

AUTOMOTIVE & MOBILITY

Welcome to the 33rd 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 2022, touches on significant acquisitions, new regulations and antitrust developments in Asia and Europe, and notable intellectual property advancements in the automotive industry. All issues of Morgan Lewis *AUTOMOTIVE & MOBILITY* are available at www.morganlewis.com.

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Mergers & Acquisitions: Westron Acquires Majority Share in Allgaier; Schaeffler Purchases Ewellix; LG Energy Solution and Honda to Form Battery JV; Honda, Dongfeng Motor Group, and GAC Group to Form Battery Procurement JV; Clean Logistics Acquires GINAF Trucks Nederland; Steyr Motors Acquired by Mutares; SAF-HOLLAND Acquires Haldex; Plastic Omnium Acquires Remaining Stake in HBPO; Riken and NPR to Merge; Kalyani Powertrain and Harbinger to Form Electric Drivetrain JV; Aptiv to Acquire 85% Stake in Intercable Automotive Solutions; Mercedes-Benz Vans and Rivian to Form Electric Van Production JV; MinebeaMitsumi to Acquire Honda Lock; Hyundai Motor Group to Increase Stake in 42dot; SANY and Pony.ai to Establish JV; BorgWarner to Acquire Rhombus Energy Solutions; Nikola to Acquire Romeo Power; Nissan to Acquire Stake in Vehicle Energy Japan; Volkswagen Group and Umicore to Form Battery Material JV

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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: ECJ Rules That Specialized Vehicles Are Covered by Trucks Cartel Decision; KFTC Clears Acquisition of SsangYong Motor by KG Group; FCO Clears VW/Bosch JV

Regulatory: EC Approves up to EUR 10.6 Billion of State Aid for Hydrogen Projects; Third Extension of New Energy Vehicle Exemption from Purchase Tax; Shenzhen Unveils the First Regulation on the Management of Intelligent Connected Vehicles in China

Intellectual Property: Back to the Future; Avanci Patent Pool; Formula One Files Web3 Trademark Application

MERGERS & ACQUISITIONS

Westron Acquires Majority Share in Allgaier

Chinese conglomerate Westron Group acquired a majority share in the Germany-based Allgaier Werke GmbH (Allgaier) through a subsidiary. Allgaier is a supplier of automotive parts and process technology.

Schaeffler Purchases Ewellix

Germany-based automotive parts supplier Schaeffler AG acquired Sweden-based manufacturer of linear motion and actuation solutions Ewellix AB from British investment firm Triton. The purchase price approximates EUR 582 million, with Schaeffler to additionally assume the net debt of Ewellix, which is approximately EUR 120 million.

LG Energy Solution and Honda to Form Battery JV

South Korea-based LG Energy Solution, Ltd. and Japan-based Honda Motor Co., Ltd. (Honda) announced that they agreed to establish a joint venture (JV) for the production of lithium-ion batteries in the United States. The JV deal reportedly includes a combined USD 4.4 billion investment into the construction of a new battery plant in the United States. LG Energy Solution reportedly will hold a 51% stake in the JV and Honda will hold the remaining 49% stake.

Honda, Dongfeng Motor Group, and GAC Group to Form Battery Procurement JV

Japan automaker Honda Motor Co., Ltd. (Honda), and Chinese automakers Dongfeng Motor Group Co., Ltd. (Dongfeng), and Guangzhou Automobile Group Co., Ltd. (GAC Group), agreed to establish a JV for the procurement of batteries for electric vehicles (EVs). Honda will hold a 50% stake in the JV, with Dongfeng and GAC Group each holding a 25% stake. Financial details were not disclosed.

Clean Logistics Acquires GINAF Trucks Nederland

German manufacturer of hydrogen-powered, zero-emission trucks and buses Clean Logistics SE acquired Dutch truck manufacturer GINAF Trucks Nederland BV (GINAF). While GINAF mainly produces conventional, heavy-duty trucks, it also offers a range of fully electric trucks and vans under the brand GINAF Durable.

Steyr Motors Acquired by Mutares

Mutares SE & Co. KGaA, a Germany-based private equity company, acquired Steyr Motors Betriebs GmbH and Steyr Motors Immo GmbH (Steyr Motors), an Austrian manufacturer of special-purpose diesel engines.

Steyr Motors was previously owned by Thales Austria GmbH, a subsidiary of French defense and electronics company Thales.

SAF-HOLLAND Acquires Haldex

German manufacturer of trailer, truck, and bus components SAF-HOLLAND SE acquired Sweden-based Haldex AB via a cash tender offer to Haldex's shareholders. Haldex is a manufacturer of brake and air suspension systems. Haldex is now delisted from the Nasdaq Stockholm stock exchange.

Plastic Omnium Acquires Remaining Stake in HBPO

French automotive components manufacturer Plastic Omnium acquired the remaining 33.33% stake in German supplier of front-end modules HBPO GmbH from Germany-based HELLA GmbH & Co. KGaA (Hella) for EUR 290 million. Hella is majority-owned by France-based Faurecia SE, with both automotive suppliers operating together under the brand Forvia. HBPO was founded in 2004 as a JV between Hella, Germany-based car parts supplier MAHLE Behr GmbH & Co. KG (Behr), and Plastic Omnium. Plastic Omnium previously bought Behr's shares in the JV in 2018.

Riken and NPR to Merge

Japanese manufacturers of automotive parts Riken Corporation and Nippon Piston Ring Co., Ltd., agreed to a merger of equals by establishing a joint holding company through a mutual stock transfer. The trade name of the new company will be NPR-RIKEN CORPORATION.

Kalyani Powertrain and Harbinger to Form Electric Drivetrain JV

Kalyani Powertrain Ltd., an Indian supplier of electric powertrain components and subsidiary of Indian conglomerate Bharat Forge Ltd., and USA-based commercial EV company Harbinger Motors Inc. agreed to set up a JV for the development of electric drivetrain solutions for commercial vehicles, which will be called ElectroForge.

Aptiv to Acquire 85% Stake in Intercable Automotive Solutions

Ireland-headquartered automotive technology supplier Aptiv PLC entered into an agreement with Italy-based manufacturer of busbar and interconnect systems Intercable S.r.l. (Intercable) to acquire an 85% majority stake in Intercable's business unit, Intercable Automotive Solutions, for EUR 595 million.

Mercedes-Benz Vans and Rivian to Form Electric Van Production JV

Mercedes-Benz Vans and US-American EV manufacturer Rivian Automotive, Inc. agreed to establish a JV for the production of large electric vans for both parties in a new electric-only production facility at an existing Mercedes-Benz site in Central/Eastern Europe.

MinebeaMitsumi to Acquire Honda Lock

Japanese supplier of machinery and electronic components MinebeaMitsumi Inc. acquired Honda Lock Mfg. Co., Ltd., a Japanese manufacturer of auto and motorcycle parts, from Japan-based car maker Honda Motor Co., Ltd. The financial details of the transaction were not disclosed.

Hyundai Motor Group to Increase Stake in 42dot

South Korean conglomerate Hyundai Motor Group affiliates Hyundai Motor Company (Hyundai) and Kia Motors (Kia) agreed to increase their stakes in South Korean developer of software for autonomous driving 42dot. Hyundai will acquire a 47.1% stake of 42dot for KRW 274.7 billion and Kia will acquire a 26.2% stake for KRW 274.7 billion. After the transactions, Hyundai and Kia will hold 55.9% and 37.3% of the shares in 42dot, respectively.

SANY and Pony.ai to Establish JV

Chinese heavy-duty vehicle manufacturer SANY Heavy Industry Co., Ltd. and USA-headquartered autonomous driving startup Pony.ai, Inc. agreed to establish a JV for the mass production of self-driving trucks.

BorgWarner to Acquire Rhombus Energy Solutions

USA-headquartered automotive supplier BorgWarner Inc. acquired Rhombus Energy Solutions, Inc., a USA-based developer of charging and electricity storage solutions for EVs. The purchase price is up to USD 185 million, with approximately USD 130 million to be paid at closing and up to USD 55 million over the next three years.

Nikola to Acquire Romeo Power

American manufacturer of hydrogen-electric vehicles Nikola Corporation agreed to acquire Romeo Power, Inc., an American provider of electrification solutions for commercial vehicle applications, via an exchange offer at a valuation of approximately USD 144 million.

Nissan to Acquire Stake in Vehicle Energy Japan

Japan-headquartered carmaker Nissan Motor Co., Ltd. (Nissan) agreed to acquire all common shares of Vehicle Energy Japan Inc. held by Japanese public-private investment firm INCJ, Ltd. and to subscribe to newly issued shares. Existing shareholders Maxell, Ltd. and Hitachi Astemo, Ltd. will retain their stakes in Vehicle Energy Japan, which will become a consolidated subsidiary of Nissan. Financial details were not disclosed.

Volkswagen Group and Umicore to Form Battery Material JV

PowerCo SE, a Germany-based battery manufacturer and subsidiary of Volkswagen AG, and Umicore SA, a Belgium-based materials technology company, agreed to establish a JV for the production of precursor and cathode material for PowerCo's European battery cell factories from 2025 onward. The JV will be headquartered in Brussels. The agreement contains a commitment to jointly invest EUR 3 billion into new production capacities in Europe.

ANTITRUST

ECJ Rules That Specialized Vehicles Are Covered by Trucks Cartel Decision

The European Court of Justice found that specialized vehicles such as garbage-collection trucks are not excluded from the scope of the European Commission's trucks cartel decision of July 19, 2016. The decision follows a reference for a preliminary ruling by the Regional Court of Hanover, Germany, in a case concerning damage claims against a German truck manufacturer. The defendant argued that the claim was unfounded due to specialized trucks not being covered by the term "trucks" in the Commission decision.

KFTC Clears Acquisition of SsangYong Motor by KG Group

The Korea Fair Trade Commission (KFTC), South Korea's antitrust regulator, unconditionally cleared the acquisition of South Korean car manufacturer SsangYong Motor Company by KG Group, a South Korean conglomerate, through its subsidiary KG Mobility. SsangYong Motor was previously owned by Indian conglomerate Mahindra & Mahindra Ltd. and was put into administration in 2021. The KFTC said that there was no concern about competition restrictions in the automobile or steel sheet-manufacturing markets.

FCO Clears VW/Bosch JV

The German Federal Cartel Office (FCO) announced that it would not initiate proceedings against a JV between Volkswagen AG and Robert Bosch GmbH for the development of software that allows for the partially automated control of vehicles through artificial intelligence. According to the FCO, the JV is exempted under the European R&D block exemption regulation.

REGULATORY

EC Approves up to EUR 10.6 billion of State Aid for Hydrogen Projects

The European Commission (EC) greenlit under EU State aid laws the planned public funding of projects in the hydrogen value chain as part of two Important Projects of Common European Interest (IPCEI). The first IPCEI, (IPCEI Hy2Tech) entails a total funding of EUR 5.4 billion provided by 15 Member States to 35 companies in the sectors "Hydrogen Generation Technology," "Fuel Cells Technology," "Storage, Transportation and Distribution Technology," and "End User Technologies." The beneficiary companies include multiple car and truck manufacturers and automotive suppliers. The second IPCEI, (IPCEI Hy2Use) has a volume of EUR 5.2 billion and is provided to companies traditionally active in the mineral oil sector.

Third Extension of New Energy Vehicle Exemption from Purchase Tax

The Chinese Ministry of Finance, the State Administration of Taxation and the Ministry of Industry and Information agreed on the continuation of the policy of exempting new energy vehicles from vehicle purchase tax from January 1, 2023 to December 31, 2023. This is the third time that China has extended the policy of exempting new energy vehicles from purchase tax, which was first implemented in 2014, and extended in 2017 and 2020.

Shenzhen Unveils the First Regulation on the Management of Intelligent Connected Vehicles in China

The Chinese Ministry of Finance, the State Administration of Taxation and the Ministry of Industry and Information agreed on the continuation of the policy of exempting new energy vehicles from vehicle purchase tax from January 1, 2023 to December 31, 2023. This is the third time that China has extended the policy of exempting new energy vehicles from purchase tax, which was first implemented in 2014, and extended in 2017 and 2020.

The regulation provides rules for manufacturers of autonomous vehicles such as the requirements to formulate data security management systems and privacy protection schemes, take measures to prevent data leakage, loss and damage, and the requirement to store data within the People's Republic of China.

With regard to accident liability, the regulation distinguishes between different scenarios of how autonomous vehicles are involved in accidents. The regulation also stipulates that in case of a traffic accident involving an autonomous vehicle and damage caused by the defect of such, there is a possibility to claim compensation from the manufacturer or seller of that autonomous vehicle.

INTELLECTUAL PROPERTY

Back to the Future

Karma Automotive (Karma) has brought an action in Federal District Court in Houston, Texas, against DeLorean Motors Reimagined and several former Karma employees, alleging theft of trade secrets and tortious interference with business opportunities, among other allegations. Karma alleges that it had been working with DeLorean Motor Company (DMC) to electrify DMC's famed stainless steel DeLorean car featured in the movie Back to the Future as part of Project 88 - a movie reference to the speed 88 MPH at which the DeLorean would jump to time travel. However, prior to fruition of Project 88, Karma alleges that its employees left and formed a new entity, Reimagined Automotive, to effectively usurp the project with DMC. Trade-secret litigation accompanied by employees leaving one entity to go to or work with another has been a frequent occurrence for the last several years in the dynamic EV space.

Avanci Patent Pool

More than a dozen automobile manufacturers are reported to have reached agreements with patent pool provider Avanci to license wireless technology for their cars. Avanci has indicated that patents from more than 50 tech companies are included in its patent licenses and that its approach simplifies access to wireless technology without legal battles. The licensed technology includes patents for 2G, 3G and 4G technology; navigation systems; and sensors from companies such as Nokia, Ericsson, Acer and others. Rates for patent licenses have been reported to be a flat fee of \$20 per car.

Formula One Files Web3 Trademark Application

Formula One has filed a trademark application to protect the "F1" mark in connection with IP licensing services associated with, among other things, digital collectibles, nonfungible tokens (NFTs) and cryptocurrency. The application also covers other services, including social networking. Brand owners have been filing new trademark applications on existing trademarks in recent years to expand trademark protection to the emerging Web3 ecosystem.

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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