



India Desk Newsletter

This newsletter highlights the key legal developments and business trends in Germany and other parts of Europe in H1 2025. We have also included a few matters which we have advised on.

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A. International Customs Conflict: Current Developments in Germany and the EU

The international customs conflict is a predominant topic in the EU and globally. After several months of uncertainty, on 27 July 2025 the EU and the U.S. finally reached a framework agreement for a trade deal. Based on this agreement, the tariff rate for exports from the EU to the U.S. will be subject to a tariff rate of 15%. On 2 April 2025, the U.S. President issued an executive order imposing an additional 10% ad valorem tariff on most EU exports to the U.S., effective from 5 April 2025. A further country-specific tariff of 20% for imports from EU member states was also introduced. The application of this EU-specific tariff rate was suspended until 1 August 2025. According to statements made by the U.S. President in mid-July, the country-specific rate was set to be raised even further to 30%.

Without the framework agreement from 27 July 2025, the conflict could have escalated further. After the announcement of the tariffs, the EU quickly adopted counter tariffs of 25% for specific U.S. products. These counter tariffs were set to take effect on 7 August 2025. In addition, the EU Commission on 9 May 2025 launched a public consultation process on potential additional counter tariffs on U.S. exports with a volume of EUR 95 billion. The products concerned are set out in a comprehensive list of 217 pages. Companies were entitled to submit their comments until 10 June to have products removed from this list. Vehicle and aircraft products, machinery and plastics are particularly affected. The consultation procedure was therefore of particular interest to companies from these sectors. Following the consultation, the EU Commission scaled the list down to U.S. products worth EUR 72 billion and submitted it to the Member States for adoption. These countermeasures would also have taken effect on 7 August 2025 if an agreement in the customs conflict had not been reached.

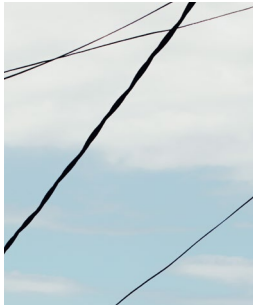


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We are seeing that companies assess the risk for additional costs in their supply chains due to tariff increases. Under EU customs law, the importer of goods is typically responsible for paying the import tariffs. However, parties may deviate from this statutory risk allocation in their supply contracts, e.g. by incorporating the Incoterms of the International Chamber of Commerce (ICC). The Delivered Duty Paid (DDP) Incoterm, for instance, allocates the responsibility for import duties to the exporter. When assessing the contractual risks, following provisions could be of particular relevance:

- **Force Majeure Clauses** allow contracting parties to evade their contractual obligations. However, German courts have recognized force majeure only under exceptional circumstances.
- **Price Adjustment Clauses** may entitle the contracting party to unilaterally adjust prices either at their discretion or if certain conditions are met.
- **Hardship Clauses** may apply when the performance of a contract is still possible, but has become unreasonable for one party.
- Under **German law**, the contracting party may be entitled to a contract adjustment or even termination of the contract if the basis of the contract has substantially changed and adhering to the contractual obligations would lead to results that – according to German case law – are incompatible with fundamental principles of law and justice (section 313 of the German Civil Code).

The international customs conflict is one important political driver for the EU to expand trade with India. In February this year, the President of the EU Commission visited India to promote the EU-India Free Trade Agreement. This was followed by exploratory talks on the “New Strategic EU-India Agenda” launched on 10 April 2025 and a formal negotiation round held in May 2025. The EU-India Free Trade Agreement shall be finalized by the end of 2025, which would create the world’s largest free trade zone with nearly two billion people.

B. Artificial Intelligence in Internal Investigations: Opportunities and Challenges

Artificial Intelligence (AI) is transforming the legal landscape, influencing how laws are practiced, interpreted, and enforced across the globe. One area where AI is making a significant impact is in internal investigations—systematic, technology-driven fact-finding inquiries conducted by organizations or their advisors to examine allegations of (legal) misconduct or other improper behavior. Through this summary, we share some of our experiences and lessons learned, and hope that the German perspective offers our Indian colleagues an insight into global trends in AI governance and compliance management.

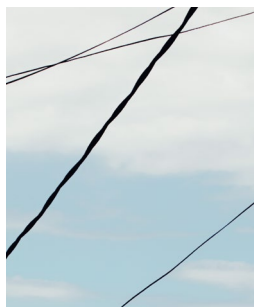


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From traditional search-term reviews to AI 2.0

Historically, internal investigations have relied on keyword-based searches. In this approach, a database of documents is filtered using specific search terms, and the resulting documents are reviewed by trained professionals—a process known as e-review. While effective, this method can be time-consuming and may miss relevant information not captured by the chosen keywords.

Since the mid-2000s, keyword-based strategies have been supplemented by a so-called Technology Assisted Review (TAR), sometimes referred to as AI 1.0. The advent of generative AI and advanced language models such as GPT-4 (OpenAI) is now opening new possibilities for internal investigations. Generative AI refers to systems that can create new content, including text, audio, or video, based on models trained on vast amounts of data.

HM Argus: Generative AI meets Compliance

In collaboration with AI experts, our team has developed the in-house AI solution “HM Argus”. This platform combines capabilities of cutting-edge large language models with robust legal safeguards to ensure strict compliance with data protection and professional secrecy requirements. Named after the mythological giant Argus, who was said to have a hundred eyes, the system can “see” across millions of emails, chats, and documents, organizing them by topic, person, timeline, or relevance.

One of the use cases for Argus is document review. The platform can supplement or even replace traditional, search-term-based reviews. With Argus, millions of documents can be efficiently reviewed and assessed under the supervision of experienced attorneys. This not only saves time and reduces costs but also helps to enhance the robustness and reliability of the fact-finding process. Argus can also summarize findings, answer factual or legal questions related to a specific case, create detailed chronologies of events and recommend follow-up actions.

A key feature of Argus is its ability to indicate the sources used to generate its answers (a process known as retrieval-augmented generation or RAG). In practice, Argus references specific document excerpts that support its responses, allowing users to verify AI-generated results by accessing the original documents.

Challenges: Black Box, Bias and Co

While AI offers tremendous potential for legal applications, including internal investigations, it also presents certain risks. These include the possibility of biased outputs, so-called “hallucinations” (plausible but incorrect answers), lack of transparency regarding data inputs and AI-generated outputs (the “black box” problem), and the risk of users placing too much trust in AI recommendations (overreliance bias).

To address these challenges, organizations must implement robust AI governance frameworks. Key elements include human validation and plausibility checks—often referred to as “human-in-the-loop” safeguards. Based on our experience, when these risks are adequately managed, the benefits of AI in internal investigations typically outweigh the potential drawbacks.

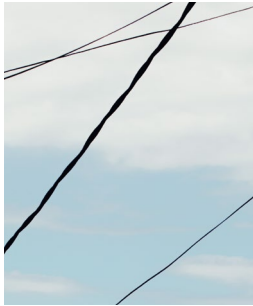


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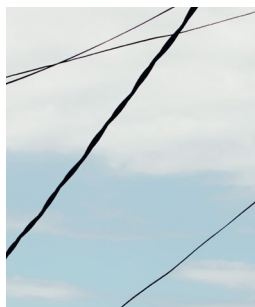
C. What the ESG backlash in the USA means for German companies

Since Donald Trump took office in the White House, a different wind has been blowing in the USA – and the stormy gusts are clearly felt on this side of the Atlantic as well. Part of the new transatlantic jet stream are the DEI decrees issued by President Trump on 20 and 21 January 2025. These not only require American federal agencies to halt all Diversity, Equity & Inclusion programs, but also demand the same from companies that directly or indirectly work for U.S. agencies, potentially affecting European companies as well. This has already prompted several major European firms to scale back or revise their DEI initiatives. SAP, which has several contracts with the U.S. Department of Defense, has cut various diversity programs, such as the 40% female employees target, female leadership quotas in the U.S., and executive compensation targets involving gender diversity. Volkswagen will no longer include DEI benchmarks of its U.S. subsidiaries in its global “Diversity Index.” Novartis and Roche have also revised their DEI policies to comply with the new U.S. regulations.

The new policy views DEI measures as discrimination against non-promoted groups. As a result, European companies without supply relationships to the U.S. federal government may become exposed through DEI programs at their American subsidiaries. Furthermore, Secretary of Commerce Howard Lutnick has already hinted that the U.S. government will consider all available trade instruments to prevent harm to the U.S. economy from European ESG regulations. The same is likely to apply to European data protection rules.

Indian companies with significant operations in Germany may face compliance challenges as German partners recalibrate to align with conflicting U.S. and EU rules. German companies could adopt a more proactive stance and develop a risk-sensitive strategy entailing:

- **Inventory and Identification of Conflicts:** Companies should identify potential conflicts between the USA and Europe/Germany, especially regarding DEI decrees. This includes reviewing products, services, and business practices to ensure compliance with U.S. anti-discrimination laws.
- **Review of Internal and External Policies:** Companies should review internal policies and external communications for potential conflicts with the DEI decrees, particularly those related to sustainability reports, corporate governance, and diversity strategies.
- **Adaptation of Guidelines:** Global, group-wide guidelines may need to be adapted, or more regional governance structures should be considered. This includes revising local US policies and smoothing external communications to emphasize non-biased equal treatment.
- **Reputation Management:** Companies should intensify reputation management efforts as changes in DEI programs in the USA could impact their brand image in Europe. Similarly, maintaining ESG/DEI policies could affect their reputation in the U.S.
- **Expansion of Risk Management:** Companies should enhance their internal risk management systems to focus on the USA, including early identification of political changes and their connection to trade and customs policies.

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D. Hengeler Mueller Panel at the Mergermarket M&A Forum 2025 – Key Takeaways

On 6 May 2025, Hengeler Mueller hosted a panel discussion at the Mergermarket M&A Forum, featuring esteemed speakers from the industry. Moderated by Catherine Ford (Mergermarket) and led by Annika Clauss (Partner, Hengeler Mueller), the discussion brought together key voices from across the tech and M&A landscape: Amit Datta (Aleph Alpha), Stefan Graiche (DTCP), Tobias Schubert (Hengeler Mueller), Henrik Jansen (J.P. Morgan) and Hans Jörg Stotz (Bosch).

Experts explored the growing role of artificial intelligence in corporate strategy and dealmaking. One of the central themes was AI integration strategy: companies face a choice between building AI capabilities in-house – ideal for tailored solutions – or acquiring existing players, which offers speed and access to proven technologies.

The panel also highlighted emerging M&A trends, particularly the rise of non-traditional tech acquirers. Firms in sectors like energy, automotive, and industrials are increasingly buying AI and cybersecurity firms to accelerate their digital transformation, often preferring acquisition over partnership to retain full control.

From a legal and structural standpoint, regulatory complexity is growing. Cross-border AI deals are closely scrutinized under antitrust and foreign investment regimes. As a result, many acquirers are opting for a stand-alone integration approach to maintain agility, preserve the acquired team's culture, and fast-track innovation.

The panelists arrived at the conclusion that AI is no longer the domain of tech companies alone; it has become a strategic priority across a wide range of industries. Furthermore, the companies would need to demonstrate a flexible approach when it comes to acquiring AI assets – there's no one-size-fits-all model. Deal structures must balance speed, culture, and compliance.

For more insights, or to watch a short panel highlight clip, [click here](#).

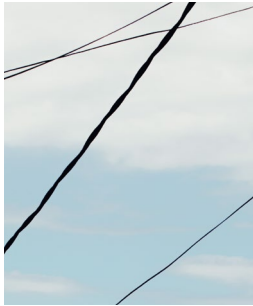


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E. In-house considerations at the beginning of an arbitration

Even when an outside counsel is involved, the in-house management of arbitration proceedings is an important factor of success. There are a number of issues that are ideally considered at the very beginning of an arbitration. The following four are among them:

Recording internal efforts

Especially if document production is involved or technical expertise must be provided, internal efforts for an arbitration can be considerable. There are different views on the recoverability of internal party costs. However, any attempt at recoverability will require in-house efforts to be quantified and specified. For in-house teams – including legal teams – this will notably require keeping track of time spent on the arbitration.

Preserving and collecting information

Even if applicable law does not require specific action, one of the first steps at the beginning of an arbitration should be to think about preserving information that might be relevant to the arbitration, such as by suspending automatic deletion routines. Preserving witness accounts is also important. However, witnesses may have been, or may now be, employed with the opposing side. This may inform when and how to approach such potential witnesses.

Protecting personal data

Processing personal data for use in an arbitration seated in an EU Member State or involving parties or witnesses residing in the EU will need to observe the applicable data protection law. Under the EU's General Data Protection Regulation (GDPR), this might, for example, require caution when personal data will foreseeably be transferred to non-EU countries. Also, a party might need to document and justify the collection and storage of data and to inform individuals whose data is collected, or might need to consider whether it has joint controller status and which consequences arise from such status.

Counterclaims

When an arbitration begins, the claimant may have spent months considering potential claims. The respondent might not be as prepared. Some arbitral rules require that potential counterclaims be filed at a relatively early stage of the arbitration, making it advisable to consider such claims right from the outset. Of course, outside counsel can assist in the legal assessment. However, in-house counsel with a closer proximity to the business are often in a linchpin position as regards unearthing sets of facts that might warrant a closer look.

These considerations are equally relevant in India, where arbitration is increasingly used for complex commercial disputes, and in-house legal teams often play a central role in managing proceedings alongside external counsel. With Indian courts emphasizing efficiency and cost discipline in arbitration, proactive internal case management – including cost tracking, data handling, and early counterclaim assessment – can significantly impact outcomes and enforceability.

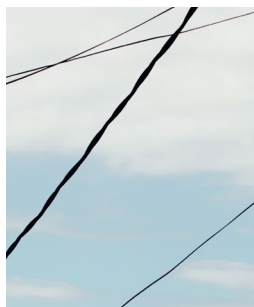


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F. Recent matters

Hengeler Mueller advised:

- **SGP Schneider Geiwitz**, acting as trustee, on the sale of a majority stake in BOGNER Group, a luxury clothing manufacturer known for its ski and outdoor collections, to Katjes International.
- **Comcast** on the definitive agreement to sell Sky DACH (Germany, Austria, Switzerland) to RTL Group.
- **BioNTech** on a strategic transaction to acquire CureVac, a clinical-stage biotech company developing a novel class of transformative medicines in oncology and infectious diseases based on messenger ribonucleic acid (mRNA).
- **United Internet** on a voluntary public acquisition offer in form of partial offer to acquire additional shares in 1&1 AG.
- **Stonepeak**, a leading alternative investment firm specializing in infrastructure and real assets, and Energy Equation Partners, a newly formed investment firm with significant expertise in fuel retail on the acquisition of a majority interest in JET, a leading fuel retailer in Germany and Austria, from a subsidiary of Phillips 66, in a transaction valuing the business at an enterprise value of approximately €2.5 billion.
- **Hornetsecurity**, a portfolio company of TA Associates and PSG Equity, on its sale to Proofpoint. Hornetsecurity is a global provider of comprehensive AI-powered M365 security, data protection, compliance, and security awareness solutions.
- **Axel Springer** on the implementation of the new corporate structure.
- **KKR** on investment in DATAGROUP SE, a leading German IT service provider.
- **Rheinmetall** on antitrust aspects in connection with the formation of two joint ventures.
- **CECONOMY** in connection with a sustainable credit line worth €900 million.
- **EQT** on a long term strategic partnership with WTS, a German tax and financial advisory firm.
- **MFE-MEDIAFOREUROPE** on launch of a voluntary public takeover offer to increase its ownership in ProSieben.
- Consortium of **Allianz, BlackRock and T&D Holdings** on the acquisition of leading European life insurance consolidator, Viridium.
- **Ørsted** on Equitix's acquisition of an approximately 15.2% stake in the offshore wind farm Gode Wind 1.
- **One Hotels & Resorts GmbH**, the sole owner of Motel One Group, on entering into a strategic partnership with PAI Partners.
- **PAI partners** on the sale of Apleona, a leading European provider of integrated facility management to a consortium led by Bain Capital.
- **METRO**, a leading international food wholesaler, on its delisting from Frankfurt Stock Exchange.

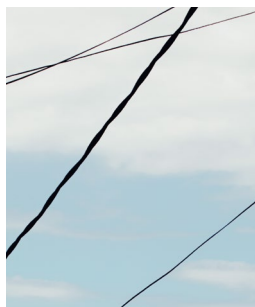


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About the firm's India Desk

The India Desk advises Indian companies on their business activities in Germany and throughout Europe and in accompanying German companies to India. Members of the India Desk regularly visit India to meet corporates, law firms, banks and auditors and also to attend conferences based on different topics like IT and foreign investment in India.

Contact



Daniela Favoccia

Partner

Phone +49 69 17095 382
daniela.favoccia@hengeler.com



Carsten van de Sande

Partner

Phone +49 69 17095 352
carsten.vandesande@hengeler.com



Malte Wundenberg

Counsel

Phone +49 69 17095 713
malte.wundenberg@hengeler.com

Offices

| | |
|-----------------------|---|
| Germany | BERLIN Behrenstr. 42, 10117 Berlin |
| | DÜSSELDORF Benrather Str. 18-20, 40213 Düsseldorf |
| | FRANKFURT Bockenheimer Landstr. 24, 60323 Frankfurt am Main |
| | MUNICH Leopoldstr. 8-10, 80802 München |
| Belgium | BRUXELLES Square de Meeûs 40, 1000 Bruxelles |
| United Kingdom | LONDON 30 Cannon Street, London EC4M 6XH |

www.hengeler.com