantity, scope, place and period of storage, and use of important data, and data processing activities, as well as any provision of important data to third parties, data security risks, and measures adopted; (2) store data locally within China and go through a security assessment if the export of important data is necessary; and (3) file an annual report to the provincial-level CAC office and other competent authorities on information relevant to data security management and any export of important data.

Important data refers to data that if being tampered with, destroyed, leaked, or illegally obtained or used illegally may endanger national security, public interests, or the legitimate rights and interests of individuals or organizations. The Auto Data Regulation provides some examples of important data, including (1) the geographical and people- and traffic-flow information of sensitive areas such as military zones, defense-related scientific and industrial units, or party or governmental organs of country-level or above; (2) data reflecting economic status, such as traffic or logistics flow; (3) operational data of vehicle charging networks; (4) out-of-vehicle audio and visual data such as facial information and vehicle registration information; and (5) personal information concerning more than 100,000 individuals.

The Auto Data Regulation also includes some more detailed rules on requirements for personal information processing, cross-border transfer of personal information and important data, consent of data subject, data safety annual filing system, etc.

The New "Three Guarantees for Automobiles" Will Be Implemented Next Year

SAMR issued on its official website the "Regulations on Responsibilities for the Repair, Replacement and Return of Household Auto Products" (hereinafter referred to as the new "Three Guarantees for Automobiles") and announced that the regulations will be implemented on January 1, 2022.

Compared with the 2012 version, the new version of the "Three Guarantees for Automobiles" has the following major developments: (1) the scope of application of "family automobiles" is extended to include pickup trucks, which is the first time the tentacles of consumer rights protection has been extended to the field of commercial vehicles; (2) several new clauses are added to protect the rights and interests of consumers, such as the "7-day return and exchange" rule; and (3) the incorporation of new energy vehicles (pure electric, plug-in hybrid models) into it, filling up the gap in the three guarantees of new energy vehicles.

Moreover, new "Three Guarantees for Automobiles" also increases the penalties for illegal acts and clearly penalizes operators who deliberately delay or refuse to assume the three-guarantee liability without justifiable reasons.

After the German Elections: Cars and Emissions-Free E-mobility - Sharp Differences Between the German Political Parties

After the outcome of the German elections, it is very likely that at least the Greens and the Free Democrats (FDP) will be part of the governing coalition either with the CDU/CSU (Christian Democrats) or with the SPD (Social Democrats). The Greens and the FDP have very different views on the future of the automotive section. Here are two excerpts from their election platforms that showcase the different approaches:

Greens: "From 2030 . . ., only zero-emission cars should be allowed to be newly registered; paving the way for this are European CO2 fleet limits and an increasing national quota based on the 1.5-degree path. By 2030, however, existing internal combustion vehicles must already be replaced by e-cars to a relevant extent; their share is therefore to be increased to at least 15 million vehicles by 2030. . . . We want to convert the purchase subsidy for zero-emission cars into a bonus-malus system and open it up to light electric vehicles. Climate-friendly cars will become cheaper, climate-damaging cars more expensive. We also want to promote the conversion of existing combustion engines to zero-emission cars."

FDP: "We, the Free Democrats, want the nationwide expansion of fast-charging stations and interoperable payment structures for e-mobility. To this end, we want non-discriminatory access to charging stations for a fee, as well as transparent pricing and billing systems for the benefit of customers. We want to do away with expensive subsidies such as the purchase premium for e-cars. The regulations for hybrid vehicles must be revised so that their real CO2 emissions are taken into account. For us, e-mobility is an essential part of the transport mix of the future. Extend emissions trading to the entire transport sector. The Free Democrats are calling for the European CO2 emissions trading scheme to be extended to the entire transport sector. This would put an end to existing measures to reduce CO2 emissions in the transport sector. Many of the bans, subsidies and support measures adopted measures to reduce CO2 emissions in the transport sector do not lead to a reduction, but only to costs and distort the market. Emissions trading guarantees a cap on the total emissions of climate gases."

Hence, there are major differences between these parties when only emission-free vehicles should be allowed to register and whether they should be subsidized. The negotiations between the parties to form a new government are ongoing and could take weeks if not months. It remains to be seen what the give-and-take of these parties will be and what will make it into the coalition treaty of the new German federal government.

INTELLECTUAL PROPERTY

Right-to-Repair Ballot Initiative Law in Massachusetts Challenged

In November 2020, Massachusetts enacted a law by ballot initiative enshrining a "Right to Repair" vehicles that allows access to software and computer systems on vehicles to facilitate the repairs. The Alliance for Automotive Innovation (AAI), on behalf of the automakers, has since sued the Commonwealth of Massachusetts over the law and has asked the court to permanently enjoin its enforcement. Section 2 of the law provides "motor vehicle owners' and independent repair facilities' access to vehicle on-board diagnostic systems shall be standardized and not require any authorization by the manufacturer" and would require immediate compliance. Section 3 provides "[c]ommencing in model year 2022 and thereafter a manufacturer of motor vehicles sold in the Commonwealth . . . that utilizes a telematics system shall be required to equip such vehicles with an inter-operable, standardized and open access platform across all of the manufacturer's makes and models." Judge Woodlock has announced that a decision will be forthcoming in November on the enforceability of the law. The right-to-repair movement has grown in recent years as consumer products have become more software- and computer-driven.

Jaguar Land Rover Ends Patent Fight with Volkswagen

Jaguar Land Rover (JLR) has settled patent litigation against Volkswagen (VW) that had been filed in Germany, United States federal district court in Virginia, and the International Trade Commission (ITC). The patents asserted in the case relate to a feature that allows drivers to use a dial to change vehicle settings to adapt to different types of terrain. The settlement occurred within weeks of when JLR was to begin a trial at the ITC to block imports of VW's Porsche, Lamborghini, Audi, and Volkswagen sports utility vehicles.

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OUR AUTOMOTIVE & MOBILITY TEAM

Morgan Lewis's automotive & mobility team partners with global automotive industry companies in complex transactions and matters, building and protecting their IP portfolios, as well as crafting and implementing customized business, finance, and tax strategies that are effective for many years.

Taking a holistic view of the auto industry—the advent of unprecedented government involvement, a shifting competitive landscape, the race for new technology and talent, and greater consumer and regulatory demands involving safety and the environment—we assist in developing precise legal strategies aimed at advancing our clients' specific business objectives.

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