

**SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES**

**Civil Division**

West District, Santa Monica Courthouse, Department I

**25SMCV04336**

**CALIFORNIA NEW CAR DEALERS ASSOCIATION vs  
AMERICAN HONDA MOTOR CO., INC., et al.**

March 9, 2026

8:00 AM

Judge: Honorable Mark H. Epstein

Judicial Assistant: E. Morris

Courtroom Assistant: None

CSR: None

ERM: None

Deputy Sheriff: None

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**APPEARANCES:**

For Plaintiff(s): No Appearances

For Defendant(s): No Appearances

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**NATURE OF PROCEEDINGS:** Ruling on Submitted Matter

The Court, having taken the matter under submission on 12/22/2025 for Hearing on Demurrer - with Motion to Strike (CCP 430.10) to Complaint (CRS #7028), now rules as follows: These are demurrers brought by Sony Honda Mobility of America (SHMA) and American Honda Motor Co. (AHMC).

The plaintiff here is California New Car Dealers Association (CNCD). It filed a UCL action against SHMA, AHMC, and Sony Honda Mobility, Inc. (SHMI). CNCD is a statewide trade association representing many franchised new car and truck dealer members. AHMC is a California corporation, wholly owned by Honda Motor Co (HMC). AHMC distributes cars in California which are sold through franchisees (which, the court understands, include members of CNCD). Sony Honda (SH) is a Japanese corporation and is a joint venture of HMC and Sony Corporation, each owning 50% of the entity. SHMA is a wholly owned subsidiary of SH according to plaintiffs. The thrust of plaintiff's complaint is that SH and SHMA intend to sell certain vehicles directly to California consumers, which HMC will manufacture (directly or indirectly), rather through the dealer franchise network.

Prior to 2023, the Vehicle Code made it unlawful for a distributor/franchisor like AHMC to compete with a dealer in the same line or make operating under an agreement or franchise from the manufacturer or distributor in the relevant market. According to plaintiff, that law did not prevent HMC from creating a new entity within the state to compete with AHMC's franchisees. That caused plaintiff to sponsor AB 473, which amended section 11713.3 of the Vehicle Code. The new law made it unlawful for a "manufacturer, manufacturer branch, distributor, or distributor branch . . . to [], directly or indirectly through an affiliate, . . . compete with their franchisees in the sale, lease, or warranty service of new motor vehicles." An "affiliate" is defined in the statute as a person who "directly or indirectly through one or more intermediaries, controls, is controlled by, or is under the common direction and control of another person." Control is defined as the "possession, direct or indirect, of the power to direct or cause the

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direction of the management and policies of any person.” According to plaintiff, defendants lobbied hard against AB 473, but the law was ultimately enacted.

Plaintiff states that AHMC has entered into dealer agreements with various dealers to sell its Honda and Acura vehicles, but there is no allegation that they will sell Afeela vehicles (at least unless this suit is successful). HMC has another subsidiary: Honda Development & Manufacturing of America (HDMA), which operates a manufacturing plant in Ohio. Plaintiff states that HDMA is not a licensed manufacturer with the DMV.

On March 4, 2022, Sony and HMC announced their intent to enter into a joint venture, SH. The goal was for SH to develop and sell electric vehicles. Plaintiff states that each joint venturer owns 50% of SH. On January 4, 2023, SH announced it would produce a line of electric vehicles under the brand name of “Afeela.” According to plaintiff, on March 1, 2023, SH formed SHMA as a wholly owned subsidiary, and it is licensed as a manufacturer and dealer with the DMV. On January 6, 2025, SH announced that reservations for the Afeela vehicles were open to Californians. The press release stated that the cars would be produced in Ohio and sold in California. Plaintiff infers that the manufacturing plant must be HDMA. Later, SH and SHMA unveiled a prototype of Afeela at the Consumer Electronics show in Las Vegas and they later opened showrooms throughout California. Plaintiff goes on to allege that SH and SHMA have started soliciting deposits for Afeela vehicles directly from California residents, excluding Honda and Acura dealers from the process. The complaint alleges that those seeking to participate must pay a \$200 fee and enter into a “Reservation Agreement” with SHMA. CNCD alleges that the agreement states that by paying the fee, the resident is reserving their future purchase of the Afeela vehicle. While plaintiff seeks injunctive relief in the complaint, plaintiff has not moved for a preliminary injunction.

On July 29, 2025, SH and SHMA announced that pre-production of Afeela vehicles had started at HDMA. Plaintiff states that as a practical matter, SH and SHMA are the same and should be treated as such.

What this means, plaintiff says, is that SH and SHMA are engaging in a “direct-to-consumer” sale that violates VC 11713.3. That is because SHMA and SH are allegedly affiliates of AHMC, which is a subsidiary of HMC. Plaintiff claims that HMC has control over SH and SHMA as defined in the statute in that HMC owns 50% of SH, which wholly owns SHMA. Further, plaintiff claims, HDMA (which will make the vehicles) is a subsidiary of HMC, giving it effective control over AHMC and SH and SHMA for these purposes. AHMC and SHMA demur; plaintiff opposes. Preliminarily, defendants’ request for judicial notice of various DMV records

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is GRANTED.

Defendants contend that the reservation agreement is not a sale agreement. That is a question of contract interpretation, which is one for the court. On demurrer, the court will look to the contract. If the terms are clear and unambiguous, and if there is no possibility that there might be parol evidence, then the court will enforce the contract as written. If, however, there is an ambiguity or there is a potential for parol evidence that could reveal a latent ambiguity, then the interpretation must await a later hearing; it cannot be decided on demurrer. The contract at issue here is called a “Reservation Agreement.” According to the defense, it is not for the sale of a car. Because of that, defendants contend, they are not in violation of the statute, or at least not yet. Plaintiff states that the Reservation Agreement is the first step toward a sale and therefore comes within the statute. The court turns first to the contract itself. The Reservation Agreement states that through the agreement, “you are reserving a future purchase of your selected AFEELA EV. This Agreement does not obligate you to ever purchase an AFEELA EV, and it does not obligate SHMA to ever sell you an AFEELA EV. This Agreement is not a contract for the purchase, lease, or financing of a specific AFEELA EV that has already been manufactured and given a [VIN], and it does not lock in final pricing, a firm production slot, a firm delivery date, or specific configuration of an AFEELA EV . . . To purchase the AFEELA EV you have selected and configured, you will need to execute SHMA’s standard Agreement for Purchase or a lease agreement if SHMA is, at that time, offering leases to consumers in the state in which you reside which will include additional terms and conditions, including the final purchase price for your AFEELA EV.” Defendants state that based on the foregoing language, the Reservation Agreement does not constitute a sales agreement. The court must agree that there is no binding commitment to buy or sell the vehicle created by the Reservation Agreement, but that does not mean that it is without effect. It ought to be of some effect; after all, the consumer is paying \$200. (The court is not sure whether the \$200 will be applied toward any eventual purchase.) What it does, according to its terms, is to be “used to establish an approximate priority for determining when you will be invited to complete the ordering process and execute the Final Sales Agreement. SHMA does not, however, guarantee a specific priority and reserves the right, in its sole and absolute discretion, to prioritize Reservations based on other factors. . . . If you do not enter into a Final Sales Agreement within a reasonable amount of time after being invited to do so, SHMA may extend a purchase invitation to the next person having priority based on the date of their Reservation and your priority may be re-set or your Reservation may be cancelled in SHMA’s sole discretion.” So, in a nutshell, it is fair to say that the Reservation Agreement is the first step toward a purchase of the Afeela vehicle, and it establishes a presumptive priority list for the purchase. It is a step in the process. The court does not believe that on this record, and without the benefit of any parol evidence as to what went into the contract or other materials, the

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court can say that as a matter of law this Reservation Agreement does not result in competition with franchisees related to the sale, lease, or warranty service of new motor vehicles (assuming the other requirements of the statute are met). At least it would appear that one cannot buy an Afeela without first entering into this Agreement. The demurrer on this basis is therefore **OVERRULED**. But lest there be confusion, that is **WITHOUT PREJUDICE** to a summary judgment or summary adjudication motion based on a fuller record.

Defendants also contend that AHMC and SHMA are not “affiliates” as defined in the statute. AHMC is alleged to be a distributor; SH is not licensed to do business here; and SHMA is a subsidiary and is licensed as a manufacturer and dealer. The argument is that SHMA is not conducting business through an affiliate; it is conducting business directly and on its own. In that sense, it argues, it is not competing with anyone. True, AHMC (but not SHMA) has franchisees, but the argument by the defense is that the only way that plaintiff’s claim can work is if it can establish that SHMA is the affiliate of AHMC. The court quoted the statutory definition of “affiliate” above, and it is hardly surprising that there is not a ton of case law interpreting that statute in this specific Vehicle Code context. What case law there is, though, dealing with “affiliates” suggests that the question is practical, not formal. For example, it could well be that a single shareholder owns 49% of an entity’s stock and that the other 51% is owned by the public. Technically, the 49% shareholder might not control the entity; after all, it takes a majority (generally) to elect a director or pass a resolution, but given the wide-spread remaining ownership, the 49% holder in fact controls the entity. That would be enough. To move through the chain, then, HMC and Sony are independent of one another, but SH is their joint venture. Each owns 50% of the venture. While that might not be “control” in the sense that no one has a majority interest, HMC owns the means of production through its ownership of HDMA, which manufactures the vehicles, and AHMC is a wholly-owned subsidiary of HMC. The court therefore cannot say as a matter of law and based on the allegations alone, as a practical matter, that HMC (or AHMC) does not exert practical control over SHMA. While SHMA is not a direct subsidiary of HMC, the statute allows for indirect control or indirect subsidiary relationships to be sufficient to constitute an affiliation. The court is not convinced that HMC’s 50% ownership of SH is sufficient to establish control, even with its ownership of HDMA, but the court is not convinced to the contrary either.

The court understands and has again considered the position it took at the hearing on defendants’ theory that SMHA has no dealers or franchisees at all and thus is not conducting business through an affiliate dealer; rather, SMHA says, it is simply selling directly to consumers without going through franchisees at all. The argument has some not insignificant appeal. Plainly, the goal of Sony and Honda was to adopt something similar to the Tesla model, where a new

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enterprise would be formed and sell directly to the ultimate consumer rather than through the more traditional dealership model, where the manufacturer sells to a dealer/franchisee who in turn sells to the consumer. The statutory prohibition is against a manufacturer from competing with a franchisee through an affiliate. No one disputes that SMHA is an affiliate of SH. And no one disputes that there is no direct connection between SMHA and AHMC. And no one disputes that AHMC has franchisees. The question is whether the relationship between SMHA and AHMC is close enough to make them affiliates, at least potentially. As discussed above, the connection is tenuous. The theory is that SMHA is owned by SH (fair enough); that HMC is an affiliate of SH and has “control” over SH because it controls the manufacture of the Afeela, AHMC is an affiliate of HMC, AHMC has franchisees, and therefore SMHA is competing with AHMC’s franchisees. That is, the line runs up from SMHA to SH over to HMC then down to AHMC to the franchisees. Defendants also emphasize that the franchisees are not selling Afeela cars and there is no plan for them ever to do so. In that sense, SMHA is not now and never will compete with AHMC’s franchisees to sell Afeela vehicles. While SMHA will sell vehicles and AHMC’s franchisees sell vehicles, they are not the same vehicles. It is a good question, and the court has given it a fair amount of thought. At present, and for pleading purposes, the definition of “affiliate,” discussed above, is intentionally broad and sweeping and there is at least some legislative history to suggest that the Legislature had this sort of arrangement in mind, although the court is not certain of that. And the definition of “control” is a practical definition rather than a formalistic one. While the matter is hardly free from doubt, for pleading purposes the court is inclined to come down in favor of plaintiff. A fuller record, however, both in terms of legislative history as well as the practicalities of control as among the various entities, could well change the court’s mind on summary judgment or a later motion, or even an MJOP to the extent that the matter turns on legislative history and if the court can take judicial notice of that history.

Defendants also contend that plaintiff has no standing under the UCL or False Advertising laws. In order to have standing, the plaintiff must establish an economic injury and show that the injury was caused by the unfair business practice or false advertising of the defense. (*Kwikset Corp. v. Superior Court* (2011) 51 Cal.4th 310.) There are a lot of ways to show an economic injury; it is a relatively low bar. The plaintiff might surrender more in a transaction (or get less) than the plaintiff would otherwise give or get, the plaintiff could have a present or future property interest diminished, be deprived of money or property, or be required to enter into a transaction that would otherwise be unnecessary. (*Id.*) Were it writing on a clean slate, the court might not believe that plaintiff has met this test. Plaintiff claims that it had to expend resources to investigate defendants’ practices as well as to attempt to enforce the Vehicle Code. But plaintiff here is an association; it is not an amalgam of the specific Honda dealers who will be deprived of the ability to sell Afeela vehicles. Were the Honda dealers themselves the plaintiffs, the court

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would have less difficulty finding standing. But that said, the court is not writing on a clean slate. The issue was discussed in *Animal Legal Defense Fund v. LT Napa Partners, LLC* (2015) 234 Cal.App.4th 1270. Plaintiff in that case sued defendants claiming that defendants sold foie gras in their restaurant in violation of a statute. The defense brought a Special Motion to Strike. The motion was denied and the Court of Appeal affirmed. One of the issues there was whether plaintiff had standing to sue under the UCL (because if it did not have standing, it could never prevail). Plaintiff alleged that it had to investigate defendant's conduct in order to determine if there was a violation of the foie gras statute. The court assumed that the matter arose from protected activity; the issue was likelihood of success on the merits. Defendant argued that plaintiff lacked standing, but the court found to the contrary. Plaintiff stated that it diverted significant resources to combat defendants' continuing illegal sales of foie gras. It is worth noting that plaintiff there, like plaintiff here, was an organization that had no direct dealings with the defendant or the defendant's business. The court found that the need to divert resources from other projects was sufficient. The court distinguished expenses incurred in the litigation itself (which would not be sufficient to give rise to standing) from expenses incurred in investigating the defendant's alleged misconduct. The court also noted that plaintiff had spent money to help enact the ban on foie gras. The court is bound by *Animal Legal Defense Fund*, and based on that authority, must conclude that standing has been sufficiently alleged to pass demurrer muster. While the court is aware that one might distinguish *Animal Legal Defense Fund* on the ground that in that case there was no obvious specific plaintiff with better standing (like a competing restaurant), the court did not anchor its reasoning on that basis. The complaint here so alleges, although barely. In paragraph 21 of the complaint, plaintiff alleges that it "has expended significant organizational resources to investigate and attempt to stop the illegal direct-to-consumer sales by Defendants." The court cannot think of a more bare bones way to have alleged standing, and it could well be that discovery, which the court will allow, into this allegation will reveal that there is no discernable expenditure that is directly and closely tied to this particular alleged violation. But for pleading purposes, the allegation will suffice under *Animal Legal Defense Fund*, by which this court is bound under Auto Equity.

SHMA also argues that this is an impermissible attack on the DMV's authority to issue, suspend, and revoke a license. (Recall that the DMV licensed SHMA as a manufacturer.) Plaintiff responds by saying that SHMA is essentially confusing an injunction stopping an unlawful act with the termination of a DMV issued license. The court agrees with plaintiff here. The request for injunctive relief does not of necessity equate to a termination of the DMV's license. As a practical matter, it might be that SHMA is unable to do what it would like or even is licensed to do should CNCN win the case, but the court is not convinced that it lacks jurisdiction as a result. Moreover, Vehicle Code section 11726 allows a private right of action. The court also notes that

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plaintiff has not sought a preliminary injunction. Doing so would of necessity raise questions such as whether the case is ripe for such relief, given that the Reservation does not actually result in the sale of a vehicle. What is at issue today is whether a cause of action has been stated such that there can ultimately be a final judgment. The court will not prejudge what the situation will be by the time this case goes to trial.

Defendants also contend that there is a “safe harbor” in the statute. Without doubt, where the Legislature enacts a safe harbor, the courts will enforce it. But it is the Legislature that must enact the safe harbor, and it must do so clearly. It is far from clear to the court that there is a safe harbor here regarding the DMV’s actions. (Klein v. Chevron U.S.A., Inc. (2012) 202 Cal.App.4th 1342.) The fact that the DMV issued the license is not enough, at this stage, to constitute a legislative safe harbor as to the causes of action alleged.

Given that, the demurrers are OVERRULED. Defendants have 30 days to answer.

The motion to strike the request for restitution is GRANTED WITHOUT LEAVE TO AMEND. The monies expended by plaintiff, while maybe sufficient for standing (if more is alleged), do not give rise to restitution. The motion is also GRANTED WITHOUT LEAVE TO AMEND as to the portions of the complaint seeking actual damages given plaintiff’s statement that it is not seeking damages. The motion is DENIED as to the ground that to bring a UCL action the plaintiff must go forward essentially as a class action. This is not a class action, and plaintiff need not at this stage demonstrate full compliance with class action requirements to seek injunctive relief. The motion is also DENIED as to the request to strike the cause of action for declaratory relief. Even if duplicative, it could also be viewed as an alternative form of relief, especially if eventually the court concludes that the Reservation Agreement is not enough.

The Demurrer to Complaint (CRS# 7028) filed by SONY HONDA MOBILITY OF AMERICA, INC. on 10/27/2025 is Overruled.

The Demurrer of Defendant American Honda Motor Co., INC. to Complaint (CRS# 8884) filed by AMERICAN HONDA MOTOR CO., INC. on 10/27/2025 is Overruled.

The motion to strike the request for restitution is GRANTED WITHOUT LEAVE TO AMEND. The motion is GRANTED WITHOUT LEAVE TO AMEND as to the portions of the complaint seeking actual damages given plaintiff’s statement that it is not seeking damages. The motion is DENIED as to the ground that to bring a UCL action the plaintiff must go forward essentially as a class action. The motion is also DENIED as to the request to strike the cause of action for

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declaratory relief.

Clerk is to give notice.

Certificate of Service is attached.