

AUTOMOTIVE

Welcome to the 19th edition of our newsletter on developments in the automotive industry published by Morgan Lewis's automotive 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*, which covers the first quarter of 2019, touches on matters relating to self-driving cars, emission rules, and other developments in the global automotive markets. All issues of *Morgan Lewis AUTOMOTIVE* are available at www.morganlewis.com.

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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.

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Intellectual Property: Jaguar Wins Landmark IP Case in Chinese Court; Tesla Files Trade Secret Misappropriation Lawsuit; Volkswagen to License Electrical Vehicle Architecture.

MERGERS & ACQUISITIONS

BMW and Daimler to Create New Global Mobility Service Provider

German carmakers BMW Group and Daimler AG announced a plan to invest more than €1 billion (\$1.1 billion) to combine the two OEMs' offerings for car sharing, ride hailing, parking, charging, and multimodal transport. The company shall include the five mobility services Reach Now (multimodal mobility platform), Charge Now (charging), Free Now (ride hailing), Park Now (digital parking service), and Share Now (car sharing).

Mazda to Acquire Ford's Interest in China Engine Joint Venture

Japanese carmaker Mazda Motor Corporation announced an agreement to acquire Ford Motor Company's 25% share in the Mazda Ford China-based joint venture Changan Ford Mazda Engine Co., Ltd. The company produces engines for Mazda cars. Going forward, Mazda and Chongqing Changan Automobile Co., Ltd will each hold 50% of the shares in the joint venture that will be renamed Changan Mazda Engine Co., Ltd.

Investindustrial to Acquire Morgan Motor Majority Stake

PE firm Investindustrial announced an agreement to acquire a majority stake in formerly family-owned Morgan Motor Company, a UK-based sports cars manufacturer. The Morgan Motor Company is active in the manufacture of handmade premium sports cars with a classic design. The Morgan family will retain a minority shareholding.

Tesla to Acquire Maxwell Technologies

US electric car manufacturer Tesla, Inc. announced an agreement to acquire Maxwell Technologies, Inc., a California developer and manufacturer of energy storage systems, including ultracapacitors, for \$4.75 per share.

Geely and Daimler Establish Joint Venture for the Smart Brand

Zhejiang Geely Holding Group and Daimler AG announced the formation of a China-based joint venture in which each party will hold a 50% interest. The joint venture will focus on the development of the next generation of electrified vehicles under the smart brand. The global distribution of this next-generation smart is planned for 2022.

Michelin to Buy 88% of Multistrada Arah Sarana Shares

French tire manufacturer Michelin announced an agreement to acquire 88% of PT Multistrada Arah Sarana TBK, a tire manufacturer headquartered in Indonesia that serves the market via its brands Achilles and Corsa. The acquisition is valued at \$480 million. Through the acquisition, Michelin will also gain a 20% stake in the car retailer and repair chain PT Penta Artha Impresi.

Maxion Wheels to Enter Joint Venture with Dongfeng Motor

Maxion Wheels, a Michigan-based wheel manufacturer that is part of the Lochpe-Maxion Group (Brazil), and Chinese automotive parts company Dongfeng Motor Group announced an agreement to enter into a joint venture under the name Dongfeng Maxion Wheels. The joint venture will produce aluminum wheels at a new plant in Hubei Province, China. Start of production is scheduled for 2020.

CIE Automotive Acquires Aurangabad Electricals

Spanish auto parts manufacturer CIE Automotive acquired Aurangabad Electricals Limited (AEL) through its India-based subsidiary Mahindra CIE for approximately €110 million (approximately \$123 million). AEL, headquartered in Aurangabad, India, is active in the production of aluminum injection molded components.

Faurecia to Enter Hydrogen Fuel Cell Systems Joint Venture with Michelin

French tire manufacturer Michelin and French automotive equipment maker Faurecia will create a joint venture to develop and market hydrogen fuel cell systems. Michelin will mainly contribute by committing to the joint venture the activities of its subsidiary Symbio, a supplier of hydrogen fuel cell systems. Faurecia will contribute the technological fuel cell expertise it has developed through its strategic partnership with the CEA.

Sarwabhotla Family Acquires DMS-CNC Technik

DMS-CNC Technik, a German producer of stamped and forged car parts in administration, has been sold to the Sarwabhotla family. The Sarwabhotla family is the owner of the Susira Group, a first-tier automotive components supplier based in Chennai, India.

Genuine Parts to Acquire PartsPoint Group

Genuine Parts Company, a US distributor of automotive parts based in the US state of Georgia has agreed to acquire Netherlands-based PartsPoint Group from AutoBinck Group through its subsidiary Alliance Automotive. PartsPoint is a distributor of automotive aftermarket parts and accessories in the Netherlands, Belgium, and Luxembourg.

MT Technologies Acquires Controlling Stake in C-Con Group

Ayala Corporation (AC), through its German subsidiary MT Technologies GmbH (MT), acquired 75.1% of the shares of the C-Con Group of Germany. MT is active in modelling, tooling, and parts manufacturing. C-Con provides development, engineering, manufacturing, series production, and process management services to automotive OEMs.

JBM Group Acquires Major Stake in Linde-Wiemann

Indian auto components supplier JBM Group, through its subsidiary Neel Metals Products Limited, acquired by means of capital increase 50% of the shares of Linde-Wiemann Group of Germany. Linde-Wiemann is a manufacturer of structural components and assemblies with a focus on lightweight materials in auto systems. JBM Group manufactures, among other things, safety-critical assemblies, including chassis and suspension systems.

Nidec Buys 70% Stake in Desch Antriebstechnik

Nidec Corporation, an electric motors manufacturer headquartered in Kyoto, Japan, has agreed to acquire 70% of the shares of Desch Antriebstechnik GmbH & Co. KG. Desch is active in the production of large precision gearboxes and drive systems for machine tools, construction and agricultural machinery, and press machines.

Osram Acquires Aftermarket Distributor Ring Automotive

Osram Licht AG, a German lighting company, announced an agreement to acquire Ring Automotive Ltd. of the United Kingdom from Rubicon Partners. Ring Automotive is active on the aftermarket for automotive lighting, electronics, and accessories.

CIE Automotive to Sell Biofuels Production Plants to Gunvor

Spanish auto parts manufacturer CIE Automotive has sold its biofuel production plants to Cyprian oil trader Gunvor Group for €13.6 million. The transaction includes the Bionor production plant in Berantevilla (Álava) and the Biosur plant in Palos de la Frontera (Huelva).

Global Dragon Investech Acquires K-Seat

Hong Kong-based electronic parts maker Global Dragon Investech purchased 100% of the shares in K-Seat, a South Korean auto seat maker, from Soribada for \$15.4 million. As an additional consideration, Soribada acquired a 28.7% stake in Global Dragon Investech.

Fuyao Glass Acquires SAM Automotive

Fuyao Glass, a Chinese automotive glass manufacturer, acquired SAM Automotive, a German manufacturer of car components that had filed for insolvency in August 2018. SAM Automotive operates 11 production sites that manufacture aluminum car parts.

Baolong Automotive to Acquire 70% Stake in MMS

Shanghai Baolong Automotive Corporation (Baolong) has signed a share purchase agreement with MMS Modular Molding Systems GmbH (Austria), under the terms of which Baolong will acquire a 70% stake in the company, which specializes in the production of manufacturing equipment for the construction of metal and plastic components.

ANTITRUST

EU Commission Fines Car Seatbelts, Airbags, and Steering Wheels Cartel

The EU Commission imposed total fines of approximately €368 million on Autoliv and TRW for their alleged participation in two cartels on the exchange of competitively sensitive information regarding the supply of car seatbelts, airbags, and steering wheels. Both companies agreed to enter into a settlement with the EU Commission. Takata, the third company involved in the alleged information exchange, was not fined, as it filed a leniency application and revealed the conduct to the authority. Since 2013, The EU Commission has imposed fines of more than €2 billion on various car parts cartels.

EU Commission to Review Motor Vehicle Block Exemption Regulation

The EU Commission has started to evaluate the Commission Regulation (EU) No. 461/2010 on vertical agreements in the automotive sector (Motor Vehicle Block Exemption Regulation), which is set to expire on May 31, 2023. The Motor Vehicle Block Exemption Regulation and Regulation 330/2010 are the current legal instruments for the assessment of motor vehicle distribution and after-sales agreements. In this context, the EU Commission has invited tenders for an external study to evaluate how the market conditions have evolved in the sector and the adequacy of existing law, as well as the need for substantive revisions to the existing law. Areas of focus of the review are the distribution of new vehicles, the provision of repair and maintenance services, and the distribution of spare parts. The EU Commission plans a public consultation in mid-2020.

Nokia, Daimler Patent Fight

Daimler, BURY, Continental Automotive, and Valeo have indicated that they each have filed a complaint with the European Commission regarding Nokia's telecommunications patents and Nokia's approach to licensing those patents to the automotive industry. The complaint relates to the essentiality of Nokia patents to standards and whether Nokia's approach to licensing is fair, reasonable, and nondiscriminatory. Similar patent fights and complaints were common between other companies during the intense phases of the mobile patent wars.

REGULATORY

Germany Amends Laws to Reduce Risks for Diesel Bans

The German legislature has adopted amendments to Germany's Federal Immission Control Act and the Road Transport Act.

The amended Immission Control Act aims at reducing the risk of driving bans for diesel vehicles, which several German municipalities and cities have to consider in order to comply with the European nitrogen dioxide (NO₂) emission thresholds of 40 micrograms per cubic meter (mg/m³) introduced by Directive 2008/50/EC. According to the amended Immission Control Act, driving bans for diesel-operated vehicles are in principle only proportionate when the NO₂ limit value exceeds 50 mg/m³ on average per year. In addition, the law provides an exemption from potential diesel driving bans for Euro 6 diesel vehicles, Euro 4 and 5 diesel vehicles emitting less than 270 mg/km³, buses, heavy city-owned vehicles, and business operator and supplier vehicles (2.8-7.5 tons) eligible for hardware upgrades.

The amendments of the Road Control Act regulate the monitoring and privacy aspects of the driving bans. Monitoring shall take place through an open license-plate screening, including pictures of the car and the driver. The data shall be deleted after two weeks.

European Commission Adopts C-ITS Delegated Act

The European Commission has adopted a Delegated Act for the deployment and operation of cooperative intelligent transport systems and services (C-ITS). Unless vetoed by the European Parliament or the European Council, the Delegated Act is set to enter into effect on December 31, 2019. C-ITS enable vehicles to interact directly with each other and the surrounding road infrastructure. C-ITS typically involve vehicle-to-vehicle (V2V), vehicle-to-infrastructure (V2I), and/or infrastructure-to-infrastructure (I2I) communication, and communication between vehicles and pedestrians or cyclists (vehicle-to-everything, V2X). The Delegated Act includes obligations on the C-ITS stations, the C-ITS stations manufacturers, and authorized representatives, importers,

and distributors. With respect to the technology to be used for such communication, the Delegated Act has decided on Wi-Fi-based technology, including a review clause with the option for a fast-track update to expand C-ITS to potential new technologies.

New NDRC Regulation Establishes Automotive Investment Projects Approval System

Under the Provisions on the Administration of Investments in the Automotive Industry issued by China's National Development and Reform Commission (NDRC) effective as of January 10, 2019, approval of new automotive investment projects, including new Sino-foreign equity joint ventures, will be delegated to local governments under a newly established filing system. The NDRC has stated that the reform is intended to streamline the approval process and support investment in the electric vehicle industry.

INTELLECTUAL PROPERTY

Jaguar Wins Landmark IP Case in Chinese Court

A trial court in Beijing ruled in favor of Jaguar Land Rover Company in its claim against a Chinese auto company, Jiangling Motors. The court ruled that Jiangling's Landwind X7 included five features that were directly copied from the Range Rover Evoque, leading to widespread consumer confusion. The court ordered an immediate halt to the production, sales, and marketing of the Landwind X7, and ordered the company to pay Jaguar compensation of RMB 1.5 million (approximately \$223,500).

Tesla Files Trade Secret Misappropriation Lawsuit

Tesla filed a misappropriation of trade secrets lawsuit in March in the US District Court for the Northern District of California against several former employees and Zoox, Inc. Tesla alleges that Zoox, which is developing self-driving technology, and the other defendants, misappropriated trade secrets related to Tesla's software and operating procedures for inventory control and distribution. As is typical in trade secret cases, the complaint cites as evidence emails from former employees allegedly reflecting transfer or use of Tesla documents.

Volkswagen to License Electrical Vehicle Architecture

Volkswagen announced in February that it would license its MEB architecture for electrical vehicles. In March, Volkswagen announced its first licensing partner, EV startup e.GO Mobile, based in Aachen, Germany. Widely licensing the MEB platform may lower the cost of development of certain kinds of EVs and reduce the cost of the MEB platform through its wider adoption.

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OUR AUTOMOTIVE TEAM

Morgan Lewis's automotive 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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