

AUTOMOTIVE & MOBILITY

Welcome to the 32nd 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 second quarter of 2022, touches on numerous acquisitions across automotive parts and components manufacturers, new regulations for electric and autonomous vehicles, antitrust developments in the United States and Europe, and significant disputes in intellectual property. All issues of Morgan Lewis *AUTOMOTIVE & MOBILITY* 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.

Antitrust: ECJ Rules Against Volvo and DAF Trucks in Cartel Case, Allowing Spanish Civil Court Procedure to Proceed (C-267/20); US Supreme Court Denies US Car Dealerships' Motion to Reverse Dismissal of Cartel Damages Case; German Federal Cartel Office Approves Catena-X Automotive Network

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Intellectual Property: Munich Court Busy with SEP Cases; Another Trademark Dispute

MERGERS & ACQUISITIONS

Renault, Minth Group to Set Up Battery Casings JV

Renault S.A., based in France, and Minth Group, a Chinese automotive supplier, have signed a memorandum of understanding to establish a joint venture (JV) in France. The JV will manufacture battery casings for use in electric vehicles (EVs).

STARK Corporation to Acquire Leoni Automotive Cables Division

Leoni AG, a cable and harnessing manufacturing firm based in Germany, has signed an agreement with STARK Corporation on the sale of its Business Group Automotive Cable Solutions division. STARK Corporation, based in Bangkok, Thailand, is a holding company with a variety of cable and wire manufacturing activities. The Business Group Automotive Cable Solutions operates global production facilities and is valued at EUR 560 million.

Lear Corporation to Acquire I.G. Bauerhin

US automotive seating and electrical-systems producer Lear Corporation has signed an agreement to acquire I.G. Bauerhin, a Germany-based automotive parts supplier specializing in seat climate control, for EUR 140 million.

Renault Sells Renault Russia and Majority Share in Avtovaz

France-based automotive OEM Renault S.A. (Renault Group) has announced the sale of its Russian subsidiary, Renault Russia, to a Moscow city entity and all of its 67.69% controlling interest in the Russian carmaker Avtovaz to the Central Scientific Research Automobile and Automotive Engines Institute (NAMI), a state-owned automotive enterprise based in Moscow.

Geely Subscribed for 34.02% Shares of Renault Korea Motors

Geely Automotive Holdings Ltd. (Geely Auto Group), a carmaker and subsidiary of Chinese global mobility technology group Zhejiang Geely Holding Group Co., Ltd. (Geely), headquartered in the city of Hangzhou, signed an agreement with Renault S.A. (Renault Group) to subscribe for 34.02% of the shares in Renault Korea Motors (RKM), a subsidiary of Renault Group in South Korea, through a capital increase mechanism for approximately KRW 264 billion. After closing, Geely will indirectly hold 34.02% share capital of RKM via its subsidiary, but Renault will remain majority shareholder of RKM. This transfer is part of a new collaboration between Geely and Renault to bring fuel-efficient hybrid EVs to the South Korean market.

Stellantis to Acquire Share Now Through Subsidiary Free2move

Stellantis N.V., a Netherlands-based multinational automotive manufacturing company, has purchased the Germany-based car sharing company Share Now GmbH (Share Now). Share Now was established in 2019 as a JV of Mercedes-Benz Mobility and BMW Group by merging their respective car-sharing operations Car2Go and DriveNow.

Plastic Omnium to Acquire Varroc Lighting Systems Business Unit

Plastic Omnium, a provider of energy-storage solutions for the automotive sector headquartered in France, entered into an agreement with Varroc Engineering, a manufacturer of automotive components based in India, to acquire Varroc's automotive lighting business unit Varroc Lighting Systems for EUR 600 million.

Tupy to Acquire MWM do Brasil from Navistar International

Brazilian auto-parts maker Tupy has signed definitive agreements to acquire International Indústria Automotiva da América do Sul (MWM do Brasil) from Navistar International Corporation, headquartered in the United States, with an enterprise value of BRL 865 million (US\$ 184 million), subject to Brazilian antitrust approval and other customary closing conditions. MWM do Brasil provides engine assembly, machining and testing services for companies in the trucks, buses, and machinery industries. Navistar International manufactures trucks, buses, and diesel engines under the International and IC Bus brands and is a wholly owned subsidiary of Traton SE, the commercial-vehicle subsidiary of Volkswagen AG.

Knorr-Bremse Acquires Remaining Stake in European, Japanese Subsidiaries from Bosch

Germany-based manufacturer of braking systems Knorr-Bremse AG has acquired a remaining stake of 20% each in Knorr-Bremse Systeme für Nutzfahrzeuge GmbH, based in Germany, and Knorr-Bremse Commercial Vehicle Systems Japan Ltd., based in Japan, from German automotive-components manufacturer Robert Bosch GmbH (Bosch) for EUR 360 million. Both entities will be wholly owned subsidiaries going forward.

American Axle & Manufacturing Holdings to Buy Tekfor Group

American Axle & Manufacturing Holdings, based in Detroit, has signed an agreement to acquire Tekfor Holding GmbH (Tekfor Group), a Germany-based manufacturer of automotive fasteners and metal formed components.

Central Glass to Sell American and European Auto-Glass Manufacturing Units

Japanese glass and chemical products manufacturer Central Glass has agreed to sell its car-glass manufacturing subsidiaries Carlex Glass America, LLC and Carlex Glass Luxembourg S.A. to Atlas Holdings LLC, a US private equity firm.

POSCO Chemical and GM to Establish Cathode Material JV

POSCO Chemical, a South Korea-based chemical and energy materials supplier, and American carmaker General Motors Company (GM) have agreed to establish a JV in Canada for the manufacture of cathode material. POSCO Chemical will hold an 85% stake in the JV for an initial investment of US\$ 278 million, while GM will hold a 15% stake.

Aramis Group to Acquire Online Car Retailer Clicars

Aramis Group S.A., a French multibrand group for the online purchase and sale of used cars, which is majority-owned by Netherlands-based automotive company Stellantis, has bought the Spanish online car-buying and -selling company Clicars.

Dongfeng Motor Group to Acquire Majority Shares of Dongfeng Auto

Chinese car manufacturer Dongfeng Motor Group Co., Ltd. (DFM) entered into a share-transfer agreement with Dongfeng Motor Company Ltd. (Dongfeng Motor) under which DFM will acquire 29.9% shares in Dongfeng Automobile Co., Ltd. (Dongfeng Auto) at the price of CNY

5.6 per share and CNY 3.35 billion (US\$ 502.8 million) in total. After the sales, Dongfeng Motor, a JV of DFM with Nissan, will own 30.2% shares in Dongfeng Auto.

Further, in accordance with Administrative Measures on Acquisition of Listed Companies, DFM will issue a partial tender offer to all shareholders of Dongfeng Auto other than DFM to acquire 25.1% shares of Dongfeng Auto, at the price of CNY 5.60 per share.

After closing, DFM will own 55% shares of Dongfeng Auto and become its controlling shareholder. Dongfeng Auto's ultimate beneficial owner will become the State-owned Assets Supervision and Administration Commission of China.

Dongfeng Motor Group to Buy Remaining 75% Stake in Dongfeng Peugeot Citroën Finance from Stellantis

Dongfeng Motor Group Co., Ltd. (DFM) has agreed to buy the remaining 75% of the shares of Dongfeng Peugeot Citroën Finance, a car financing company based in China, from PSA Finance Nederland B.V., a subsidiary of Netherlands-based automotive company Stellantis N.V., for CNY 3.718 billion, thus turning Dongfeng Peugeot Citroën Motor Finance into a wholly owned subsidiary of DFM.

Betterlife to Acquire YZB

Betterlife Holding Limited (Betterlife) announced that its wholly owned subsidiary Baideli Investment Limited entered into a share purchase agreement with YZB Investment Holding Limited (YZB Investment) and YZB Auto Services Group Limited (YZB Auto Services) to acquire 100% issued and outstanding shares of YZB Auto Services at the price of US\$ 80,000,000 (subject to adjustments). Beijing Yingzhibao Technology, an indirect wholly owned subsidiary of YZB Auto Services, is principally engaged in the dealership sales of BMW-brand vehicles in Beijing. Upon closing, Betterlife will become the first dealer group in Beijing with four luxury brands: Mercedes-Benz, BMW, Audi, and Porsche.

Alfmeier Automotive Business to Be Acquired by Gentherm

Alfmeier Präzision SE (Alfmeier), a German manufacturer of precision components, has sold its automotive business to American thermal management technologies company Gentherm Incorporated for EUR 177.5 million.

Blink Charging Buys SemaConnect

US-based provider and operator of EV-charging equipment and services Blink Charging Co. has acquired SemaConnect Inc., an American producer of EV-charging stations, for US\$ 200 million.

Endurance Technologies Acquires Maxwell Energy Systems

Indian automotive component manufacturer Endurance Technologies has signed a purchase agreement with ION Energy Inc., an energy tech startup building electronics and software for new energy assets, to acquire its Indian subsidiary, Maxwell Energy Systems Pvt. Ltd., in several phases. It will first acquire a 51% stake for US\$ 17.5 million and then the remaining 49% over the next five years, with a total transaction value of US\$ 40 million.

Meritor to Acquire Siemens Commercial Vehicles Business Unit

Meritor, a US-based manufacturer of drivetrain, mobility, braking, aftermarket and electric powertrain solutions for commercial-vehicle and industrial markets, has agreed to purchase the Commercial Vehicles Electric Propulsion business unit of Siemens, a conglomerate based in Germany, for EUR 190 million.

Yunnan Xiyi Industry to Acquire Chongqing Jianshe Industries Group

Chinese engine connecting-rod maker Yunnan Xiyi Industry has signed an agreement with China South Industries Group Corporation, a Chinese state-owned manufacturer of cars, motorcycles, and vehicle components, to purchase Chongqing Jianshe Vehicle System Co. (Jianshe Industries Group), an auto-parts maker, for CNY 4.96 billion.

Stellantis Sells Remaining 25% Stake in GEFCO to CMA CGM Group

Netherlands-based automotive company Stellantis N.V. has sold its remaining stake of 25% in GEFCO S.A. (GEFCO Group), a France-based automotive logistics company, to CMA CGM Group S.A., a French container-transportation and -shipping company. CMA CGM Group will hold nearly 100% of GEFCO shares following the acquisition.

ANTITRUST

ECJ Rules Against Volvo and DAF Trucks in Cartel Case, Allowing Spanish Civil Court Procedure to Proceed (C-267/20)

The European Court of Justice (ECJ) has ruled that, according to EU law, a Spanish civil court case against Sweden-based AB Volvo and Netherlands-based DAF Trucks N.V. regarding damages for their participation in a trucks cartel between 1997 and 2011 is not time-barred and is thus allowed to proceed.

US Supreme Court Denies US Car Dealerships' Motion to Reverse Dismissal of Cartel Damages Case

The US Supreme Court has declined to review the 2021 Ninth Circuit Court of Appeals judgment confirming the dismissal of consolidated class actions by American car dealerships against Audi, BMW, Volkswagen, Porsche, and Mercedes-Benz entities alleging collusion on diesel emissions technology in a purported effort to allocate market share between 2004 and 2016.

German Federal Cartel Office Approves Catena-X Automotive Network

The German competition authority (Bundeskartellamt) has approved the establishment of Catena-X Automotive Network (Catena-X), a network of more than 80 partners including Mercedes-Benz AG and Bayerische Motoren Werke AG (BMW), for the creation of a uniform standard for information and data exchange throughout the automotive value chain. The network is a part of the Gaia-X initiative for the development of data infrastructure and service providers for Europe. The approval applies to both the agreement regarding the creation of a uniform data-exchange standard and the creation of the partner network as such.

REGULATORY

Guidelines to Further Strengthen Safety System of New Energy Vehicle Enterprises

Five ministries of China—the Ministry of Industry and Information Technology, the General Office of the Ministry of Public Security, the General Office of the Ministry of Transport, the General Office of the Emergency Management Department, and the General Office of the State Administration of Market Supervision and Administration—jointly issued on April 8, 2022 the “Guidelines to Further Strengthen Construction of New Energy Vehicle Enterprises’ Safety System” (Guidelines) to promote the safe and healthy development of the EV industry in China.

The purpose of the Guidelines is to facilitate the construction of a systematic, scientific and standardized safety system on behalf of China’s EV enterprises. They cover measures recommended for EV companies to ensure product quality and safety, standardize product-safety design, strengthen supplier management, strictly control production quality, and improve the safety of power batteries, in order to promote the high-quality development of the industry in China.

The Guidelines state that EV enterprises should actively collaborate with power-battery suppliers and optimize the safety matching between the vehicle and power batteries as well as the thermal management strategies. The parties, according to the Guidelines, should also clarify the safety parameters of power-battery use and improve the safety of power batteries under the extreme conditions of collision, vibration, extrusion, water immersion, abnormal charge, and discharge.

The Guidelines encourage EV enterprises to increase R&D of thermal runaway real-time monitoring, warning devices, and early firefighting measures.

The Guidelines also stated that EV enterprises should establish clear product-safety requirements for key component suppliers of power batteries, drive motors, and vehicle control systems and formulate supplier quality-evaluation systems so as to strengthen supplier management.

The Guidelines also proposed improving three aspects of the EV-network security system, including strengthening network security protection, improving data security protection, and implementing improved security for personal information, which includes taking corresponding security technical measures such as encryption and de-identification to prevent unauthorized access and leakage, tampering, and loss of personal information.

German Bundesrat Approves Regulation on Autonomous Driving

The German Federal Council (Bundesrat) has approved a regulation by Germany’s federal government on automated and autonomous driving. It sets out general technical and regulatory requirements for the operation of vehicles with level 4 autonomous-driving functions in Germany as well as rules regarding the duties of the manufacturer and the owner of the vehicle, the violation of some of which would be penalized as misdemeanors. The regulation complements a change in the German Road Traffic Act from 2021, laying the groundwork for the legalization of autonomous driving in Germany.

INTELLECTUAL PROPERTY

Munich Court Busy with SEP Cases

The Munich Regional Court has become the busiest court in the world for standard essential patent filings and for granting injunctions in such cases. The court is currently entertaining cases including *Ericsson v. Apple* (concerning 5G patents), *L2 Mobile Technologies v. Fiat Chrysler and Nissan* (concerning wireless communications systems), *Miics v. Nissan* (concerning uplink synchronization), and *IP Bridge v. Opel* (concerning control channel signaling). Evolving its procedures for standard essential patent (SEP) cases over time, the Court published guidelines for the behavior of participants in SEP proceedings in 2020 and has since made updated announcements that place an increased burden on SEP owners to negotiate with technology “implementers” to conclude a license. Previously, the onus to negotiate a license on fair, reasonable and nondiscriminatory terms (FRAND terms) had been more clearly on the implementer.

Another Trademark Dispute

Trademark disputes have become more prevalent in the automotive industry, as the addition of new manufacturers results in model-name similarities and car shapes implicate trade dress protections. Most recently, Audi has filed a lawsuit in Munich for trademark infringement against Chinese EV manufacturer Nio. The suit alleges that Nio’s ES6 and ES8 model designations may cause confusion with the Audi S6 and S8 designations.

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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