

AUTOMOTIVE & MOBILITY

Welcome to the 27th 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 first quarter of 2021, touches on numerous acquisitions across automotive parts and components manufacturers as well as new joint ventures (JVs) in the electric vehicle space, antitrust developments in Asia and Europe, and the recent global chip shortage. 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.

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Regulatory: New ITU Work Item for the Architecture of Vehicle Multimedia Systems

Intellectual Property: Global Semiconductor Shortage; ITC Import Ban on SK Innovation; Bosch to open an Automotive Chip Factory in Dresden

MERGERS & ACQUISITIONS

Doosan Bobcat to Acquire Stake in Ainstein

Doosan Bobcat, a Korea-based, small-sized construction vehicle maker that is part of US-based Bobcat, has acquired a stake in Ainstein, a US-based radar manufacturer. Financial terms and details on the stake size were not disclosed.

DexKo to Acquire Redneck

Dexter Axle Company, a US-based automotive parts manufacturer and subsidiary of DexKo Global Inc., has acquired 100% of the shares in US-based Redneck Inc. and Redline Products, LLC. Redneck supplies axles and other trailer components. Financial terms were not disclosed.

Shell to Acquire Ubitricity

Netherlands-based Royal Dutch Shell has agreed to acquire Ubitricity, a German mobile metering technology startup that operates electric vehicle charging networks in a number of European countries and the United Kingdom. Ubitricity is backed, among others, by French energy group EDF and Siemens's venture capital arm Next47. Financial terms were not disclosed.

VivoPower to Acquire 100% Stake in Tembo

UK-based solar power company VivoPower International has acquired the remaining 49% stake in Tembo e-LV B.V., a battery-electric and off-road vehicle company headquartered in the Netherlands. The stake was acquired from Tembo management, which received \$2.2 million and 15,793 VivoPower shares. Vivo Power acquired the first 51% in Tembo in 2020.

Brandl Production Plants Sold to International Alexander

German automotive parts manufacturer Brandl Industries has sold its Romanian and Czech subsidiaries to the Romanian holding company International Alexander. The transaction includes the Brand production plants in Kaplice (Czech Republic) and Sibiu (Romania). Financial terms were not disclosed.

BorgWarner to Acquire Akasol

US-based automotive supplier BorgWarner Inc. has agreed to acquire all shares in German-based AKASOL AG for EUR 120 per share through a voluntary public takeover offer.

AKASOL is active in the manufacturing of high-performance battery systems. Shareholders representing at least 59.4% of the shares in AKASOL have already agreed to irrevocably tender their shares to BorgWarner.

Adler Pelzer to Acquire Faurecia Acoustic and Soft Trims Business

Germany-based Adler Pelzer Group, a manufacturer of acoustic and thermal components for the automotive sector, has agreed to acquire the Acoustics and Soft Trims business from French automotive supplier Faurecia. Financial terms of the deal were not disclosed.

Modine to Sell Parts of Its European Automotive Business

Austria-based automotive components supplier Rupert Fertinger GmbH has agreed to acquire parts of the European air-cooled automotive business of Modine Manufacturing Company. Modine Manufacturing is headquartered in the United States and active in the manufacturing of heat-transfer and heat-storage technology products. Financial terms were not disclosed.

Goodyear to Acquire Cooper Tire

US-based tire manufacturer The Goodyear Tire & Rubber Company has agreed to acquire US Cooper Tire & Rubber Company at a total enterprise value of approximately \$2.5 billion. Cooper Tire is a tire manufacturer that specializes in the development and manufacturing of replacement automobile and truck tires.

Volvo and Foretellix to Establish JV

Swedish Volvo Autonomous Solutions and Israel-based Foretellix have both engaged in the development of automated driving systems and have agreed to establish a JV. The JV will be active in the development of a traffic scenario simulation solution for validation of autonomous vehicles and machines (Coverage Driven Verification).

MAN to Sell Production Facilities in Germany and Austria

German commercial vehicle manufacturer MAN sold its Steyr production plant located in Austria to investor Siegfried Wolf. Further, MAN sold its MAN Truck & Bus production facility in Plauen, Germany, to German special-purpose-vehicle maker BINZ. Financial terms for both transactions were not disclosed.

Daimler and BMW to Sell PARK NOW JV

German carmakers Daimler AG and BMW AG have agreed to sell their PARK NOW JV to EasyPark, a Swedish developer of mobile parking and payment solutions backed by Verdane Capital and Vitruvian Partners. PARK NOW is a provider of digital parking and mobility services. Financial terms were not disclosed.

AKG to Acquire Midwest Keyless

US-based AKG Automotive Keys Group, LLC, a portfolio company of private investment firm Kinderhook Industries, has acquired US-based Midwest Keyless, a remanufacturer of automotive keyless entry remotes and related equipment. Financial terms of the transaction were not disclosed.

Honda to Sell Production Plant to Panattoni

Japanese carmaker Honda Motors has agreed to sell its car manufacturing plant in Swindon, United Kingdom, to Panattoni, a developer of new-build logistics and other industrial facilities. Financial terms were not disclosed.

Audi, VW, and FAW to Establish JV

German carmakers Audi and Volkswagen and vehicle manufacturer China FAW Group have agreed to establish a JV in Changchun, Jilin Province, China. The JV will be active in the production of pure electric vehicles. Audi and VW together will hold 60% of the shares in the JV with the remaining shares to be held by FAW.

Geely and Baidu to Establish JV

Chinese car maker Geely and internet integrated service firm Baidu have established a JV for the development of electric vehicles. The JV, in which Baidu owns 55% and Geely 45%, will trade as Jidu Automobile.

Brose and Volkswagen to Form JV for Seats

The Brose Group and Volkswagen have agreed to form a 50/50 JV for the development and manufacturing of complete seats, seat structures, and components, including solutions for vehicle interiors. Brose will hold the industrial leadership in the JV and consolidate the JV for accounting purposes.

ANTITRUST

SAMR Fined Baoneng Motor for Failure to Notify Merger

The Chinese State Administration for Market Regulation (SAMR) issued an administrative fine against Baoneng Motor Co., Ltd., because the company failed to notify the SAMR about its 2017 acquisition of Qoros Auto Co., Ltd., under Chinese merger control law. Because the SAMR found that the acquisition did not have the effect of eliminating or restricting competition, the fine amounts to only RMB 350,000.

Japanese Competition Authority Published Guidelines on JVs with Startups

The Japan Fair Trade Commission and the Ministry of Economy Trade and Industry published guidelines on JVs between established companies and startup undertakings. To prevent abusive treatment of innovative companies, the guidelines provide for the implementation of fair agreements, including details on the exploitation of the results from the JV in compliance with Japanese competition law.

Battery Recyclers Offer Commitment to Settle Italian Antitrust Investigation

Italian vehicle-battery recyclers, including Eco-bat, Piombifera Italiana, and Piomboghe, have offered commitments to settle an antitrust investigation of the Italian competition authority. The authority opened the investigation in December 2019 after suspecting the recyclers of having coordinated purchase prices for batteries within consortia that were set up to coordinate the recycling process.

REGULATORY

New ITU Work Item for the Architecture of Vehicle Multimedia Systems

The International Telecommunications Union (ITU) is an important body that determines which frequencies countries can use for advanced services. The ITU's Q27/16 Rapporteur Group and Focus Group Vehicle Multimedia Working Group 2 (FG-VM/2) held a joint meeting in March 2021. During that meeting the two ITU bodies accepted a new work item for an ITU-T Recommendation "Architecture of vehicle multimedia systems." The new document will be based on the Technical Report "FGVM-02R1 Vehicle Multimedia Architecture," which was developed by FG-VM/2 during its working sessions that have taken place since 2019. This recommendation defines the architecture for the vehicle multimedia system (VMS) of intelligent and connected vehicles (ICV). VMS consists of vehicle multimedia system inputs (VM I/P), a vehicle multimedia unit (VMU) and vehicle multimedia system outputs (VM O/P). In a subsequent meeting, FG-VM WG2 finalized a provisional new Work Item. The document, FGVM-02 "Vehicular Multimedia Architecture," remains "under study," while another document, "Rec.ITU-T F.749.3 Use cases and requirements for the vehicular multimedia networks" (flipbook), was approved. The next FG-VM Plenary Meeting (online) is scheduled for this month.

INTELLECTUAL PROPERTY

Global Semiconductor Shortage

A global shortage of semiconductor chips is having negative effects on the automotive industry. Most large automobile manufacturers in the United States have suspended or reduced production at plants and have lowered overall output because of the shortage. The impact on 2021 operating profits will reportedly run into the billions of dollars. The shortage was caused by high consumer demand for electronics, the increasing use of semiconductors in all products, the stockpiling of semiconductors in China, and a dip in supply due to the pandemic. Because of the long lead time to bring on new semiconductor manufacturing capacity, the shortage may not be completely remediated until 2022 or beyond.

ITC Import Ban on SK Innovation

The US International Trade Commission (ITC) in Washington, DC, conducted an import investigation that will have a significant impact on the US market for lithium ion batteries. In this investigation, No. 337-TA-1159, "Certain Lithium Ion Batteries, Battery Cells, Battery Modules, Battery Packs, Components Thereof, and Processes

Thereof," LG Chem (LG) alleged that SK Innovation (SK) misappropriated lithium ion battery trade secrets. During the investigation, the presiding administrative law judge found that SK had destroyed evidence, and therefore was ultimately in default and could not present a defense on the misappropriation claims. The ITC affirmed the decision, finding the destruction of evidence extraordinary. The ITC issued an order for a 10-year import ban for affected battery products from SK. However, given the public interest and importance of the battery technology, Ford and Volkswagen were both given exceptions to the ban for four and two years, respectively. The Biden administration is expected to review the decision and either the administration or a settlement between LG and SK could remove the ban.

Bosch to Open an Automotive Chip Factory in Dresden

Bosch reportedly will open an automotive chip factory in June 2021 to make application specific integrated circuit (ASIC) chips and sensors for electric vehicles and vehicles generally. The plant's ASIC chips ultimately may only alleviate shortages in certain parts of the automotive chip market but are very timely. Intel has also announced that it will make semiconductor fabrication capacity available to address the global semiconductor shortage.

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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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