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# Client Alert: COVID-19 and Contractual Obligations

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As the number of people and communities impacted by the COVID-19 pandemic continues to grow, it is inevitable that there are going to be disruptions in the global supply chain. Given the early impacts of COVID-19 on the Far East, where numerous manufacturing facilities were forced to either shutter or drastically reduce their capacity, there is a very real threat of component and material shortages, which could have a rippling effect across the globe.

Compounding the issue is an ongoing threat to the domestic labor force as the number of infected people within the United States begins to rise and the federal, state and local governments take action to slow the spread of the virus. Labor shortages could also compound any supply chain issues. While the headlines have been dominated by news of shuttered schools and suspended live events, the impact that COVID-19 might have on manufacturers and service providers who are unable to meet their contractual obligations to customers will likely be one of the most significant problems to come out of the pandemic.

It is absolutely critical that manufacturers and service providers be proactive in reviewing and understanding their contractual obligations to customers. Understanding the liability under each contract, the scope of damages and penalties, any allocation obligations to customers, and notice requirements, are just a few of the issues businesses need to be fully aware of in planning for inevitable disruptions. It will also be beneficial for the business to explore any rights it may have under the contract, including under any applicable force majeure clause. Now is the time for manufacturers, suppliers, and service providers to get out in front of these issues, especially where the business anticipates disruptions and may have limited options.

Where options are limited, it may be necessary to work diligently to amend existing agreements or to negotiate with a current customer or supplier on a plan to address any disruptions to minimize the impact on both organizations. Taking these steps may help a business avoid litigation or be better prepared should litigation arise. Working closely with experienced legal counsel is invaluable in navigating these types of challenges. In each case, understanding your contractual obligations, liabilities, and rights under the contract and the applicable law are critical to making an informed business judgment.

Shumaker has a team of experienced professionals who regularly advise manufacturers, suppliers, and service providers from a wide variety of industries on complex contractual matters, strategic planning, and risk management. Our team of experienced professionals is prepared to help you traverse your supply chain

issues in this extraordinary time. Please contact Scott Aubry at 419.321.1218 or Matthew Spaulding at 419.321.1455.

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