

Over the last few days, we have received an increasing number of enquiries about the impact of COVID-19, commonly known as the “coronavirus”, on our clients’ businesses.

Here is an overview of the key legal issues (other than the employment law issues covered in our previous update) that businesses in the Czech Republic should consider in the current situation, together with a list of practical steps to mitigate the impact of the virus.

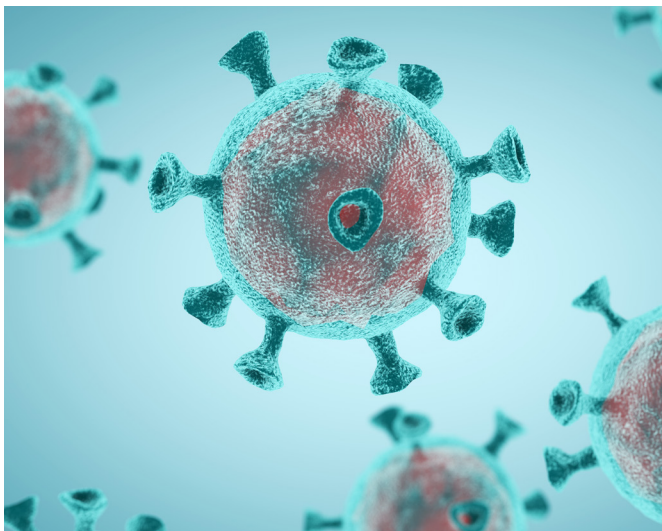
Webinar: COVID-19 Outbreak – Legal and Commercial Risks for Your Business to Consider – Employment and Commercial Issues From the Czech Law Perspective

Join us on Thursday 12 March 2020 for a web discussion highlighting the key legal and commercial risks for businesses to consider, together with the practical steps they should be taking to mitigate the impact of the virus on their business, staff, supply chains, etc.

Time

4 – 5 p.m.

To join the webinar, please register [here](#).



Supply Chain Issues

- Assess the risk for your supply chain, considering factors specific to high-risk suppliers and working conditions.
- Maintain good lines of communication with your key suppliers, logistics providers and end customers as to what you are doing and the steps you are taking on a regular basis.
- Obtain information from suppliers on measures they are taking in relation to goods (or services) supplied to you.
- Consider auditing suppliers and reviewing their respective work health and safety systems and policies, especially relating to disease and virus control, to ensure they are up to date and appropriate, and/or require urgent compliance with applicable standards if significant areas of risk are identified.
- Consider whether you are going to prefer certain suppliers and customers, including the practical and legal consequences of doing so. Be mindful of not unlawfully seeking or giving (or appearing to seek or give) priority to suppliers and/or customers in return for the payment of money or the giving of some other advantage.
- Maintain contemporaneous records and evidence to assist any future supply chain claims/defences in the event of a dispute – have a good audit trail. In particular, document all decisions and steps in response to the outbreak to mitigate the adverse impacts.
- Additional issues to consider: Is there scope to switch suppliers and/or dual source products? Are there any easy access alternatives? Can you modify your product to substitute different components/suppliers?

Manage Contractual Risks

- Review the terms of all key/critical contracts (and their governing law) for risk and potential contractual protections, including suspension of performance, termination options, penalties, limitations of liability, events of default and *force majeure* clauses, etc.
- Consider the use of express infection/disease/epidemic/pandemic wording in all new contracts and, where possible, amend and incorporate into existing contracts.
- Consider what can be done under the terms of the contract and applicable law in order to protect your position, including renegotiation of terms of certain contracts.
- Be alert to attempts by your customers and suppliers to sign you up to declarations of compliance with applicable health guidelines, monitoring of staff, limiting contagion, etc., which could inadvertently shift liabilities and/or expose your company to increased legal and financial risk.

Consider Insolvency Risks and Defaults

- Consider your financial position and that of any contractual counterparties.
- Review finance documentation and related arrangements to assess any notification obligations and assess whether the company can still comply with all the undertakings.

Consider Potential Insurance Claims

- Review the existing insurance arrangements, especially business interruption insurance. Does your insurance cover economic loss during any virus period?
- Liaise with brokers and potentially notify circumstances/claims strictly complying with obligations on how and when to notify.
- Consider whether insurer consent will be required for any steps you anticipate taking to respond to events and whether mitigation activities may fall under any available heads cover.

Contingency Planning and Communications Policy

- Activate crisis management plans and procedures if you have them, and if you do not have them, prepare them (Who? What? Where? When? How?) – hope for the best, but plan for the worst.
- Assign responsibilities and specify how ameliorative action will be taken, with clear roles and duties alongside the correct messaging.
- A communications policy should be devised/implemented to protect the reputation of the business in the event of disruptions to business associated with the virus.

Additional Issues to Keep in Mind

- Keep up to date with the decisions of the Czech government and the details of the affected areas through the World Health Organization's (WHO's) Disease Outbreak News, and Czech and international best health practices.
- Ensure compliance with relevant data protection legislation. Data concerning health is subject to enhanced protection under the GDPR as special category data.
- Be mindful that if there is a shortage of raw materials/components, suppliers may be compelled to use alternative materials to meet customer demand. Such materials may not be quality-tested or even be out-of-spec.
- Logistics companies may stop operations for a time, thereby affecting road, rail and sea deliveries. As a result, air (and other) freight rates may increase considerably over pre-virus levels. Moreover, many airlines have stopped flights to/from China and other affected jurisdictions.
- Fear and panic may drive decision-making. In some affected parts of the world, people are not returning to work, not making deliveries, not going to banks, etc., out of fear, rather than based on the level of risk or government advice.

Further Updates

We will continue to monitor the situation carefully and keep this advice note under review. This is to provide you with the very latest guidance on the practical steps to take, given that the situation is an evolving one and the government and health authorities' guidance and advice may well change.

We have also set up a [dedicated resource hub](#) for businesses on the legal, regulatory and commercial implications of coronavirus COVID-19.

If you would like to discuss any of the issues raised in this advice note, please contact any of our team listed below.

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