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CHAIR’S REPORT

Dear Section Members:

Uncertainty. Covid-19’s effect on the economy is beyond anything we have experienced in our lifetimes.

Unfortunately, our popular happy hour held during SXSW was canceled this year due to Covid-19 concerns, and the State Bar of Texas has canceled the Annual Meeting for 2020.

TESLAW, however, is still focusing on the future. Once the danger has passed, we will be planning an event to reconnect members. We also are moving forward with the development of a new website that will provide enhancements and opportunities for members to describe their practices.

Even though the State Bar of Texas Annual Meeting has been canceled, our section will be having a virtual annual meeting. Please watch for more information as it becomes available.

Finally, please remember that we are always looking for submissions, and I encourage you to send any submissions for the Journal or newsletter to Erin Rodgers at erin@rodgersselvera.com.

I encourage everyone to stay safe and to reach out if you need help. You can always contact me at dgweaver@arlingtonlawfirm.com.

Dena Weaver
Chair 2019-2020

Entertainment & Sports Law Section
State Bar of Texas
Editor’s Letter

Although I have been the Editor of the TESLAW Newsletter for a few years, this is my first issue as Editor of the Journal. It’s been a bit of a learning curve, but I am grateful for the opportunity. I would like to thank Joel Timmer for his years of service as Editor, and also for his patience with my questions. I would also like to recognize my publication committee, Stephen Summer and Adam Mandell, for their assistance with this issue.

Our featured article this month is on a topic that I know has suddenly become very relevant to many of us and our clients – force majeure language. It is perhaps less entertainment-specific than our typical content, but I found it to be very thorough and useful as I navigate these issues in my own practice.

If you are interested in submitting articles for potential publication, please email me at erin@rogersselvera.com. We are always seeking long-form content for the journal, but we also accept case notes and shorter articles for the newsletter.

“I hope this letter finds you well” means something different in these times of social distancing. Rather than just a pleasant space filler, the phrase carries with it a level of actual concern that it didn't before. I do hope the best for you, your friends and family, and your law practice.

Erin Rodgers
TESLAW Journal Editor

Submissions

The Texas Entertainment and Sports Law Journal publishes articles written by practitioners, law students, and others on a variety entertainment and sports law topics. Articles should be practical and scholarly to an audience of Texas lawyers practicing sports or entertainment law. Articles of varying lengths are considered, from one-to-two-page case summaries and other brief articles, to lengthier articles engaged in in-depth analysis of entertainment and sports law issues. Endnotes must be concise, placed at the end of the article, and in Harvard “Blue Book” or Texas Law Review “Green Book” form. Please submit articles for consideration in Word or similar format, or direct any questions about potential article topics, to Journal Editor Joel Timmer at j.timmer@tcu.edu.

Once an article is submitted, the Journal does not request any additional authorization from the author to publish the article. Due to the number of submissions and the number of potential publications in the marketplace, it is nearly impossible to monitor publication of submissions in other publications. It is up to the author to assure that we are notified should there be any restrictions on our use of the article. This policy has been implemented to assure that our Journal does not violate any other publication’s limitation on republication. The Journal does not restrict republication, and in fact encourages submission of an author’s article to other publications prior to or after our election to publish. Obviously, the Journal will make the appropriate attribution where an article is published with the permission of another publication, and request such attribution to the Journal, if we are the first to publish an article.
Even though they have a long history, Presidential Signing Statements are not exactly front and center in every civics class or constitutional public law class in America. You may be hearing about them for the first time now. But that doesn’t mean they have not been an important part of Constitutional law-making and jurisprudence.

Presidential Signing Statements were first used by President James Monroe in 1822 in the form of a “special message” to the Senate. Presidents Andrew Jackson, John Tyler and Ulysses Grant also issued signing statements, but they were used infrequently until the 20th Century. Then their use picked up quite a bit starting with President Theodore Roosevelt and continuing to the present day. So the use of Signing Statements is quite bipartisan. While Signing Statements may not themselves have any actionable legal effect, they should not be ignored, either.

The MMA Presidential Signing Statement

Not surprisingly, there is a Presidential Signing Statement accompanying the Music Modernization Act (“MMA”) specifically relating to Title I and at that specifically relating to the MLC board appointments. The relevant language is:

One provision, section 102, authorizes the board of directors of the designated mechanical licensing collective to adopt bylaws for the selection of new directors subsequent to the initial designation of the collective and its directors by the Register of Copyrights and with the approval of the Librarian of Congress (Librarian). Because the directors are inferior officers under the Appointments Clause of the Constitution, the Librarian must approve each subsequent selection of a new director. I expect that the Register of Copyrights will work with the collective, once it has been designated, to ensure that the Librarian retains the ultimate authority, as required by the Constitution, to appoint and remove all directors.

Let’s explore why we should care about this guidance.

Chris Castle writes the MusicTech.Solutions blog.
According to Digital Music News, there have been changes at the Mechanical Licensing Collective, Inc. (“MLCI”) the private non-profit permitted under Title I of the MMA:

[I]t appears that two separate MLC board members are jumping ship. The details are just emerging and remain unconfirmed, though it appears that two members — one representing indie songwriters and the other on the publishing side — are out of the organization.

Because the board composition of MLCI is preemptively set by the U.S. Copyright Act along with many other aspects of MLCI’s operating mandate, the question of replacing board members may be arising sooner than anyone expected. As MLCI is a creature of statute, it should not be controversial that lawmakers play an ongoing role in its governance.

The Copyright Office Weighs In


The MLC board is authorized to adopt bylaws for the selection of new directors subsequent to the initial designation of the MLC. The Presidential Signing Statement accompanying enactment of the MMA states that directors of the MLC are inferior officers under the Appointments Clause of the Constitution, and that the Librarian of Congress must approve each subsequent selection of a new director. It also suggests that the Register work with the MLC, once designated, to address issues related to board succession.

When you consider that MLCI is, for all practical purposes, a kind of hybrid quasi-governmental organization (or what the Brits might call a “quango”), the stated position of the President, the Librarian of Congress and the Copyright Office should not be surprising.

Why the Controversy?

As the Songwriters Guild of America notes in comments to the Copyright Office in part relating to the Presidential Signing Statement (my emphasis):

Further, it seems of particular importance that the Executive Branch also regards the careful, post-designation oversight of the Mechanical Collective board and committee members by the Librarian of Congress and the Register as a crucial prerequisite to ensuring that conflicts of interest and bias among such members not poison the ability of the Collective to fulfill its statutory obligations for fairness, transparency and accountability.

The Presidential Signing Statement, in fact, asserts unequivocally that “I expect that the Register of Copyrights will work with the collective, once it has been designated, to ensure that the Librarian retains the ultimate authority, as required by the Constitution, to appoint and remove all directors.”

SGA regards it as a significant red flag that the NMPA-MLC submission to the Copyright Office devotes the equivalent of ten full pages of text principally in attempting to refute this governmental oversight authority, and regards the expression of such a position by NMPA/MLC as arguably indicative of an organization more inclined towards opaque, insider management control than one devoted to fairness, transparency and accountability.

So the Presidential Signing Statement to the MMA is obviously of great import given the amount of ink that has been spilled on the subject. Let’s spill some more.

How might this oversight be given effect and will it be in the public record or an informal process behind closed doors? Presumably it should be done in the normal course by a cooperative and voluntary collaboration between the MLC and ultimately the Librarian. Minutes of such collaboration could easily be placed in the Federal Register or some other public record on the
I. Introduction

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. In just over 60 days since the first identified COVID-19—the disease caused by the novel coronavirus 2019 (also known as SARS-CoV-2)—case, there have been over 110,000 confirmed cases globally; by contrast, the entire 2003 SARS outbreak caused about 9,000 illnesses.

Early evidence suggests that COVID-19 will be especially challenging to contain for governments and public health officials. Compared with other viruses, such as the more familiar seasonal flu, COVID-19 appears to have a longer incubation period, during which time people may be contagious before presenting symptoms. According to the WHO, the virus may persist on surfaces for a few hours or up to several days. There is presently no available vaccine, and no evidence that humans have pre-existing natural antibodies to protect them. Though an estimated 80% of patients require no hospitalization, other people do experience more severe cases, especially among at-risk populations.
In addition to the human toll, the 2003 SARS epidemic caused estimated economic losses of around $40 billion. COVID-19 caused an estimated $50 billion decline in global exports in the month of February 2020 alone and experts are forecasting $1 trillion in losses, besides the trillions of dollars in value lost in stock markets. The situation is rapidly evolving. For instance, on February 11, JetBlue's president noted that the virus was not impacting its business "in any meaningful way" but that the company was "keeping a very close eye on it." That turned out to be wise because within a couple weeks, JetBlue started to see demand for air travel deteriorate "worse than what we saw after 9/11." U.S. stock markets have also seen volatility not seen since 9/11 or the 2008 financial crisis, and central banks moved quickly to cut interest rates.

On March 10, 2020, the CDC issued new guidelines for employers and businesses – recommending proper hygiene, ventilation, reducing meetings and gatherings, and reconsidering travel. The updated guidelines complement steps already taken by many in the private sector to combat the epidemic. Businesses have quashed non-essential travel, cancelled events, encouraged employees to work from home, and taken other aggressive measures to prevent an outbreak in their workplaces. These disparate benchmarks create challenges for institutions assessing the proper response to an evolving situation.

Business leaders are facing challenges as contractual obligations are becoming more difficult, costly, or even impossible to perform. Global supply chains have been disrupted as China, the global leader in manufacturing output, put at least 50 million people under a mandatory quarantine for more than a month. Businesses may confront questions about moving forward with merger and acquisition activity. The short term increase in demand as buyers stockpile goods has not helped alleviate the broader challenges to economic activity. Market volatility has increased. As market conditions worsen, institutions may face challenges accessing credit and investors may re-evaluate existing and prospective commitments. Among other issues, the crisis is compromising the ability of parties to perform contracts, and has already spawned tort liability claims.

II. Disruption to Commercial Contracts

The COVID-19 epidemic will likely present challenges for parties to binding contracts thrown into question by the global response to the outbreak. Some contracts may become prohibitively difficult to perform, while others may be rendered worthless to one party, at least for the time being. The allocation of losses caused by the challenges of performance will depend on the particular facts and circumstances, but parties would be wise to keep track of the doctrines of force majeure, frustration of purpose, and impossibility. And parties that have or will commit to merger and acquisition transactions need to also consider material adverse change provisions.

Force Majeure: “The purpose of a Force majeure clause is to limit damages in a case where the reasonable expectation of the parties and the performance of the contract have been frustrated by circumstances beyond the control of the parties.” A sample force majeure clause might read:

The parties’ performance under this Agreement is subject to acts of God, war, government regulation, terrorism, disaster, strikes (except those involving a party’s employees or agents), civil disorder, curtailment of transportation facilities, or any other emergency beyond the parties’ control, making it impossible to perform their obligations under this Agreement. Either party may cancel this Agreement for any one or more of such reasons upon written notice to the other.

Courts in the United States look at various elements when considering a claim of force majeure, always starting with the language of the contract.

1. Does the contract contain an applicable force majeure clause? There must be a contractual force majeure clause that encompasses the claimed force majeure event. Force majeure clauses are construed narrowly and only applied to the events listed on the face of the contract. Catch-all language will only bring into the clause events of the same character or class as the specific events mentioned.
Earlier this month the U.S. District Court for the Eastern District of New York granted preliminary approval of a settlement providing a $46+ million recovery benefitting session musicians and backup singers under the non-featured performer provisions of the Copyright Act. The recovery will be the single biggest recovery ever on behalf of non-featured performers and one of the largest digital music royalty recoveries ever. As a result of the injunctive relief portion of the settlement, which will require the fund that administers the royalty to take specific steps to identify, locate, and pay non-featured performers past and future, over 60,000 session musicians and backup singers will be compensated for their work on records that have been played on digital platforms, with many more benefitting in the years that follow. The settlement recognizes the artistic contribution that these talented session artists have made to nearly every popular American recording released since 1972, the year in which U.S. law first recognized a limited copyright in sound recordings.

The plaintiffs, all of whom are Texas session musicians and background vocalists, were represented by Eric Zukoski of Quilling, Selander, Lownds, Winslett & Moser, P.C. as intellectual property counsel and Roger Mandel of Jeeves Mandel Law Group as class action counsel. Eric represents individuals and businesses involved in a wide variety of property and intellectual property transactions and is a former live performance and session musician with upwards of 5,000+ plus performances in all genres, including two full length albums as the session bassist for a multi-CMA and Grammy winner, recordings with two Blues Foundation award winners, and numerous radio and television credits. Roger Mandel has been practicing complex commercial litigation in Dallas for 33 years, including 28 years involved primarily in bringing class actions on behalf of injured individuals and companies. TESLAW Council Member Chris Castle (asst1@christiancastle.com) was the Plaintiffs’ expert for the music technology issues involved in the lawsuit. If you believe that your clients are owed royalties under this settlement, you are encouraged to visit www.SessionArtistRoyaltySettlement.com or contact Eric or Roger at ezukoski@qslwm.com or rmandel@jeevesmandellawgroup.com. The case citation is Blondell et al v. Bouton et al, 1:17-cv-00372 (E.D.N.Y.).

$46 MILLION DIGITAL SESSION ROYALTY SETTLEMENT

The TESLAW Council Member Chris Castle (asst1@christiancastle.com) was the Plaintiffs’ expert for the music technology issues involved in the lawsuit. If you believe that your clients are owed royalties under this settlement, you are encouraged to visit www.SessionArtistRoyaltySettlement.com or contact Eric or Roger at ezukoski@qslwm.com or rmandel@jeevesmandellawgroup.com. The case citation is Blondell et al v. Bouton et al, 1:17-cv-00372 (E.D.N.Y.)

To Join TESLAW go to www.texasbar.com, click on “About Texas Bar,” then “Sections and Divisions,” then “Sections,” or just click on this link: texasbar.com/AM/Template.cfm?Section=Find_Sections_and_Divisions&Template=/CM/HTMLDisplay.cfm&ContentID=49744

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Copyright Office website. Failing that collaboration, it could be done by either the Department of Justice (unlikely) or by individuals (more likely) asking an Article III court to rule on the issue.

Of course, the issue should not delay the Copyright Royalty Judges from proceeding with their assessment determination to fund the MLC pursuant to the controversial voluntary settlement or otherwise. One could imagine an oversight role for the CRJs given that Congress charged them with watching the purse strings and the quantitative implies the qualitative. The CRJs have until until July 2020 to rule on the initial administrative assessment and appeal seems less likely today given the voluntary settlement and the elimination of any potential objectors.

Since the Title I proponents drafted the bill to require a certain number of board seats to be filled by certain categories of persons approved by Congress in a Madisonian balance of power, the Presidential Signing Statement seems well grounded and furthers the Congressional mandate.

Yet there is this conflict over the Presidential Signing Statement. What are the implications?

**A Page of History is Worth A Volume of Logic**

The President’s relationship to legislation is binary—sign it or veto it. Presidential Signing Statements are historically used as an alternative to the exercise of the President’s veto power and there’s the rub.

Signing Statements effectively give the President the last word on legislation as the President signs a bill into law. Two competing policies are at work in Presidential Signing Statements—the veto power (set forth in the presentment clause, Article I, Sec. 7, clause 2), and the separation of powers.

Unlike some governors, the President does not enjoy the “line item veto” which permits an executive to blue pencil the bits she doesn’t like in legislation presented for signature. (But they tried—Line Item Veto Act ruled unconstitutional violation of presentment clause in *Clinton v. City of New York*, 524 U.S. 417 (1998).) The President can’t rewrite the laws passed by Congress, but must veto the bill altogether. Attempting to both reject a provision of a new law as unconstitutional, announce the President’s intention not to enforce that provision AND sign the bill without vetoing it is where presidents typically run into trouble.

Broadly speaking, Presidential Signing Statements can either be a President’s controversial objection to a bill or prospective interpretive guidance. Signing Statements that create controversy are usually a refusal by the President to enforce the law the President just signed because the President doesn’t like it but doesn’t want to veto it. Or to declare that the President thinks the law is unconstitutional and will not enforce it for that reason—but signed it anyway.

The President can also use the Signing Statement to define or interpret a key term in legislation in a particular way that benefits the President’s policy goals or political allies. President Truman, for example, interpreted a statutory definition in a way that benefited organized labor which was later enforced by courts in line with the Signing Statement. President Carter used funds for the benefit of Vietnam resisters in defiance of Congress, but courts later upheld the practice—in cases defended by the Carter Justice Department. The practice of using Presidential Signing Statements is now routine and has been criticized to no avail for every administration in the 21st Century including Bush II, Obama and now Trump.

Since the 1980s, it has become common for Presidents to issue dozens if not hundreds of Presidential Signing Statements during their Administration. So it should come as no surprise if the Department of Justice drafted up the statement for the MMA prior to it being presented to the President to be signed into law. (See the American Presidency Project archives https://www.presidency.ucsb.edu/documents/presidential-documents-archive-guidebook/presidential-signing-statements-hoover-1929-obama)
Defiance or Collaboration? The Role of the Presidential Signing Statement in MLC Board Appointments

Continued from page 9.

Defiance or Collaboration?

What does this mean for the MMA? The President certainly did not call out the statutorily required board membership of the MLC as an unconstitutional overreach that he would not enforce. To the contrary, the MMA Signing Statement expresses the President's desire that the legislation comply with the requirements of the Constitution.

Moreover, the MMA Presidential Signing Statement is not a declaration about what the President will or won't enforce but rather interprets a particular section of a long and winding piece of legislation. (Title I principally amended Section 115 of the Copyright Act—now longer than the entire 1909 Copyright Act.) This kind of interpretation seems to be consistent with the practices of prior Presidents of both parties, not an end-run around either the veto power or separation of powers.

Failing to acknowledge the admonition of the signing statement would seem an unnecessary collision both with long-standing jurisprudence and with a sensible recommendation from the President of how the Librarian, the Copyright Office and the Justice Department expect to approach the issue in collaboration with the MLCI. That's possibly why the Copyright Office restated the Signing Statement in the RFP.

Title I of the MMA is a highly technical amendment to a highly technical statute. A little interpretive guidance is probably a good thing. Collaboration certainly makes more sense than defiance.
In a seminal New York case, the Court of Appeals refused to apply a force majeure clause to excuse the performance of a party that lost its contractually required insurance coverage and could not obtain insurance from any insurer. The contract’s force majeure clause had broad catch-all language but the court construed “other similar causes beyond the control of such party” as related to day-to-day operational concerns, which the court found did not include the ability to obtain sufficient liability insurance.

In another defining case, a New York appellate court applied a force majeure clause that included “governmental prohibition” to excuse performance interrupted by a judicial restraining order. The court reasoned that a judicial order, though not specifically enumerated, fit into the category of governmental prohibition.

Was the force majeure foreseeable? If there is an applicable force majeure clause but the epidemic is not listed, rather it is only captured through catch-all language, some courts may independently inquire whether the applicable event was truly an unforeseeable great force.

Was performance rendered impossible? Performance will generally only be excused if the force majeure clause rendered performance impossible. Courts may look into whether performance was attempted and failed before excusing performance for a force majeure, though this varies by jurisdiction and can usually be overcome by the language of the contract. Courts will usually find that a government order prohibiting performance renders contractual performance impossible and therefore, excused.

In an oft-cited decision, the United States Court of Appeals for the Second Circuit held that, although a foreign coast guard detained a ship en route and prevented shipment, the force majeure clause could not be invoked to excuse performance; the seller fulfilled its duty to ship the product and nothing made it impossible for the buyer to issue payment.

The global financial crisis of 2008 made it impossible for a party to build a restaurant because it needed its limited funds to meet debt obligations. A New York appeals court refused to excuse performance despite a broad force majeure clause, reasoning that “financial hardship” is not grounds for invoking force majeure.

The devastating effects of the notorious Spring 2015 avian flu outbreak on a poultry farmer’s operations did not suffice to cancel an order for no-longer-needed machinery. Although the farmer was no longer building the site for which the machine was ordered, the force majeure clause applied to the machine supplier’s ability to perform, and no force majeure prevented the supplier from performing.

A radio manufacturer refused to ship radio parts to a Swedish supplier of the Islamic Republic of Iran after the United States government prohibited sales of military equipment to Iran. The parties’ contract included a force majeure excuse for “governmental interference” but the supplier argued that the government did not force the manufacturer not to ship. The court ruled that the government order alone sufficed to trigger the force majeure – the government has the ability to compel compliance and for purposes of force majeure, there is no practical choice other than to obey.

Was it the force majeure that rendered performance impossible? The occurrence of a force majeure and coincidental impossibility of performance are not enough to excuse performance; it must be the force majeure that renders performance impossible.

A massive trade war between China and the United States in 2013 did not qualify as a force majeure despite massive price drops because the force majeure provision applied to “events that give rise to an
actual, physical inability to perform, not those that only make performance inconvenient.” The court noted that fixed price contracts will not be vacated due to fluctuation in prices, otherwise such contracts may be rendered meaningless.

5. **Have all contractual pre-requisites been met?** Parties should pay careful attention to the particular requirements of the contract. Some contracts require due diligence, notice, and/or seeking assurance before force majeure can be raised as an excuse. Courts will not overlook these requirements.

**What if performance is rendered prohibitively difficult by the virus?**

In some cases, a force majeure may be a sufficient excuse even where performance was not truly impossible but rendered prohibitively difficult. When 1989’s Hurricane Hugo rendered oil facilities inoperative, a court excused an oil supplier’s delay due to “post-hurricane congestion” in oil production and shipments. Although the supplier was able to provide some customers, it was impossible for it to immediately supply all its customers without some delay. This delay was excused under the force majeure clause.

**What can be done in anticipation of litigation over a force majeure clause?**

Act in good faith and document the circumstances as best as possible. A duty to act in good faith is implied in every contract, though it does not override the express terms of the contract. And helpful, contemporaneous documentation may make the difference in close cases. As government actions, orders, and supply chain disruptions in response to the virus become increasingly severe, contractual parties considering the applicability of a force majeure clause will want to carefully document the effects of these events on their ability to fulfill contractual obligations. Parties should pay particular attention to the effect of government interventions such as travel and import restrictions, as these are often the most compelling bases for invocation of a force majeure clause.

**Frustration of Purpose:** Without an applicable contractual force majeure clause, a party may still be able to escape contractual obligations due to an epidemic when a “change in circumstances” makes performance of the contract “virtually worthless.” Litigating frustration of purpose involves two required inquiries.

1. Was there a mutually understood “basis of the contract” that “without it, the transaction would have made little sense.”

2. Was the basis of the contract fully and completely frustrated. Note, however, that the contract need not have been rendered impossible, just pointless to one party due to frustration of its purpose.

   • In the avian flu case, the court dismissed the force majeure claim as inapplicable because performance remained possible but it allowed the frustration of purpose claim to go forward. The court reasoned that a jury might find that both parties fully understood the purpose of the contract – to expand the egg production operations to meet new orders from large customers – and that the new equipment would be worthless due to cancellation of orders in the aftermath of the flu.

**What can be done in anticipation of frustration of purpose claims?**

Consider whether there is a record to show that all contractual counterparts understood the factual basis that foregrounds the contract. If there is no record but there was a mutually understood purpose to the contract, who can testify to that and can a record still be built to evidence that purpose. Going forward, consider putting the contractual purpose upfront, on the face of the contract.
If a mutually understood purpose can be shown, parties should consider how they can show the effects of the novel coronavirus on that purpose. Is performance really rendered worthless and if so, who can testify to that, what documents show that, and are there circumstances that can be contemporaneously recorded to back up the claim.

**Impossibility:** Where there is no applicable force majeure clause and no mutually understood contractual purpose but contractual performance is rendered impossible, the excuse of impossibility may apply. At least two elements must be present.

1. Performance of the contract must have been made impossible.
2. The event causing impossibility must have been unforeseeable. If it was a foreseeable event that could have been negotiated around in the contract (e.g., in a force majeure clause), courts will be reluctant to excuse performance based on impossibility.

In some cases, an impossibility defense may succeed where extreme external factors have rendered performance impossible within the realm of reason, even if not truly impossible. The outcome of any future litigation may depend heavily on the specific facts developed.

**Case Study: Hurricane Betsy and Hurricane Katrina**

Contrasting the effects of the two most severe hurricanes to affect Louisiana in recent history, as one court did, provides a potentially relevant case analysis.

The Category 4 Hurricane Betsy in 1965 has been recognized as “as one of the deadliest and costliest storms in United States history.” A homeowner whose house was completely flooded in Hurricane Betsy was not allowed to cancel a construction contract to expand the home executed just two weeks before the hurricane. The fact that the homeowner now needed the money for expansion to simply rebuild the house did not relate directly to the basis of the contract. In another case, a contractor that could not find labor in the aftermath of Hurricane Betsy was not excused from performing the contract did not make it impossible to perform.

Hurricane Katrina, which ravaged Louisiana in 2005, “was the costliest storm in U.S. history.” After Hurricane Katrina, a federal court considered the precedent from Hurricane Betsy but nevertheless allowed a landowner to move forward with a claim that “rising construction costs, physical and financial problems for the city of New Orleans resulting from Hurricanes Katrina and Rita made it impractical to proceed” with the construction of a parking lot. Although these disruptions seemingly only related to profit and not possibility, the court considered the unprecedented and unpredictable devastation that the hurricane imposed on the area’s business and infrastructure.

**What can parties do in anticipation of an impossibility defense?**

These contrasting hurricane cases illustrate the potential that courts will consider the unprecedented effects of COVID-19 on the ability of some contractual parties to meet their obligations. It is possible that some courts will allow claims on the line between prohibitive and impossible to go forward. Businesses should actively document the specific effects of the outbreak on their contracts, business, and industry.

**Material Adverse Change / Effect:** Merger and acquisition agreements present a particular species of challenging performance, given the stakes involved. Some such agreements contain a so-called material adverse change or material adverse effect clause (“MAC” or “MAE”) that allow a buyer to terminate the agreement in the event of a material adverse event. Courts presented with an applicable MAC clause (that does not exclude epidemics) will also inquire whether the supposedly material event was unknown at the time of contracting and “substantially threaten[s] the overall earnings potential of the target in a durationally-significant manner.”
Parties assessing whether a MAC has occurred should consider the following:

1. **Were the conditions underlying the MAC known at the time of contracting?** For contracts entered into after the start of the outbreak, the answer might be yes. That would hurt, but not necessarily destroy, a MAC claim, depending on the actual facts and circumstances of the case. In the seminal Delaware case of Akorn v. Fresenius which approved application of a MAC, the court acknowledged that the buyer may have known of risks with the target's internal compliance and specifically contracted for the MAC to avoid taking on those risks. The court terminated the deal nonetheless, respecting the parties' freedom to contract. Going forward, the novel coronavirus should be specifically dealt with in negotiated MAC clauses – as some companies are already doing.

2. **What are the long term implications of the MAC?** Buyers that seek to invoke the coronavirus as a MAC will have to prove that its effects are more than a "short-term hiccup." While exceptions exist, as a rule-of-thumb, courts may uphold the application of MAC clauses after being presented with evidence of sustained drops in performance exceeding 40% year over year. Courts are unlikely to be persuaded by cyclical fluctuations, but may be moved by such massive year-over-year downturns. In the short run, analyst projections for long-term changes to earnings might be helpful evidence, though the judge in the seminal IBP case took such projections with a grain of salt. In IBP, a 64% drop in earnings for a beef seller due to a harsh winter was not a sufficient MAC because earnings were expected to rebound. In Akorn, by contrast, 50% plus drops in performance were sufficient because the evidence suggested the company would not rebound.

3. **Does the novel coronavirus affect the target greater than its peers?** Courts frown upon the application of a MAC for industry-wide downward trends. The Delaware Court of Chancery has consistently "criticized buyers who agreed to acquisitions, only to have second thoughts after cyclical trends or industry-wide effects negatively impacted their own businesses, and who then filed litigation in an effort to escape their agreements" based on a MAC. Look for analyst predictions of a company-specific downturn markedly more significant than its peers. An industry-wide downturn is not preclusive to the application of a MAC, but it cuts against the argument that the target experienced a true MAC. In IBP, the court refused to adopt a rule that a MAC cannot be the result of an industry-wide event but ultimately rejected application of the MAC because a severe winter was just a cyclical event that affected the industry as a whole. In Akorn, the court was presented with sustained 50+ percent drops in the target's performance and analyst projections that the target would continue to perform well below its peers due to company-specific internal compliance issues. This was sufficient for application of the MAC.

4. **Is there a direct link from the MAC to the target's downturn?** Parties that believe they may need to litigate the applicability of a MAC should look carefully at the reasons for the downturn in performance at the target. Courts will seriously consider evidence that the downturn is for reasons unrelated to the MAC, or even lack of evidence that the downturn and the MAC are related.

5. **Is a privately negotiated resolution possible?** Although this is not likely to play into the outcome of future litigation, courts are historically reticent to apply MAC clauses. In June 2001, the Delaware Court of Chancery refused to terminate a merger despite a 62% drop in performance that was predicted by some to have lasting negative effects. The court admitted to being "torn about the correct outcome." But in October 2018, the Delaware court terminated a merger based on a MAC after hearing "overwhelming evidence of widespread regulatory violations and pervasive compliance problems" that were accompanied by a "downturn in performance" exceeding 50% year over year that "shows no sign of abating." Given the uncertain and difficult landscape for enforcing a MAC in litigation, parties might want to consider whether they can achieve an agreeable adjustment to the deal price in private negotiations based on the unexpected effects of the novel coronavirus.
Ultimately, it may be premature to tell how long-lasting the effects of the COVID-19 epidemic will be. But if corporate earnings are depressed and analysts predict potential longer-term effects for certain companies and industries (e.g., cruise lines86), MAC clauses may become relevant.

**III. Tort Liability**

The extraordinary challenges presented by the spread of the novel coronavirus present potentially new responsibilities for private entities. Courts may later be asked to judge the actions of a person or entity alleged to have contributed to the spread of the virus.

Institutions may have more information than those within its care and some degree of control over their well-being. These factors may trigger a duty to warn and, sometimes, to take other reasonable measures to protect.87 Law and precedent, however, do not always provide clear standards.

“Whether a duty exists is ultimately a question of fairness. The inquiry involves a weighing of the relationship of the parties, the nature of the risk and the public interest in the proposed solution.”88 We consider a framework in the context of some of the difficult questions facing business leaders.

1. **How should a business respond to a close encounter with the virus? For example, if an employee tests positive, how should the employer respond?**

   **Issue a Broad Warning**

   The employer should consider the full scope of its reach, and fully inform all those within any degree of its control. Entities should consider who they have the ability to control, who affected employees might have come into contact with, and how far the business’s communication reaches for other purposes.

   - In a 2013 case, the Long Island Railroad was held liable to a cashier where it knew that its employees were carrying asbestos on their clothing into the diner where he worked. Although the LIRR did not own the diner, the court found that it exercised control over the diner because it dictated the diner’s operating hours through a term in the diner’s lease. This control sufficed to trigger a duty to warn.89

   The **warning should include all information known to the employer.** Although risks might be minimal, the reported risk of death should be factored into the duty to warn.90

   - In the summer of 2007, a minor student at the Hotchkiss School was bitten by a tick, contracted tick-borne encephalitis and suffered permanent brain damage on a school trip to China. The court noted that the school had a duty to “minimize identifiable risks,” though that duty did not extend to “risks that are so ‘novel or extraordinary.’” However, the court also considered that the school was a boarding school, with potentially greater responsibility for the students within its care. The “gravity of the harm” was another factor the jury was allowed to include in assessing the school’s duty. Because the harm from the tick bite was potentially grave – contracting tick-borne encephalitis which could lead to permanent brain damage – the jury was allowed to find a duty despite the highly unlikely occurrence. The school was found to have known about the risk and held responsible for failing to adequately warn.91
Take Additional Reasonable Protective Measures

The employer should also consider its degree of control over its employees. If the employees cannot avoid potentially affected places, a simple warning will not be sufficient – the employer has a duty to provide a safe workplace.92

- A duty to remedy was applied to the operator of a private prison when prisoners alleged that it “unreasonably failed to undertake actions to reduce the inmates’ risk of infection” from valley fever.93

**Take proper infection-control measures** to ensure that potentially infected areas and people do not infect others. Once an employer obtains concrete information that a workplace may be infected, a duty to remedy that condition likely applies.94 This may include thoroughly disinfecting premises and asking potentially-affected employees to self-quarantine.

- Claims that an employer failed to adequately protect employees against risks from asbestos dust have regularly been allowed to proceed to trial.95 In one case, despite evidence that environmental testing was done at the World Trade Center site and that workers were provided protective masks, a worker’s claim that his mask was not sufficient to protect against “high alkaline” dust was allowed to proceed to trial.96

- During the 2014 Ebola outbreak, a nurse cared for a patient in a Dallas, Texas hospital, left the hospital and travelled to Akron, Ohio where she visited a bridal shop, and then returned to Dallas where she fell ill with Ebola. Ohio health authorities ordered the bridal shop to close causing the shop owner to lose money. The shop owner has since been allowed to sue the Dallas hospital (thousands of miles away) to recover based on the hospital’s failure to implement adequate infection-control procedures.97

- Federal courts allowed a lawsuit to proceed against the United States Bureau of Prisons for failing to adequately remedy conditions conducive to an outbreak of valley fever. Warnings alone were insufficient because the prisoners could not simply avoid the prison grounds.98

**Alert authorities and follow official guidance.**99

- In the case of a prison with a valley fever epidemic, a court noted that the prison acted “consistent with its duty” when it “began to work with the CDC to develop a policy for the prevention and treatment of cocci in prisoners.”100

**Consider how peers are responding.** Many organizations have taken steps beyond those recommended by health authorities – stemming travel, closing offices, and cancelling events.101 In future litigation, plaintiffs will likely be allowed to present these measure as evidence of proper conduct.102 It may be left up to a jury to decide what the proper standard of care was in light of all the evidence.

- In the case of the student bitten by a tick on a school trip, the school should have warned of the risk even though the CDC knew of no prior incidents of illness like that suffered by the student. The court considered independent expert testimony as well as evidence from the British health service, in addition to CDC guidance.103
What advice should a business follow absent any known contacts with the virus? For example, if an employer is not aware of any specific contacts with the virus, should it be doing anything?

Stay Informed

First, keep informed. Liability usually does not attach for failure to protect from unknown risks, but employers especially should be vigilant to potential dangers. Employers should have a person responsible for keeping informed of the geographical spread of the epidemic and employees should know how to report suspected contact with the virus.

- When the renter of a vacation home in California was bitten by a poisonous brown recluse spider, the landlord was cleared of liability because he had no reason to believe that type of spider was even prevalent in the area.
- Another California court refused to hold a homeowner responsible for a guest that was bitten by a tick, reasoning that the homeowner had no advance warning that his dog was carrying the potentially dangerous tick.
- A restaurant was held liable for a patron’s spider bite because black widow spiders were a known geographical risk and the owner failed to take adequate protective measures.

Alert employees. Employers should alert employees to the general risks of the novel coronavirus and inform employees of steps they can take to stay safe, such as washing hands regularly.

- Sweeny, Texas has been called “the mosquito capital of the world.” A rail worker in Sweeny was warned by his employer about the risks of West Nile virus and proper preventive measures, such as wearing mosquito repellant. The employer did not provide repellant, did not mitigate puddles of standing water, mow grass, or fix the worker’s rail car to prevent the entry of mosquitoes. The Texas Supreme Court refused to hold the employer responsible for the known and uncontrollable naturally-occurring risk.

Take Reasonable Preventive Measures

Maintain a safe workplace. Employers should also stay ahead of the virus by avoiding the presence of the virus in workplaces and mitigating any conditions conducive to infection. This might mean cancelling non-essential travel, especially to affected areas, and providing sick employees with the means to stay away from the workplace. These measures will help avoid liability.

- A golf course was held liable for a bee sting because its gopher holes created a condition conducive to yellow jacket nests.
- In the case of a rail worker in Sweeny, Texas infected with West Nile virus by a mosquito, the court noted that the employer might have had a responsibility to mitigate the condition if the mosquitoes were found in a building as opposed to natural land, or if they posed an unreasonable risk that employees could not realize or guard against.

Clean and disinfect. Possibly the most important thing an employer can do to protect employees and avoid liability is to keep the workplace free of SARS-CoV-2 spores. If the spores that cause COVID-19 are not present in the workplace, employees will be safer and courts will be reticent to impose liability.
When a plaintiff claimed that she caught valley fever from spores in a mound of dirt placed adjacent to her home, the court dismissed the case because she failed to prove that the mound contained the bacterial spores that cause the fever.  

A defendant whose soil samples tested positive for the infectious spores that cause valley fever was held responsible for a neighbor’s infection.  

A New York court dismissed the claims of a school employee who claimed that unsanitary conditions at the school led to the presence of a fungal pathogen which gave him an eye infection. Without specific evidence that the fungus existed at the school, the school’s general awareness of unsanitary conditions was insufficient to impose liability.  

A New York court dismissed the claims of a teacher that horrid conditions at a school (“rodents, rodent carcasses, rodent droppings, cobwebs, cockroaches, cockroach and other bug carcasses, mildew, thick-black dust, and excessive dirt[,] numerous ceiling tiles were water-damaged and broken; there was mold on the ceiling tiles by the vents, mold on the walls, and mold in the closets”) caused her allergies and asthma, because her expert witness did not present sufficient evidence that the levels of exposure at the school reached the thresholds necessary to cause injury.  

A worker kneeled down in the basement of the “Hypochlorite Building of the Jamaica Wastewater Treatment Plant” in New York, noticed a strange dust and smell, and then almost immediately developed flu-like symptoms and shortly thereafter discovered a sore on his leg. His claim that the hypochlorite chemicals used at the plant caused his injuries were thrown out when the plant asserted that there was no hypochlorite present in the basement area, and the worker failed to rebut that evidence.  

However, in some workers’ compensation cases at least, courts have upheld decisions imposing liability on an employer for an infection based on expert testimony ruling out other possible sources of the worker’s infection. For example, an emergency room technician that contracted Hepatitis C was awarded damages against her employer based on expert testimony that the hospital was the only plausible source of the worker’s infection. Similarly, a sanitation worker (whose route included hospitals) contracted Hepatitis B from an unknown source but the court allowed an award against his employer after an expert testified that his employment was the only plausible source for his infection.  

3. How should a business think about guests? For example, should retailers close stores?

At this point, the risks presented by the novel coronavirus are generally known due to extensive media coverage. Experts have cautioned that the risk remains low and governments have encouraged businesses to stay open unless advised otherwise. However, this is a rapidly evolving situation.

Stay Informed

Retailers should stay informed about the spread of the virus by following government reports, any potential contacts of the virus with its store locations and employees, and any other reason to believe its customers are at any greater risk of being infected at its stores. For example, retailers that serve especially prone populations (e.g., businesses that service the elderly and sick) should consider developing additional measures to protect their customers — perhaps adding delivery options or curbside pickup and extending return periods so that customers can avoid unnecessary trips during flu season.
Take Reasonable Preventive Measures

**Take steps to disinfect premises.** If the virus is not present in a store, it is difficult to blame the retailer for spread of the virus.

- A court dismissed claims that an uncovered mound of dirt spread the valley fever and noted: “Valley Fever spreads much like other naturally occurring illnesses. One can have suspicions, but without scientific data tracing the source, one cannot be sure who infected him or her with a head cold or stomach flu.”

**Take steps to protect customers.** Given the known geographical risks of coronavirus, stores might want to consider additional measures to prevent spread of the virus in their store locations.

- A restaurant in California was held liable for a black widow spider bite because black widow spiders were found to a be a known geographical risk and the restaurant failed to protect its patrons.

- A claim by an infected patient that a “hospital negligently allowed its premises to become ‘infested and infected’” with Legionnaire’s Pneumonia Virus was allowed to proceed.

- When a Cornell University student took his life by jumping off a bridge, a court found the city might be held liable due to the apparent failure of its bridge redesign to stem the foreseeable tragedy. Cornell University, by contrast, was released from the suit because it had no relevant control over the bridge or contact with the student’s death.

The recommendations of official agencies and the actions of competitors should also be considered in shaping the proper response to the evolving epidemic. Official guidelines now dictate enhanced hygiene protocols such as no-contact greetings, cleaning hands at the door, increased use of non-cash payment methods, increased ventilation, regular disinfecting, and taking measures to stagger customer flow. Businesses should also pay close attention to the actions of their peers. Consider posting informational signs and hand sanitizer, train employees on recognizing and responding to signs of illness in customers, mandate that employees regularly wash their hands, and re-train employees to avoid close contact with customers.

**Are there any other considerations that might affect litigation?**

Against this backdrop of potential liability, we would expect that any wave of tort litigation around the novel coronavirus will also prompt courts to consider public policy. In New York, for example, “the concern for potentially unbounded liability of certain defendants” is a factor that might “lead courts to declare that no legal duty exists.” Still, a widow and orphans seeking remuneration for a spouse and parent that fell victim to the novel coronavirus are sympathetic plaintiffs with a potentially viable case. Business leaders should take every reasonable step within their power to help stem and avoid exacerbating the unfolding outbreak.

**IV. Conclusion**

These are only some of the myriad of potential legal issues posed by the spread of the novel coronavirus. If you have any questions about the issues addressed in this memorandum or otherwise, please do not hesitate to reach out to us.
Many contracts, especially contracts for supply, contain force majeure provisions that excuse a party’s performance if performance becomes impossible due to a listed event – usually extreme circumstances.

1. World Health Organization, WHO Director-General’s opening remarks at the media briefing on COVID-19 - 11 March 2020 (March 11, 2020) available at WHO Director-General's opening remarks at the media briefing on COVID-19 - 11 March 2020 (“We have [] made the assessment that COVID-19 can be characterized as a pandemic.”).


7. Id.


10. See C-Span, Coronavirus Task Force Briefing (March 9, 2020) available at https://www.c-span.org/video/?470172-1/coronavirus-task-force-briefing (Dr. Fauci, Director of the National Institute of Allergy and Infectious Diseases, about whether campaign rallies should be cancelled: “This is an evolving thing, so not sure what we're going to be able to say at the time you have a campaign rally”); CDC, Coronavirus Disease 2019 (COVID-19) Situation Report (March 9, 2020) available at https://www.cdc.gov/coronavirus/2019-ncov/situation-report.html (“This is an emerging, rapidly evolving situation.”).


12. Seeking Alpha, Jeetblue Airways (JBLU) Management Presents at J.P. Morgan 2020 Industrials Conference (Transcript) (March 10, 2020) available at https://seekingalpha.com/article/4330947-jeetblue-airways-corporation-jblu-management-presents-j-p-morgan-2020-industrials-conference-part-single (“Over the last couple of weeks, the demand environment has deteriorated significantly. In fact, when I look at how the demand has deteriorated last couple of weeks, it appears to be worse than what we saw after 9/11.”). Jeetblue updated their guidance accordingly. See id. (“Given the uncertainty of the impact, the speed of events and the dynamic nature of what's going on, Jeetblue has withdrawn the first quarter and full year 2020 guidance.”).


15. See C-Span, Coronavirus Task Force Briefing (March 9, 2020) available at https://www.c-span.org/video/?470172-1/coronavirus-task-force-briefing ("Individual entities . . . cancelling activities, that are not coming from a direct recommendation from the federal government . . . what they are probably acting on is what they would consider . . . an abundance of caution . . . . I would not criticize them for that. They are using their own individual judgment.").


17. See supra, n.10.


21. See The Wall Street Journal, Latest on Coronavirus (March 7, 2020) available at https://www.wsj.com/livecoverage/coronavirus/mod-article_inline (“Companies are increasing production to keep up with demand for nonwoven polypropylene” but “[t]he fast spread of the virus has depressed business activity and trade, rattling markets.”)


27. Many contracts, especially contracts for supply, contain force majeure provisions that excuse a party's performance if performance becomes impossible due to a listed event — usually extreme circumstances completely outside the control of either party such as floods, wars, and sometimes, epidemics. Constar Int'l v. LBP Communica, 513 F. Supp. 2d 107, 120, n.8 (D.N.J. 2007) ("Force majeure is, an event or effect that can be neither anticipated nor controlled. The term includes both acts of nature (e.g., floods and hurricanes) and acts of people (e.g., riots, strikes, and wars.").

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A feeling in every contract, and affects how the terms and conditions of the contract, and the rights and obligations of the parties, are to be understood.

Example, that the declarant is required to notify affected parties within five business days of the probable impact of the event of force majeure, and to take steps to minimize the effects of force majeure.

However, the U.S. government responded with massive tariffs and triggered a trade war that tanked the market price for solar panels; plaintiff sought to cancel its contract. (See, e.g., supra pt. Kaltim Primus Coal v. AES Barbers Point, 725 F. Supp. 2d 843, 852 (D. Minn. 2012).) "Michigan courts have recognized that a force majeure clause relieves a party from termination of the agreement due to circumstances beyond its control that would make performance untenable or impossible."

(See, e.g., supra pt. Malone v. Mainsail Energy, Inc., 725 F. Supp. 2d 1157, 1170 (W.D. Okla. 1989).) "Plaintiff’s argument that an event of force majeure must be unforeseeable must be rejected. Nowhere does the force majeure clause specify that an event or cause must be unforeseeable to be a force majeure event."


Duke Energy Transmission Co. v. Essar Steel Minnesota, 871 F. Supp. 2d 843, 852 (D. Minn. 2012). "Michigan courts have recognized that a force majeure clause relieves a party from termination of the agreement due to circumstances beyond its control that would make performance untenable or impossible."
The Uniform Commercial Code (adopted in large part as law by most states) provides an excuse for non-performance of contract where performance “has been made impracticable by the occurrence of a contingency the non-occurrence of which was a basic assumption on which the contract was made.” U.C.C. § 2-615. Some states have different or additional impossibility and/or impracticability laws. See, e.g., Elsacon, Inc. v. Vichon Inc., 841 F. Supp. 2d 1298, 1306–1307 (N.D. Ga. 2011) (“Georgia law states: ‘If performance of the terms of a contract becomes impossible as a result of an act of God, such impossibility shall excuse nonperformance, except where, by proper prudence, such impossibility might have been avoided by the promisor.’ and ‘Georgia law states that a party has not breached a contract by non-performance if performance as agreed has been made impracticable by the occurrence of a contingency the nonoccurrence of which was a basic assumption on which the contract was made.’”).

55. See, e.g., U.C.C. § 2-615.

56. See, e.g., U.C.C. § 6-213 comment 8 (“[T]he exemptions of this section do not apply when the contingency in question is sufficiently foreseen at the time of contracting to be included among the business risks which are fairly to be regarded as part of the risked terms.”). See also Kell Corp. v. Gent. Motors., 519 N.E.2d 295, 296 (N.Y. 1987) (“[Impossibility must be produced by an unanticipated event that could not have been foreseen or guarded against in the contract.”). InterPetrol Bermuda Ltd. v. Kaiser Aluminum Corp., 719 F.2d 992, 999 (9th Cir. 1983) (“Section 2-615 [Impossibility] applies only when the events that made the performance of the contract impracticable were unforeseen at the time the contract was executed. [] The extensive negotiations over the force majeure clause, discussed above, indicate, that the parties not only foresee the risk that Oxy Crude would default but also bargained over which party would bear the loss in that event.”). See Int’l Minerals & Chem. Corp. v. Linnco., Inc., 770 F.2d 879, 886 (10th Cir. 1985) (“Although earlier cases required that performance be physically impossible before the promisor would be excused, strict impossibility is no longer required.”).


59. Schenck v. Caproni Construction Co., 194 So.2d 378, 379-80 (La. App. 1967) (holding against the homeowner because, though the flooding certainly made the home expansion difficult and burdensome in light of the repairs needed to the home, it was not impossible to perform the contract). See, e.g., L. Strauss, A korn, Inc. v. Fresenius K abi AG, 789 A.2d 14, 71 (Del. Ch. 2001) (“Tyson’s arguments are unaccompanied by expert evidence that identifies the diminution in IBP’s value or earnings potential as a result of its first quarter performance. The absence of such proof is significant.”). See also, A korn, Inc. v. Fresenius K abi AG, No. 06-cv-7719, 2007 WL 1805666, at *4 (E.D. La. June 22, 2007) (noting damage beyond “what anyone predicted”). The court added that, under other applicable state law, it might even “dissolve the contract if the circumstances warrant.” Id., at *1.

60. In re IBP, Inc. Shareholders Litig., 789 A.2d 14, 68 (Del. Ch. 2001); A korn, Inc. v. Fresenius K abi AG, No. CV 2018-0300-JTL, 2018 WL 4719347, *61-*62 (Del. Ch. Oct. 1, 2018) (applying Delaware law and clarifying that foreseeability is not the test but whether the risk was known is important) aff’d, 198 A.3d 724 (Del. 2018). These two decisions are widely cited as seminal case law with respect to the applicability of MAC clauses.

61. A korn, Inc. v. Fresenius K abi AG, No. 06-cv-7719, 2007 WL 1805666, at *1 (E.D. La. June 22, 2007) (internal quotation marks omitted). The court ruled that there may be a viable impossibility defense and allowed the case to go forward so that the facts could be developed as to whether the contract was possible to perform (for either party) given the effects of the hurricane. Id. The case was subsequently settled out of court. See Order, id., Dkt. 62 (Sept. 13, 2007).


65. Id. at *53.

66. Id. (Delaware courts inquire “whether there has been an adverse change in the target’s business that is consequential to the company’s long-term earnings power,” “measured in years rather than months”). Evidence of a decrease in profits of around 40% or higher over multiple quarters might suffice. Id. at *53 (citing K ling & N u gent, Negotiated Acquisition of Companis, Subsidiaries and Divisions (2018)).


68. In re IBP, Inc. Shareholders Litig., 789 A.2d 14, 69, 71 (Del. Ch. 2001) (considering analyst projections but noting that the buyer relying on the analyst projections “has evinced more confidence in stock market analysts than I personally harbor”).


71. See id., at *4.

72. A korn, Inc. v. Fresenius K abi AG, No. CV 2018-0300-JTL, 2018 WL 4719347, *56 (Del. Ch. Oct. 1, 2018) (“Analysts’ estimates for A korn’s peers have declined by only 11%, 15.3%, and 15%, respectively, for those years. Analysts thus perceive that A korn’s difficulties are durationally significant.”)


74. Id.


77. Id.

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On March 9, 2020, New York City Mayor Bill de Blasio encouraged all employers to “allow more employees to telecommute” in order to free up space on public transit so that people are not

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121 Browning-Ferris Indus. v. W.C.A.B. (Jones), 617 A.2d 846, 851 (Pa. Commw. Ct. 1992) (“[T]he evidence of record is sufficient for a reasonable mind to accept as adequate proof of the fact that Decedent had been exposed to hepatitis B in the course of his employment and that the resulting fulminant hepatitis infection was a substantial contributing factor in his death.”).

122 Edison v. Mgmt. & Training Corp., No. 12-cv-2026, 2018 WL 3491675, at *4 (E.D. Cal. July 19, 2018) (court considered that risk of valley fever was “all over the news”).


125 See supra n.17; see also supra n.11 and 12 and accompanying text (in under a month, JetBlue went from seeing “no meaningful impact” to seeing an impact on demand “worse than what we saw after 9/11”).

126 See Alysia v. Mgmt. & Training Corp., 671 F. App’x 970, 971 (9th Cir. 2016) (a landowner has a duty to warn of any known “hidden danger” including microscopic parasites).

127 See Charisse Jones, Coronavirus outbreak leads CVS to say it will deliver medications to customers for free, USA Today (March 9, 2020) available at https://www.usatoday.com/story/money/2020/03/09/coronavirus-cvs-deliver-medications-no-extra-cost/5002329002/; cf. NYU Langone Health, Alerts: For Patients, alertsnyulangone.org/patients (hospital system encouraging patients with flu like symptoms to use a virtual urgent care service).


130 Methodist Hosp. of Indiana v. Ray, 558 N.E.2d 829, 829 (Ind. 1990). Hospitals and nursing homes are especially prone to allegations that they did not adequately protect patients, staff, and even the public. Still, courts have been reluctant to hold hospitals liable for the “emotional distress” of those afraid of contracting a communicable disease. See Lopez v. New York City Health & Hous., 647 N.Y.S.2d 267, 268 (1996) (affirming dismissal of claim by wife whose husband contracted HIV and collecting citations).

131 See Glenburg v. City of Ithaca, 839 F. Supp. 2d 537, 542 (N.D.N.Y. 2012). A crisis of Cornell students committing suicide led the city of Ithaca to undertake a bridge redesign and reconstruction to stem the tragedies. Id. The court noted that the redesign clearly failed, and allowed the suit to go forward. Id.

132 CDC, Keeping the Workplace Safe (March 10, 2020) available at coronavirus.gov.

133 David Cook, 14 New York Practice Series: New York Law of Torts § 6:4 (Westlaw 2019) (New York courts have looked at factors like “proliferation of claims and ability of courts to cope,” “social utility of the conduct and the reticence of the courts to intervene and regulate that conduct,” “likelihood that liability will result in unlimited or insurer-like liability,” among other things that point away from courts expanding liability to private parties for matters better suited to policy making arms of the government).
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