

AUTOMOTIVE

Welcome to the 18th 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 fourth quarter of 2018, 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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Regulatory: Opel to Recall 100,000 Cars in Diesel Probe; Public Consultation on Connected Driving by EU Commission; China to Temporarily Reduce US Auto Import Tariffs; London Bans Non-Electric Vehicles from One Street; EU Court: EU Commission Cannot Amend Emission Limits for RDE Tests.

Intellectual Property: European Patent Office Study on Self-Driving Vehicles; First Patent Pool for Connected Cars.

MERGERS & ACQUISITIONS

Honda Invests in GM's Self-Driving Business

Honda and General Motors have entered into a new partnership in which Honda plans to invest \$2.75 billion in GM's autonomous vehicle unit "Cruise." GM plans to launch a commercial fleet of autonomous vehicles without steering wheels or pedals this year.

SoftBank Joint Venture with Toyota

Toyota and SoftBank will form a \$17 million joint venture called Monet Technologies. The joint venture will initially offer mobility services for passengers and deliveries in Japan.

BMW to Increase Stake in China Joint Venture

BMW announced it will invest €3.6 billion (\$4.16 billion) to increase the stake in its joint venture with the Chinese Brilliance Auto Group to 75% by 2022. The investment follows China's announcement that it will reduce investment restrictions in the automotive sector, abandoning the 50% ownership cap for foreign vehicle manufacturers over the next few years.

JAC Volkswagen Breaks Ground for New R&D Center in China

The new energy vehicle (NEV) joint venture of Volkswagen and JAC Motors, JAC Volkswagen, has begun construction on a new research and development center in China's Anhui Province, which will focus on the development of electric vehicles and autonomous driving technologies.

Walmart and Advance Auto Parts Create Online Partnership

Walmart Inc. and Advance Auto Parts Inc. plan to launch an automotive specialty store this year on Walmart.com. The partnership will complement Walmart's online and offline automotive product portfolio by enabling customers to purchase Advance Auto Parts products.

UBC Composite GmbH to Invest in UBC

UBC Composite GmbH, which is backed by the owners of the industrial holding company Operando Partners GmbH

as well as two German medium-sized family-owned businesses, will take over the operative business of UBC, a specialty manufacturer of carbon fiber parts and assemblies, this month. UBC filed for insolvency in 2018.

BMW, Northvolt, and Umicore Form Joint Technology Consortium

BMW, Swedish battery manufacturer Northvolt, and Belgian materials technology company Umicore have formed a joint technology consortium for the development of a sustainable value chain for electric vehicle battery cells in Europe. The consortium will focus on the sustainable industrialization of battery cells and the building of knowhow, from cell chemistry and development through to production and ultimately recycling of the cells.

ZF Friedrichshafen Acquires Stake in Engineering Services Provider

ZF Friedrichshafen AG has purchased a 35% stake in ASAP Holding GmbH, a provider of engineering services focusing on e-mobility, autonomous driving, and connected cars. ASAP is headquartered in Gaimersheim, Germany, and has more than 1,100 employees working at 11 locations.

Fiat Sells Magneti Marelli to Rival Parts Maker

Fiat Chrysler Automobiles has agreed to sell component maker Magneti Marelli to Japanese automotive parts manufacturer Calsonic Kansei, which is owned by KKR, for €6.2 billion (\$7.1 billion). The transaction creates an automotive supplier with combined revenues of approximately \$15 billion.

Lyft Acquires UK Startup Blue Vision Lab

The US ride-hailing company Lyft has purchased startup Blue Vision Lab for approximately \$72 million to foster its development of self-driving vehicles. Blue Vision is a developer of augmented reality technology expertise in computer vision which specializes in mapping street layouts.

Volvo Buys Stake in FreeWire Technologies

Swedish OEM Volvo, through its Car Tech Fund, has bought a stake in FreeWire Technologies Inc., a manufacturer of mobile electric vehicle charging solutions based in the United States.

GMD Acquires Schäfer-Österle

French automotive supplier Groupe Mecanique Decoupage, SA (GMD) has taken over Schäfer-Österle GmbH, a provider of high-quality interior components made of leather and textiles as well as complete systems for automobiles. The sale brings to an end a year-and-a-half of operating the business in insolvency.

Faurecia Purchases Clarion

French car parts maker Faurecia has purchased Hitachi's car navigation unit Clarion for €1.1 billion (\$1.52 billion). Clarion's image-processing, sensing, and driver information technology will support Faurecia's cockpit systems.

Henn Expands in Germany

Austrian manufacturer of connections for automotive cooling systems Henn GmbH & Co. KG has acquired the Germany-based companies TKW Molding GmbH and UFT Produktion GmbH. While UFT has specialized knowhow in the production of metal deep draw parts, TKW produces injection-molded plastic parts.

Gnutti Carlo Group Acquires TCG Unitech

Gnutti Carlo Group, an Italian manufacturer of valve train and fuel injection components for construction, agricultural, marine, and transportation engines, has acquired Austrian automotive supplier TCG Unitech from three privately held trusts. Gnutti Carlo will incorporate TCG Unitech, which is mainly active in the production of oil and cooling pumps, into the group as a separate division.

PMP Pien Management Acquires SG Automotive

PMP Pien Management acquired all shares in the Slovenian automotive supplier SG Automotive from entrepreneur Robert Grah. SG Automotive is active in the production of LED technology for the automotive industry. The transaction includes SG Automotive's subsidiaries Technoplast, which produces injection-molded parts for the automotive industry, and Grah Automotive in Serbia. The segment Grah Lithuania remains with Robert Grah.

Continental Buys Kathrein's Automotive Division

German tire manufacturer and automotive supplier Continental has taken over Kathrein Automotive GmbH, a subsidiary of Kathrein SE. The business is active in the production of vehicle antennas and is being sold in the course of the restructuring of the Kathrein Group.

Continental to Acquire Anti-Vibration Systems Business

German automotive supplier Continental entered into an agreement to acquire Cooper-Standard Automotive Inc.'s anti-vibration systems business for \$265.5 million. The transaction includes production sites in Canada, France, the United States, and India and particularly strengthens Continental's operations in North America.

Hyundai Motor Invests in Grab

Hyundai Motor is investing \$250 million into Grab, an Asian car-booking company. The investment includes the

provision of approximately 200 Hyundai electric vehicles to Grab's Singapore car offering this year. Other investors in Grab include Microsoft and Toyota.

Johnson Controls Divests Battery Business

Johnson Controls International plc has reached an agreement to sell its power solutions business to investment firm Brookfield Business Partners L.P. for approximately \$13.2 billion. The power solutions business is mainly active in the production of car batteries. The transaction completes Johnson Control's plans to become a provider of building technologies and solutions.

Chinese BMC Completes Investment in Cordenka

China-based private equity company Beautiful Mind Capital (BMC) has completed its acquisition of German automotive supplier Cordenka from Chequers Capital for €240 million (\$272 million). Cordenka is a manufacturer of industrial rayon, a fiber produced from cellulose and used as a heat-resistant reinforcement material in vehicle tires.

Segula Technologies Enters into Partnership with Groupe PSA/Opel

Segula, an engineering services provider, and Groupe PSA have entered into a strategic partnership for the creation of a development campus in Rüsselsheim, Germany. The partnership includes the transfer of approximately 2,000 employees of Opel to Segula.

Gundlach Automotive Corporation Divested to Gilde Buy Out Partners

Private equity company Gilde Buy Out Partners has acquired Gundlach Automotive Corporation from Pon Holdings B.V. Gundlach is an aftermarket distributor of tires, rims, and completely fitted wheels. It also provides wheel assembly services to automotive OEMs in Europe.

Schaeffler to Acquire Elmotec Statomat

Automotive supplier Schaeffler announced it will acquire Elmotec Statomat, a German manufacturer of production machines for the construction of electric motors. Elmotec has particular expertise in the field of winding technology.

Chinese Desay SV to Acquire Antennentechnik ABB Bad Blankenburg

Desay SV Automotive is set to acquire Antennentechnik ABB Bad Blankenburg GmbH (ATBB) from PREMIUM Equity Partners and two minority shareholders. ATBB, a wholly owned subsidiary of ANTEBB Holding GmbH, is a manufacturer of vehicle antenna technologies and systems in Germany.

FSN Capital Acquires Rameder

Private equity investor FSN Capital has acquired Rameder, an online retailer of car accessories, for a total of €115 million (\$131 million) from financial investor Findos of Munich, Germany. Rameder is predominantly active in Germany and Austria.

Knorr-Bremse to Acquire Hitachi's Steering Division

Knorr-Bremse will acquire the integral power steering division of Hitachi Automotive Systems in Japan and Thailand. Hitachi's steering systems are mainly used in commercial and automated vehicles.

Continental Buys Austrian Tire and Car Repair Chain

German automotive supplier Continental will acquire the tire and car repair chain Reifen John, consisting of 32 branches in Austria and Germany. Continental plans to continue to operate the branches under the trade name Reifen John. Continental's current holdings regarding tire and car repair chains include Vergölst in Germany and Profi Reifen und Autoservice in Austria.

Volkswagen to Acquire Volvo Subsidiary

Volkswagen has announced it will purchase 75.1% of the shares in WirelessCar, a specialty company for networked driving based in Sweden, from Volvo for approximately €107 million (\$122 million).

Self-Driving Vehicle Deal to Offer Services in London by 2021

Addison Lee has reportedly entered a deal with Oxbotica, a UK-based developer of self-driving vehicle software, to develop autonomous vehicles, focusing on providing services using the vehicles in London by 2021.

ANTITRUST

KYB Corp. to Settle Antitrust Action

Car parts maker KYB Corp. agreed to pay \$9.12 million to car dealers in the United States to settle an antitrust action in which the Japan-based company was accused of fixing prices of shock absorbers. The payment followed a \$62 million fine issued by the US Department of Justice and paid by KYB in 2015 for bid rigging and fixing prices of shock absorbers.

Austrian Cartel Court Fines Gas Station Operator

The Austrian Cartel Court has imposed a fine of €70,000 (\$80,286) on A1, an Austrian gas station operator, for resale price maintenance of gasoline with individual gas station

lessees. A1 has used an electronic system that directly transferred fuel prices set by A1 to the cash register system of the individual lessees and subsequently to the dispensers and other pricing facilities.

Greek Nissan Importer's Antitrust Offer Ends Eight-Year Probe

The Greek Competition Authority concluded an antitrust probe against NITH, a Greek importer of Nissan-branded cars, that began in 2010. The authority scrutinized NITH regarding the disclosure of technical information about Nissan cars to independent service providers. NITH has offered commitments to resolve eventual competition concerns.

REGULATORY

Opel to Recall 100,000 Cars in Diesel Probe

Germany's Federal Ministry of Transport has ordered Opel to recall 100,000 cars after authorities searched the OEM's headquarters alleging that certain models were equipped with emissions manipulation software. Models affected include Opel Cascada, Insignia and Yafira.

Public Consultation on Connected Driving by EU Commission

The EU Commission conducted a public consultation on a Recommendation on Connected and Automated Mobility. The consultation covered topics such as cybersecurity threats and related trust issues, data governance and privacy and data protection needs, as well as different aspects of technology needs. A short summary of the consultation results will be published at the beginning of 2019.

China to Temporarily Reduce US Auto Import Tariffs

China has agreed to a three-month reduction of tariffs on US auto imports from 40% to 15%, bringing the rate in line with tariffs on auto imports from other countries. Further rate changes are possible as both countries continue ongoing trade negotiations.

London Bans Non-Electric Vehicles from One Street

The City of London announced that beginning in April 2019, only fully electric and certain hybrid vehicles will be allowed on the south section of Moor Lane, west of Moorgate. That section will serve as a test area to evaluate whether similar measures would be suitable in other parts of the city. Non-compliant drivers will initially receive warnings that may later be followed by fines. The measure aims to encourage more Londoners to switch to ultra-low and zero-emission vehicles and help reduce the city's air pollution.

EU Court: EU Commission Cannot Amend Emission Limits for RDE Tests

The General Court of the European Union found in its decision on case T-339/16 that the cities of Paris, Brussels, and Madrid are entitled to challenge emission limits and that the EU Commission does not have the power to amend the Euro 6 emission limits for the Real Driving Emissions Test (RDE Test) by applying correction coefficients. In its Regulation 2016/646, the EU Commission has defined not-to-exceed emission limits for oxides of nitrogen during the RDE Test, in particular in the context of approving new vehicle types. The EU Commission has set those limits on the basis of the Euro 6 standard, to which it applied correction coefficients in order to take account of “statistical and technical uncertainties”.

INTELLECTUAL PROPERTY

European Patent Office Study on Self-Driving Vehicles

The European Patent Office (EPO) published a study on patents and self-driving vehicles based on an analysis of EPO patent findings. The study breaks down the technology into two groups: the automated vehicle platform, which is focused on the vehicle itself and the inventions that enable autonomous decisions, vehicle handling, and computing; and the smart environment, which is focused on communications infrastructure and smart logistics. The study finds a steep increase in patent filings on self-driving vehicles beginning in 2011 with an increase of more than 300% between 2011 and 2017. The largest patent filers include major players from the automotive and technology industries. Europe and the United States lead in patent filings, while Japan, Korea, and China are also important innovators, according to the study.

First Patent Pool for Connected Cars

Avanci, LLC has been offering licenses to what may be the first patent pool on connected cars. The pool was reportedly licensed to BMW and is available to other industry participants on a fixed rate pricing model basis. Patent pools are prevalent in the wireless communications and other industries. Pools aggregate patents from a number of patent owners and make them available to the public at fixed rates. Advocates of pools assert that they are an efficient way to make technology available to industries.

Morgan Lewis

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.

CONTACTS AND CONTRIBUTING AUTHORS

Robert C. Bertin

1111 Pennsylvania Ave., NW
Washington, DC 20004-2541
USA
+1.202.373.6672
robert.bertin@morganlewis.com

Michael Masling

OpernTurm
60306 Frankfurt
Germany
+49.69.714.00.753
michael.masling@morganlewis.com

David L. Schrader

300 South Grand Avenue, 22nd Floor
Los Angeles, CA 90071-3132
USA
+1.213.612.7370
david.schrader@morganlewis.com

Daniel L. Goldberg

One Federal Street
Boston, MA 02110-1726
USA
+1.617.951.8327
daniel.goldberg@morganlewis.com

Philip W. Russell

77 West Wacker Dr.
Chicago, IL 60601-5094
USA
+1.312.324.1743
philip.russell@morganlewis.com

Charles Stone

5th floor, The Center
989 Changle Road
Shanghai 200031, China
+86.21.8022.8536
charles.stone@morganlewis.com

Elizabeth B. Herrington

77 West Wacker Dr.
Chicago, IL 60601-5094
USA
+1.312.324.1445
beth.herrington@morganlewis.com

Daniel S. Savrin

One Federal Street
Boston, MA 02110-1726
USA
+1.617.951.8674
daniel.savrin@morganlewis.com