



## IMPACTS OF CORONAVIRUS PANDEMIC ON YOUR BUSINESS' CONTRACTS AND EMPLOYMENT AGREEMENTS

At this unprecedented time, businesses need to evaluate their contractual rights and obligations as they consider how to respond to the challenges the COVID-19 virus has created for their operations.

- **Force Majeure.** Determine whether contracts contain “force majeure” clauses that excuse a party’s performance obligations for events outside a party’s control; whether the specific language in the contract can reasonably be interpreted to apply to the COVID-19 pandemic; what obligations (such as notice and mitigation) your business has if you rely on force majeure clauses to excuse your business’ failure to perform contractual obligations. When entering into new contracts, businesses may want to consider specifically addressing the parties’ rights and obligations in light of COVID-19 since COVID-19 may no longer be considered a force majeure event in contracts entered into post-outbreak.
- **Impossibility.** Even without a force majeure provision, the doctrine of impossibility can still relieve a party of liability for failure to perform where unforeseen circumstances make continued performance impracticable. The Uniform Commercial Code provides similar relief from performance.
- **Employment Agreements.** Businesses should consider whether they need to renegotiate employment or labor contracts to reflect changing business realities in the next month or months. This could include changing your termination provisions or compensation structure in order to manage your personnel costs through this crisis.
- **WARN Act.** Employers forced to lay off employees or reduce hours and pay in response to the COVID-10 pandemic should be aware of notice obligations as well as exceptions that might apply due to the unforeseeable nature of this crisis, as well as due to state or local restrictions that have necessitated business closures.

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- **Insurance coverage.** Finally, policyholders should review commercial insurance policies to see if there is coverage available for costs associated with COVID-19. Often, business interruption insurance coverage pays for lost income during the suspension of operations caused by the direct physical loss, damage or destruction of property. Many policies began to exclude viral outbreaks from standard coverage after the SARS epidemic, so coverage will depend on the individual policy language in place.

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