

# COVID-19 (Coronavirus)

## Legal Checklist

Czech Republic



Does the state of emergency force you to deal with a number of issues at the same time?  
Here are brief checklists of some of the topics you should not forget.

## ✔ Contractual Relations in General

- Identify key contracts in vulnerable sectors and the laws governing them.
- Check whether these contracts contain *force majeure* clauses. If so, find out what rights and obligations arise from them (e.g. the right to suspend performance, no delay in case of late performance or impossibility to terminate the contract due to delay).
- Consider your options under the law governing the contract. If it is governed by Czech law, consider, in particular, the following: (i) exemption from contractual liability for damage resulting from *force majeure*, (ii) right to request renegotiation of a contract in which the mutual rights and obligations, in consequence of the pandemic, result in an especially gross disproportion (disproportionate increase in the costs/disproportionate decrease of the value of performance), and (iii) termination of the contract or obligation due to the impossibility of performance (if it cannot be performed even under the aggravated conditions, at higher costs, with the help of another person or after the specified period of time).
- When concluding new contracts, keep in mind that the pandemic is no longer an unforeseeable circumstance. The legal provisions protecting against *force majeure* would likely not apply to the contracts being currently concluded.



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## ✔ Employees

- In case of limitation of operation and absence of employees, determine the type of limitation and the reason for the employee's absence (illness, quarantine order, operation shutdown due to government order, drop in sales, lack of raw materials, etc.). Depending on the type of limitation, determine the amount of compensation for the individual employees.
- Inform the trade unions and employees of the actions taken. While doing so, keep in mind the principles of personal data processing (do not ask employees about their diagnosis or the specific place of their vacation).
- In the case of work from home, verify that the employment contract allows the home office option. If it does not, conclude an agreement with the employee. Do not forget that the Labor Code also applies to home office – it is advisable to modify the home office rules by an internal regulation.
- You can agree with the employee on their taking a leave. If you are not able to agree, you can order the employee to take the vacation. It is, however, necessary to comply with the vacation notification period (at least 14 days in advance).
- An employee can be transferred to another job with the employee's consent.

## ✔ Cybersecurity and Protection of Your IT Systems

- Keep in mind that, in today's world, viruses are not only of a biological origin – they also come from the IT world. Therefore, pay attention, for example, to whether the use of Wi-Fi connections by your home office employees increases the risks for your business. In addition, alert your employees to the current wave of unsafe emails that, under virus-related false pretenses, direct to harmful content and pose a serious risk to your IT systems. This is a technically and legally complicated area and it is not advisable to underestimate it at this time.



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## ✓ Banks

- Verify reliably whether your loan repayments are due in the upcoming period.
- Identify the key contract provisions and the: (i) risk of defaults threatened due to coronavirus, while considering the imminent implications of defaults, (ii) conditions for activation of the security provided (Do you have receivables in escrow accounts? Do you guarantee the liabilities of third parties who are at the risk of default?), (iii) time limits and procedures to be followed in relation to the bank (notification), and (iv) possibility and conditions of any blocking of the loan drawing by the bank.
- Consider alternative funding options, such as: (i) short-term financing instruments (factoring), (ii) the possibility of an interest-free loan from the Czech-Moravian Guarantee and Development Bank, and (iii) the possibility and terms of credit being granted by the management of the company.
- Try to negotiate with the bank a postponement or a temporary reduction of the installments.

## ✓ Insurance Companies

- Find out the scope of your insurance. Contact your insurance company to find out your options. Do you have business interruption insurance, life insurance or liability insurance of members of the bodies and other persons in the management of legal entities, etc.? Find out more details.
- Identify the key contract provisions: (i) references to “official interventions” and “epidemics/pandemics”, their scope, and your rights and obligations under them, (ii) the definitions of exclusions, their scope and the conditions for their application, (iii) the time limits and procedures that you have to follow for the insurance company (notification), and (iv) information and documents that you must provide to the insurance company.



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## ✓ Lease and Ownership of Real Estate

- Do you rent premises for your activities? Keep an eye on rental payment dates and, if necessary, contact the landlord to postpone payments. Check whether your lease agreement allows you to claim a rent discount or lease termination. We also recommend verifying that you are still able to meet your other obligations under the lease agreements – agreements on leases of retail units often contain many additional obligations.
- Alternatively, are you a landlord? Take an interest in the solvency of your tenants. Work with them on handling the current situation and clarify with them the mutual rights and obligations in advance, rather than in the courtroom. If you are concerned about the ability or willingness of your tenants to pay you the amounts due, start negotiating with your own creditors and check if you can reduce your own expenses. Verify whether the lease agreements impose specific obligations regarding the operation of the entire building in a state of emergency. As part of the facility management, it is advisable to take appropriate sanitary measures and to check their observance, in the interest of all building users.
- Do you plan to carry out reconstruction or other construction work? Check whether those tasked with the work will be able to do the work and whether perhaps it is not more convenient for you to postpone it. It is also important to check whether a delay would not affect your other contractual relationships, such as with the tenants or the landlord. If there is a concern about a supplier's performance, consider securing suppliers' obligations, especially when you have to pay an advance.



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## ✓ Court and Administrative Proceedings

- Verify whether the deadlines for bringing actions or other procedural steps (limitation of claims, deadlines for appeal, appellate review, etc.) expire during the following days. The state of emergency does not automatically lead to a postponement or extension of court or administrative time limits.
- If so, verify whether you can request an extension and, if possible, file the application promptly. In the current situation, courts and administrative authorities are likely to grant your application and thus spare you the difficult task of having to explain in the future why the deadline was not met.
- If procedural regulations do not allow for an extension of the deadline, file the relevant submissions via a data box or in another reliable way guaranteeing the observance of the time limits. If in doubt, seek legal advice.
- Verify whether oral hearings are ordered in your cases and, if so, ask for an adjournment. Do not put this off, the current state of emergency notwithstanding. Such a precautionary approach will help to avoid the unwelcome surprise that a hearing in an important matter takes places, while other pressing matters prevent you from preparing properly for it.



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**Consider seeking legal advice. We are ready to help.**