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May 19, 2025

VIA US MAIL AND OVERNIGHT MAIL

Jarret Johnson

General Counsel

Sony Honda Mobility of America Inc.

10202 Washington Boulevard

Culver City, CA 90232

Francisco Sanchez

General Counsel and VP of Law & IP

American Honda Motor Co., Inc.

700 Van Ness Avenue

Torrance, CA 90501-1486

Re: **Cease and Desist: Sony Honda Mobility of America's and American Honda Motor Co.'s Violation of California Vehicle Code Section 11713.3(o)**

Dear Messrs. Johnson and Sanchez:

Our firm is counsel to the California New Car Dealers Association ("CNCDA"). CNCDA is the nation's largest state dealer trade association, representing the interests of over 1,200 dealers across California, including over 160 Honda and Acura dealers. We are writing to inform you that the current plans by American Honda Motor Co., Inc. ("American Honda") and Sony Honda Mobility of America Inc. ("SHMA") to sell Afeela vehicles directly to consumers in California wrongfully cuts Honda and Acura dealers out of an opportunity to sell or lease Afeela vehicles and directly violates California Vehicle Code section 11713.3(o). CNCDA demands that both American Honda and SHMA cease from engaging in further misconduct immediately, including taking deposits on Afeela vehicles from California residents.

Vehicle Code section 11713.3(o) prohibits automobile manufacturers, distributors, and their affiliates from competing with their own vehicle franchisees. Vehicle Code section 11713.3(z) defines 'affiliate' as "a person who directly or indirectly through one or more intermediaries, **controls, is controlled by, or is under common control** with, another person." (emphasis added). SHMA is an affiliate of American Honda under California law, and so the plans to market and sell Afeela vehicles directly to consumers violate Vehicle Code section 11713.3(o).

American Honda is a licensed distributor in California that distributes vehicles under the Honda and Acura brands through a network of Honda and Acura dealers. American Honda is a wholly-owned subsidiary of Honda Motor Co., Ltd. ("Honda"). In 2022, Honda announced a joint venture with Sony Group Corporation to form Sony Honda Mobility Inc., a Japanese corporation, with joint ownership by Sony and Honda. Sony Honda Mobility Inc. then formed SHMA as a wholly-owned American subsidiary. Thus, American Honda and SHMA are under common

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ownership by Honda. SHMA has stated that all Afeela vehicles will be assembled in the United States at a Honda-owned factory in Ohio that also manufactures vehicles for American Honda, including those sold under the Honda and Acura brands. Accordingly, SHMA and American Honda are under common control by Honda, and so meet the definition of 'affiliates' under Vehicle Code section 11713.3(z).

Vehicle Code section 11713.3(o) was amended in 2023 by Assembly Bill 473 ("AB 473") to prohibit automakers like Honda or American Honda from establishing affiliate brands to compete with dealers by directly selling vehicles. American Honda was aware of the proposed legislation, and even hired a lobbyist to appear before the Assembly Standing Committee on Transportation and voice American Honda's opposition to the bill.¹ After revisions to address concerns raised by automakers, AB 473 was unanimously approved by the legislature, signed into law, and became effective January 1, 2024.

AB 473 forbids SHMA from selling vehicles directly to consumers, but does allow Afeela vehicles to be sold through existing American Honda dealers or through a new dealer network. Despite being fully aware of all of this, SHMA, American Honda, and Honda, have chosen to launch the Afeela brand in a manner that is brazenly unlawful.

The facts set forth in this letter establish that the misconduct in which SHMA and American Honda have engaged constitutes, at a minimum, a violation of the Vehicle Code. CNCDA is presently in the process of evaluating its claims and will not hesitate to take immediate legal action to vindicate injuries it has already suffered and to prevent any further wrongdoing by SHMA and American Honda. In the meantime, CNCDA demands that SHMA cease marketing Afeela vehicles to California consumers and taking deposits from California residents for Afeela vehicles. To the extent Afeela vehicles will be marketed in the state of California, CNCDA hereby demands that existing California Honda and Acura dealers be given the opportunity to become SHMA franchisees in order to be able to sell Afeela vehicles to consumers.

In anticipation of litigation regarding the foregoing matters, please be advised that you have a duty to immediately preserve all data from any and every source that is or is potentially relevant to this matter. CNCDA hereby demands that SHMA, American Honda, Honda, and all related entities immediately take all necessary steps to preserve such data. This demand applies not only to paper documents, but also encompasses all data existing in digital or electronic form, irrespective of the medium, including but not limited to all emails, text messages, private messages, web-based messages, letters, correspondence, documents, notes, and communications of any nature whatsoever. The sources for this data, which must be preserved, include smartphones, tablets, laptops, desktops, and other devices as well as any servers, external email storage, backup systems, and other systems where such information was created or may be stored.

¹ See April 24, 2023 session of the Assembly Standing Committee on Transportation, available here: <https://calmatters.digitaldemocracy.org/hearings/256691?t=138&f=19c79d50569f03d025fe61660cbc2262>

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This letter is not intended to constitute a full or complete recitation of all relevant facts or contentions relating to the matters discussed above. CNCDA's investigation continues. Nothing in this letter is intended to be, or should be construed as, a waiver or relinquishment of any of CNCDA's or any of its members' rights, claims, remedies, or contentions, whether at law or in equity, all of which CNCDA hereby expressly reserves.

Please immediately confirm that you have received this letter and confirm your compliance with the demands set forth herein. Thank you in advance for your attention to this matter.

Very truly yours,



Michael Cypers
of Glaser Weil Fink Howard Jordan & Shapiro LLP

cc: Julie R. F. Gerchik
Andrew C. Dane