

AUTOMOTIVE & MOBILITY

Welcome to the 34th 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 fourth quarter of 2022, touches on numerous acquisitions across automotive suppliers and manufacturers, new European Union regulations and antitrust developments, and significant intellectual property matters in the automotive industry. All issues of Morgan Lewis *AUTOMOTIVE & MOBILITY* are available at www.morganlewis.com.

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Mergers & Acquisitions: Volkswagen Group and Horizon Robotics to Form Autonomous Driving Joint Venture (JV); Timken to Acquire GCB Bearings; RattanIndia to Acquire Revolt Motors; NAMI Acquires Nissan Manufacturing Russia; Mercedes-Benz to Sell Russian Subsidiaries to Avtodom; Sollers Acquires Remaining 49% Stake in Ford Sollers JV from Ford; Nokian Tyres Sells Russia Business to Tatneft; Mullen to Acquire Electric Last Mile Solutions; ARC Automotive and Yanfeng to Form JV in North Macedonia; Foxconn and PIF to Form Electric Vehicle (EV) JV in Saudi Arabia; Qualcomm to Acquire Stake in Ampere as Part of Strategic Partnership with Renault Group; Stellantis to Acquire aiMotive; DeepBlue to Acquire FAW Lingyuan; VT Industries to Acquire Ebmeyer; Schaeffler to Acquire CERASPIN; MILES Mobility Acquires WeShare from Volkswagen

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For further information, or if you would like to discuss the implications of these legal developments, please do not hesitate to get in touch with your usual contact at Morgan Lewis.

Antitrust: Prevent to Sue Volkswagen in Antitrust Lawsuit

Regulatory: EU Parliament and Council Reach Agreement on Prohibition of ICE Vehicles from 2035; EU Parliament and Council Reach Provisional Agreement on Overhaul Rules on Batteries; EU Companies Can Benefit from the US Subsidy Scheme for Commercial Clean Vehicles under the US Inflation Reduction Act; China Releases Regulations on the Market Access Permission for Road Motor Vehicles

Intellectual Property: ARM Expanding in Automotive; Versata Wins Significant Intellectual Property (IP) and Contract Verdict against Ford in Michigan; SMR Wins Verdict against Patent Holder Magna Mirrors in Michigan Trial

MERGERS & ACQUISITIONS

Volkswagen Group and Horizon Robotics to Form Autonomous Driving JV

Cariad SE, a Germany-based automotive software company and wholly owned subsidiary of Volkswagen AG, and Horizon Robotics, a China-based provider of computing solutions for Advanced Driver Assistance Systems (ADAS) and Autonomous Driving (AD), entered into an agreement to form a JV for the development of full-stack ADAS/AD solutions to be used in Volkswagen electric vehicles in China. Cariad will invest EUR 2.4 billion for a 60% majority stake in the JV.

Timken to Acquire GCB Bearings

US-based manufacturer of engineered bearings and industrial motion products The Timken Company acquired GCB Bearings, a global manufacturer of metal-polymer plain bearings.

RattanIndia to Acquire Revolt Motors

India-based technology company RattanIndia Enterprises Limited acquired Indian manufacturer of electric motorcycles Revolt Intellicorp Private Limited after having previously owned a 33.84% stake in the company.

NAMI Acquires Nissan Manufacturing Russia

Japanese car maker Nissan Motor Co., Ltd. (Nissan) sold its Russian subsidiary Nissan Manufacturing Russia LLC to the Russian state-owned Central Scientific Research Automobile and Automotive Engines Institute (NAMI). Nissan will retain a buy-back right for six years.

Mercedes-Benz to Sell Russian Subsidiaries to Avtodom

German automaker Mercedes-Benz Group AG (Mercedes-Benz) sold all shares in its Russian subsidiaries Mercedes-Benz Rus JSC, Mercedes-Benz Manufacturing Rus LLC, Mercedes-Benz Financial Services Rus LLC, Mercedes-Benz Bank Rus LLC, and Mercedes-Benz Capital Rus LLC to Russia-based car dealership holding Avtodom JSC. Mercedes-Benz reserved a buy-back right.

Sollers Acquires Remaining 49% Stake in Ford Sollers JV from Ford

Russian automotive group Sollers PJSC acquired the remaining 49% share in the Russian JV Ford Sollers from US-based car manufacturer Ford Motor Company (Ford) for a nominal value, with Ford retaining a buy-back right for five years.

Nokian Tyres Sells Russia Business to Tatneft

Russian oil and gas company Tatneft PJSC acquired the Russian operations of Finnish tire manufacturer Nokian Tyres plc for approximately EUR 400 million.

Mullen to Acquire Electric Last Mile Solutions

US-based EV manufacturer Mullen Automotive, Inc. acquired all assets of bankrupt American commercial EV maker Electric Last Mile Solutions for USD 105 million.

ARC Automotive and Yanfeng to Form JV in North Macedonia

US-based ARC Automotive Inc. (ARC) and Chinese automotive supplier Yanfeng agreed to form a JV to develop, produce, and commercialize inflators for automotive airbag applications. The JV will operate at ARC's manufacturing site in Skopje, North Macedonia, and be named YFA Automotive Safety.

Foxconn and PIF to Form EV JV in Saudi Arabia

Saudi Arabian sovereign public investment fund and Taiwanese electronics manufacturer Hon Hai Precision Industry Co., Ltd. agreed to form a JV with the purpose of designing and manufacturing EVs in Saudi Arabia under the newly launched brand Ceer.

Qualcomm to Acquire Stake in Ampere as Part of Strategic Partnership with Renault Group

Qualcomm Technologies, Inc. (Qualcomm) and France-based automobile group Renault s.a.s (Renault) agreed that Qualcomm will acquire a stake in Renault's electronic and software company Ampere as part of a strategic long-term cooperation for the co-development of a centralized platform architecture for software-defined EVs. Financial details were not disclosed.

Stellantis to Acquire aiMotive

Netherlands-based car multinational Stellantis N.V. agreed to acquire aiMotive, a Hungary-based developer of artificial intelligence and autonomous driving software. The acquired company will operate independently as a subsidiary of Stellantis.

DeepBlue to Acquire FAW Lingyuan

Chinese developer of artificial intelligence technologies DeepBlue Technology (Shanghai) Co., Ltd. (DeepBlue) acquired Chinese car manufacturer FAW Lingyuan.

VT Industries to Acquire Ebmeyer

Chinese manufacturer of automotive stamping dies and other tooling VT Industrial Technology Co., Ltd. has acquired, through its German subsidiary VT Holding Gütersloh GmbH, the German automotive stamping die manufacturer Ebmeyer Werkzeugbau GmbH for EUR 8.5 million.

Schaeffler to Acquire CERASPIN

German automotive supplier Schaeffler AG acquired CERASPIN, a Luxembourg-based supplier of premium ceramic components for rolling bearings. Financial details were not disclosed.

MILES Mobility Acquires WeShare from Volkswagen

German car-sharing company MILES Mobility GmbH acquired UMI Urban Mobility International GmbH, a German EV car-sharing company affiliated with Volkswagen. The acquisition is part of a partnership between Volkswagen and MILES Mobility that includes the commitment of MILES Mobility to buy more than 10,000 EVs from Volkswagen brands.

ANTITRUST

Prevent to Sue Volkswagen in Antitrust Lawsuit

Prevent Group (Prevent), an automotive component part supplier, filed a complaint at the US District Court in the Eastern District of Texas against Volkswagen. Prevent claims that Volkswagen intentionally excluded Prevent from the market for automotive supply parts, which resulted in lost profits exceeding USD 750 million. By doing so, Volkswagen would have engaged in anticompetitive exclusionary practices by imposing abusive conditions on its suppliers, forcing them to operate at razor-thin margins or even at a loss.

REGULATORY

EU Parliament and Council Reach Agreement on Prohibition of ICE Vehicles from 2035

The European Parliament and the Council of the European Union agreed on a joint proposal for a regulation that would require all new cars and vans sold in the European Union from 2035 onward to be carbon-neutral. This ban of CO2-emitting cars targets all vehicles with an internal combustion engine (ICE). The prohibition does not include cars and vans first sold before 2035. Such cars and vans will also be allowed to be traded on the secondhand market. With an expected lifespan of 15 years for a newly sold car, the end date is in line with the EU's goal to reach zero carbon emissions from cars in 2050.

EU Parliament and Council Reach Provisional Agreement on Overhaul Rules on Batteries

The EU authorities agreed on stronger requirements on battery manufacturers to make their products more sustainable. The rules aim to cover the entire battery life cycle from design to end of life and cover all types of batteries, including batteries used in automotive applications and EVs. These requirements also include supply-chain surveillance for battery resources by the manufacturers, and they shift responsibilities for battery recycling to manufacturers.

EU Companies Can Benefit from the US Subsidy Scheme for Commercial Clean Vehicles under the US Inflation Reduction Act

After the European Union and the United States established a joint task force in early December to resolve the dispute over US tax subsidies for clean vehicles, the US government issued additional information on clean-vehicle provisions of the Inflation Reduction Act. This reaffirms that EU-based companies can possibly benefit from the provisions under the US Inflation Reduction Act, which went into effect in August 2022. This is initially limited to commercial vehicles. The European Union is seeking a similar arrangement for passenger cars.

China Releases Regulations on the Market Access Permission for Road Motor Vehicles

The Chinese Ministry of Industry and Information Technology issued the Administrative Regulations (Regulations) on the Market Access Permission for Road Motor Vehicles for public comments. The Regulations add administrative requirements for market access licenses for the manufacturing of intelligent connected vehicles. Also, the Regulations govern vehicle manufacturers' obligations with respect to environmental protection, after-sales service, software upgrading, and network and cyber and data security.

INTELLECTUAL PROPERTY

ARM Expanding in Automotive

Chip designer ARM is reportedly expanding its sales in the automotive sector. Revenue from the automotive sector is reported to have doubled since 2020, and ARM's proprietary computing IP, which has been successfully deployed in mobile phones, is a good fit for the infotainment systems and high-speed data applications in automotive. ARM, based in the United Kingdom and owned by Softbank, has been competing with established players and a relatively new open-source rival, RISC-V, based in Switzerland. Some Silicon Valley companies have increased their interest in RISC-V for mobile phone and other applications because of its open-source code and lack of technology restrictions in markets such as China. The automotive market, with stringent security requirements from OEMs and Tier 1 suppliers, may be less likely to adopt open-source computing IP in the near term for core functionality within a car.

Versata Wins Significant IP and Contract Verdict against Ford in Michigan

A Michigan jury found that Ford Motor Company breached a contract and misused trade secrets of software company Versata, and it awarded Versata USD 104.5 million. The case is part of a long-standing dispute between the companies concerning software deployed within Ford in the early to mid-2000s, but it is also consistent with a recent trend of increasing trade secret litigation involving technologies deployed in the automotive sector. Ford reportedly will appeal the verdict.

SMR Wins Verdict against Patent Holder Magna Mirrors in Michigan Trial

Another Michigan jury found in favor of global parts supplier Samvardhana Motherson Reflectec Group Holdings Limited et al. (SMR), finding that SMR did not induce patent infringement and that patent claims asserted by Magna Mirrors of America (Magna Mirrors) were invalid. Magna Mirrors asserted that the patents cover a line of mirrors that feature an auxiliary mirror cut into the main mirror to increase visibility. Magna Mirrors is expected to challenge the verdict. Patent-infringement cases involving OEMs and Tier 1 suppliers have been increasing in recent years, and the trend is expected to continue.

Morgan Lewis

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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