

AUTOMOTIVE

Welcome to the 17th 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 third 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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MERGERS & ACQUISITIONS

Hyundai invests in Israeli auto tech firm Autotalks

Hyundai Motor Co. has announced its upcoming partnership with Autotalks, an Israeli company active in the development of road safety and vehicle to everything (V2X) communication technology. The South Korean car manufacturer views Autotalks as part of its development program regarding next-generation chipsets for connected cars.

BMW acquires right for equity investment in Chinese battery manufacturer CATL

BMW Brilliance, the Chinese joint venture of BMW, has signed a cooperation agreement with Contemporary Amperex Technology Co. Ltd. (CATL), under which BMW is entitled to an equity investment in CATL of up to Rmb2.85 billion (\$425 million), representing approximately 8% of CATL's total shares. The option to invest comes along with the long-term agreement of BMW to source battery cells from the Chinese battery manufacturer.

Nissan to sell battery unit to China's Envision

Nissan has agreed to sell its rechargeable battery business to Chinese renewable energy group Envision. The divestment comes after previous plans to sell the business unit to GSR Capital were abandoned. Nissan will retain a 25% stake in its subsidiary Automotive Energy Supply Corporation, which is also active in battery manufacturing.

Schaeffler acquires Space Drive technology from Paravan

German automotive supplier Schaeffler has acquired drive-by-wire technology Space Drive from Paravan. Space Drive was developed to assist physically disabled people in controlling vehicles by electronic means. As part of the acquisition, Schaeffler and Paravan will create a joint venture, of which 90% will be owned by Schaeffler.

Toyota group companies form joint ventures for automated driving

Four Toyota Motor Corp. group firms—Advics, Aisin Seiki Co., Denso Corp., and Jtekt Corp.—will form a joint venture active in the development of software that manages various components for automated driving. Denso will be the largest shareholder, owning 65%. Aisin and Denso will also form a 50-50 joint venture for the development and sale of electrification driving modules.

Toyota invests \$500m in Uber

Toyota is investing \$500 million in its driverless car partnership with Uber in the context of a new collaboration in autonomous vehicles. The autonomous fleet, which may be owned by Toyota or another third party, is expected to be ready in 2021.

Magna to acquire Olsa

Automotive OEM supplier Magna has agreed to acquire light components manufacturer Olsa S.p.A., headquartered in Italy, for €230 million (\$267 million). The transaction aims to expand Magna's worldwide light components business.

Renesas to acquire Integrated Device Technology

Japanese chipmaker Renesas Electronic Corporation, a provider of semiconductor solutions including in the automotive industry, has agreed to purchase Integrated Device Technology, a supplier of analog mixed signal products, including sensors, connectivity, and wireless power, for \$6.7 billion. The investment will allow Renesas to expand its activities in autonomous driving.

Daimler buys stake in VW used-car platform

German OEM Daimler has purchased a 20% stake in Heycar, a used-car portal launched by Volkswagen last year. Volkswagen started the platform in the fall of 2017. The shares are being acquired by Daimler through a capital increase at Mobility Trader Holding GmbH, who operates Heycar through a subsidiary in Germany. Daimler also has the right to appoint one member of Mobility Holding GmbH's advisory board.

American motor home company purchases Hymer Group

Thor, a US motor homes manufacturer, has acquired German motor home producer Hymer for approximately €2.1 billion (\$2.45 billion). The merged entity will combine 42 caravan and motorhome brands with more than 25,000 employees.

Chinese automaker plans to open manufacturing facility in Tunisia

SAIC Motor, China's largest car manufacturer, has announced plans to build a new manufacturing plant in Tunisia. The company will launch the venture in partnership with Meninx Holding, a local Tunisian company.

Volkswagen and Microsoft announce strategic cooperation

German automotive OEM Volkswagen and Microsoft Corp. have announced cooperation in developing the "Volkswagen Automotive Cloud." Going forward, in-car services for Volkswagen-branded vehicles and the Volkswagen Group-wide cloud-based platform will be constructed on Microsoft technology by using the Azure platform.

Consortium to construct nickel plant in Indonesia for electric vehicle batteries

A consortium between Chinese battery manufacturer CATL, materials suppliers GEM Co., the Japanese Hanwa Group, Indonesia's PT Bintangdelapan Group, and Chinese steel producer Tsingshan have agreed to invest approximately

\$700 million to construct a nickel plant in Indonesia for electric car batteries. The plant aims to produce approximately 50,000 of nickel for use in electric vehicle batteries.

ANTITRUST

Toyota Gosei fined for anticompetitive behavior

Car safety products manufacturer Toyota Gosei has agreed to pay R6.2 million (\$448,000) to the South African Competition Commission to settle allegations on price-fixing, dividing markets, and collusive tendering with competitors Takata and Autoliv at the expense of Toyota's airbag business.

KLine penalized R99m for price-fixing

Japanese car-carrier company Kawasaki Kisen Kaisha has been ordered by the South African Competition Commission to pay a fine of R99 million (\$6.5 million) for price-fixing, dividing markets, and collusive tendering in the shipment of Toyota vehicles from South Africa. KLine was charged with 15 separate breaches of the South African Competition Act and has admitted to eight.

REGULATORY

Daimler gets approval for self-driving vehicle tests in Beijing

Daimler has been granted permission to test self-driving cars on public roads in Beijing. Daimler received a level 4 road-use permit after extensive closed-course training. China has also issued licenses to several other automakers allowing autonomous vehicles to be road tested. With level 4 autonomy, the self-driving car can handle all driving tasks within certain driving scenarios, even if a human driver is unavailable to take control.

Stuttgart to ban older diesels in 2019

The German city of Stuttgart plans to ban diesel vehicles meeting Euro 4 or older emissions standards as of January 2019. In addition to the ban on diesel vehicles, the city has expanded its public transport and electric mobility. If the air quality is not improved by mid-2019, the diesel car ban may be widened to Euro 5 diesels as of January 2020. Several other cities in Germany are pursuing similar plans.

Frankfurt ban on older diesel cars to begin in 2019

The Higher Administrative Court of Wiesbaden has confirmed a ban of diesel cars in Frankfurt beginning in 2019 due to exceeded emission limits. If the court's decision

becomes binding, the ban would come into force in February 2019 for Euro 4 and older based diesel vehicles. Starting September 2019, the ban would also include diesel cars meeting Euro 5 requirements. It is expected that the ban will affect approximately 60,000 cars and two-thirds of buses used for public transportation.

Diesel models banned by Switzerland

Swiss authorities have stopped registering several imported diesel cars. The measure comprises car models that, according to the Swiss government, disguised emissions levels in the past. Vehicles that are already registered in Switzerland can continue to be operated but need to be retrofitted.

Japan enlists companies to develop flying cars

Japan has enlisted several companies in a government-led group to bring airborne vehicles to the country within the next decade. The government will provide support to the concept of flying cars, such as the creation of appropriate rules and regulations. The ministry believes that the development of flying cars will ease urban traffic and assist transportation in island or mountain areas, and also can be used for tourism.

World Harmonized Light Vehicle Test to enter into effect in the European Union

For all new vehicles to be sold in the European Union, the revised laboratory emission test (World Harmonized Light Vehicle Test, or WLTP), has become mandatory in order to better assess emissions, including CO₂. The WLTP test is used to measure fuel consumption and CO₂ emissions from passenger cars, as well as their pollutant emissions.

Chinese government to increase regulation of EV safety

All domestic producers of electric vehicles (EVs) in China will be required to increase monitoring to ensure vehicle safety, according to China's Ministry of Industry and Information Technology. The announcement comes amid rising concerns over several incidents in which EV batteries caught fire.

China plans to limit domestic automakers' production capacity

The Chinese government's National Development and Reform Commission has announced plans to regulate new investment in production capacity by automakers in China, in hopes of regulating overcapacity in the Chinese auto industry. The restrictions are expected to apply equally to domestic and foreign automobile producers in China, including anticipated investments by Toyota and Nissan. Final rules have not yet been released.

INTELLECTUAL PROPERTY

Honda licenses hybrid vehicle patents from Paice and the Abell Foundation

Honda is reported to have joined Toyota, Hyundai, Ford, and other major auto manufacturers in licensing Paice's hybrid vehicle patent portfolio. The portfolio was developed in Baltimore, Maryland, and funded in part by the Abell Foundation, which is active in funding local businesses in Baltimore. The portfolio has been the subject of patent litigation in the past, but the Honda license appears to have been negotiated without a backdrop of litigation.

LiDAR inventor wins Inventor of the Year award

David Hall, inventor of 3D LiDAR used in autonomous vehicles, was awarded the prestigious Inventor of the Year award by the Intellectual Property Owner's Education Foundation. Mr. Hall is reported to have over 30 US patents and founded a company, Velodyne LiDAR Inc., that supplies most major autonomous vehicle makers with 3D LiDAR technology sensors. His patent is associated with real-time, 360-degree monitoring for autonomous vehicles using LiDAR sensor technology.

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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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