CORONAVIRUS PANDEMIC: FROM A LEGAL PERSPECTIVE

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ABSTRACT

The pandemic of coronavirus has had an effect on mostly every sector, every industry in the country. The outbreak was first diagnosed in Wuhan, China in December, 2019 but it was acknowledged as a pandemic in March, 2020 by the WHO (World Health Organization). The virus mainly spreads by close contact through coughing, sneezing etc. It’s a communicable disease which can easily spread and affect the number of people who come in contact. It is most contagious during the first three days after the onset of symptoms, although spread may be possible before symptoms appear and in later stages of the disease.

There has been an effect of coronavirus in the law and legal regulations of the country. The presence of laws for the spread of the disease in the Indian Penal Code, 1860 and the presence of the Force Majeure along with Doctrine of Frustration in the Contracts Act, 1872 have become useful in the time of lockdown.

The research paper would be dealing with laws and legal regulations which are being implemented in the times of the lockdown along with explanation of the Force Majeure clause of the Contract Act, 1872 as the contracts have now become impossible to complete due to spread of coronavirus. As force majeure clauses permit contractual non-performance, they are likely to be given a narrow interpretation by the courts after it reopens. This will affect many companies. Some impacted by the lock-down may also be affected as acts of government may not be under the terms of force majeure. It all depends on terms between the parties.

At last, both the authors have provided their opinion on the implementation of the Force Majeure clause in the contracts along with the implication of the Indian Penal Code, 1860 all across the country.

KEY WORDS

Force Majeure, Contract Act, Coronavirus, Indian Penal Code, Pandemic

INTRODUCTION

The whole world is now dealing with the pandemic spread due to coronavirus. The whole existence of the virus is still a mystery. Therefore, it helps the people in imagining and creating various stories regarding the spread of it. The spread of the virus has almost hindered every sector, industry, office in the society. The need for the lockdown by the government in order to fight against the deadly disease has lowered the economy as the business is suffering a lot. The cancellation of the contracts, the closure of many businesses, has led to the downfall of the sector with extraordinary economic losses.

Due to this pandemic, the industry has been closed and there is hardly any legal remedy for the people who have been deeply affected by it. Due to closure of the industry, there are thousands of people who are suffering. There were no legislative or legal audits of the implication of the lockdown before it was implied in the country. But as the lockdown
till now has helped in containing the virus from spreading to a large number of people, it can be said that the lock down has been underlying the legislative procedures.

As the lockdown is extending due to the spread of the virus, there’s delay and disruption caused in the contracts as they are being either cancelled or suspended. The parties to the contract i.e. the suppliers, workers etc. are not able to perform their part of the contract as well as they are delaying their performance leading to the cancellation of their contract due to the unforeseen circumstance of the lockdown due to the spread of the coronavirus. This situation has led to the enforcement of the force majeure clause of the Contracts Act, 1872

Because of the non-performance of the contract by the suppliers, companies may not be able to satisfy their obligations under their customer agreements and may in effect try to postpone and/or prohibit the fulfillment (or responsibility for non-performance) of their contractual obligations and/or cancel contracts. Parties can also invoke Covid-19 as a basis for price renegotiation or other primary contractual provisions.

WHAT IS FORCE-MAJEURE

In India, we do not have any “Superior force” or force majeure clause but it can be covered under section 32 and 56 if the Indian Contract Act, 1872. Section 56 of the act at the first mentions the initial failure to perform the contract while at the second it states, “a contract to do an act which, after the contract is made, becomes impossible, or, by reason of some event which the promisor could not prevent, unlawful, becomes void when the act becomes impossible or unlawful”. In the contracts which fail to add the clause of force majeure may rely on the doctrine of frustration under Section 56 of the Indian Contract Act, 1872 besides the judgment delivered by the honorable supreme court in case “Energy Watchdog v. Central Electricity Regulatory Commission” where they said if any event leads to the frustration of the contract due to some express or implied reason mentioned in the clauses of the contract it will be dealt with section 32 and if it is totally unrelated to any of the clauses of the contract then it will be dealt with the section 56 of the act. It deals with the impossibility of the performance of contract by some uncontrollable events such as the once which are so powerful that both the parties become absolutely unable to perform the contract. Under this section of the act if any of the party fails to perform his part of the contract then the contracting party can use the defense of force majeure. It is a broad term which includes an act of god, natural disasters or war, strikes by the labours or pandemics or epidemics etc. The intention of this defense is to protect the performing party from the consequences of the non performance by some unforeseeable event which if not used could lead to the breach of contract. According to the doctrine of frustration of the contract, this impossible event should be such an act that makes the performance practically cut off and not simply just some change of circumstances as was specifically stated in the case “P D Mehra v. Ram Chandra Om Prakash” that

2 2017(4) SCALE 580
3 AIR 1952 P H 34
the impossibility should be one which makes the performance of a contract extremely difficult. Moreover this word impossibility does not mean some literal interpretation but something that totally distorts the foundation of the contract as was expressed in case “Satyabrata Ghosh v. Mugneeram Bangur & Co.”

Now we need to check the availability of the defense. This totally depends on the language of the contract so used which can have multiple interpretations in the court of law. So it becomes very important to review the clause very carefully as some can be very specific which can straight away meet the requirements of the circumstances or they can be too open ended. So we need to use the doctrine of contractual interpretation. In the case of COVID-19 there exists two ways in which we can say that it is a pandemic which can be included under the definition of force majeure.

a) The contract has very clearly stated that the contract becomes void in the case of pandemics. It will very simply include COVID outbreak under it and hence the defense can be used.

b) The force majeure clause in the contract has used very general and open ended terms like very extraordinary circumstances. So it becomes a very general interpretation of the parties to decide whether the defense of force majeure can be invoked.

Hence, we can say that COVID considered as an extraordinary circumstance responsible for the non performance will totally depend on the clause of the contract and upon the interpretation of the parties. So this totally depends on the word pandemic that may or may not have been used in the clauses. But still the non performing is under an obligation to prove that he has taken every possible option in order to perform the contract. So the onus of proof will be on the party invoking the defense. He has to prove in the court of law that he has opted for every possible way to complete his part of the contract and he was not able to do so because of the extraordinarily unforeseeable circumstance.

All the party invoking the defense has to do is they have to notify the other party that they are unable to perform their part of the contract and hence they wish to invoke the force majeure clause. They can show all the evidence which proves that they left no option untired. So it becomes important that the other parties keep all their documents safe which can be used in the future disputes.

WHAT IS THE IMPACT ON THE CONTRACTS

When a contract is formed between two parties, they always include the clause of remedies, on the breach of contract either in liquidated form or non-liquidated. Now, all the contracts become null and void due to the non performance of one of the parties then the remedy available to them will be entirely

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4 1954 AIR 44, 1954 SCR 310
based on the language as well as the interpretation of the remedy clause. For example, some of the contracts when breached due to an event of force majeure may be terminated then and there.

While some may put on hold until the force majeure event is pulled off. Some of the contracting parties may also opt for the option of self termination of the contract by providing a prior notice or suspend certain obligations which are getting affected by such an event. So, if any of the parties wishes to invoke the defence of force majeure they need to make sure that they review the language of their remedy clause because they may be very restrictive or very open ended in their interpretation. Also the parties involved need to see that if their contract obligates them to mitigate the events of force majeure before reaching to some conclusion then they will be duty bound to do so by taking all the possible steps\(^7\).

The existence termination clause will help one of the parties to terminate the contract voluntarily if they realize that the natural circumstances are not favorable for performing the contract and there seems no end to it anytime soon. It will help both the parties to end the contract then and there with no scope for any losses or gains.

A contract thus may very specifically mention all the force majeure events which they may wish to consider as a reason for the failure of contract without the fault of any party. For that purpose they may include terms like epidemic, fire war, strikes and pandemics or may keep it open ended by saying all general events which are unforeseeable. So in these conditions it will depend on the court to decide the fate of the contract. Therefore, it is very important to review the clause of force majeure judiciously.

While in countries like India where it becomes very important to remain bound by the contract, the parties who failed to add the term pandemic specifically have to suffer a lot while those who have added will succeed very easily using interpretation clauses. And if there remains any question of COVID being a pandemic or not then the World Health Organization on March 11, 2020 declared COVID-19 as pandemic and hence it falls under the ambit of ‘regulation or law of legislature or any statutory authority.\(^8\)

**EFFECT ON CONTRACTS BY GOVERNMENT NOTIFICATIONS**

Wuhan, China is the epicenter of deadly disease coronavirus when first of its cases was reported on 31st December, 2019 in the WHO’s country office. Yet WHO waited till March 11, 2020 to declare it as pandemic when the situation went totally out of control whereas in India the first case was reported in the state of Kerala on 30th January, 2020.

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when WHO declared COVID-19 as a ‘public health emergency of international concern’.

But by the time it was declared as a pandemic India had already crossed 50 patients of coronavirus and had spread in 13 states. It was thus expected that this virus would affect all the sectors horribly and as expected, it daunted the world economy by showing it a great downturn. It left no option for all the government authorities in the world to take severe action and try to control the situation. As this virus did affect the global markets by shutting down all the trades or supply chains, it busted the stock markets across the globe. It has also affected the contracts in progress by making them impossible to perform. Now, to get away with the consequences of breach of contract by the part that was unable to fulfill his part, he has to prove that it was an act of god and not at all his fault. So, it all depends on the force majeure clause of the contract but if any contract fails to add them there still remains an option to prove Coronavirus as pandemic by showing the notifications issued by the government besides lockdown which blocked all possible ways to fulfill the contract. Government took care of handling the situation in the country by passing several notifications.

And the first of them was issued on 19th February, 2020 declaring COVID-19 as an act of god and thus has to be dealt under force majeure clause. It also stated that in such kind of natural calamities if any party wishes to invoke force majeure clause they may do so whenever appropriate. This notice was succeeded by another prohibitory notification blocking all mass travel and gatherings. Even the ministry for renewable energy stated that all the contracts related to renewable energy projects shall be delayed on account of outbreak of deadly virus which is a force majeure event. Not only the government was at its full active mode but also the judiciary has played an important role to make the issue much simpler by announcing on March 16, 2020 that the Supreme Court will be hearing only the matters which are very important and cannot be avoided. Rest all the cases will be put on a hold till the event of force majeure is ended. They also opted for thermal screening as a possible way out for conducting all the necessary trials. They announced it via suo moto cognizance under article 142 read with 141 of the Indian constitution. On 24th march, 2020 a notification was issued by home ministry suspending all the trades and travels for public safety and announced a lockdown considering coronavirus as pandemic. Thus all these actions taken by the government shows that the present circumstances have to be considered as a force majeure event.

It may also be doubted that whether a government notification suspending all possibilities for trade stating the issue to be force majeure event be a source of dispersing the contract. For that we have a law stating that any contract can be dissolved “whenever a legislative or administrative intervention directly operates on the fulfillment of the

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contract for some specific work as to transform the conditions of performance”

**ININDIAN PENAL CODE AND CORONAVIRUS**

Since the spread of the deadly disease, the whole country is in a state of chaos, there are several rules and regulations which the people have to follow in the lockdown. Not only does the Contract Act is applicable in the lockdown but also there are several regulations which the citizens have to follow in order to prevent themselves from committing an offence under Indian Penal Code, 1860. These sections which are applicable are as follows-

1. **Section 269**- Negligent act likely to spread infection of disease dangerous to life.—Whoever unlawfully or negligently does any act which is, and which he knows or has reason to believe to be, likely to spread the infection of any disease dangerous to life, shall be punished with imprisonment of either description for a term which may extend to six months, or with fine, or with both.

2. **Section 270**- Malignant act likely to spread infection of disease dangerous to life.—Whoever malignantly does any act which is, and which he knows or has reason the believe to be, likely to spread the infection of any disease dangerous to life, shall be punished with imprisonment of either description for a term which may extend to two years, or with fine, or with both.

3. **Section 271**- Disobedience to quarantine rule.—Whoever knowingly disobeys any rule made and promulgated [by the [ ***] Government [***]] for putting any vessel into a state of quarantine, or for regulating the intercourse of vessels in a state of quarantine with the shore or with other vessels, for regulating the intercourse between places where an infectious disease prevails and other places, shall be punished with imprisonment of either description for a term which may extend to six months, or with fine, or with both.

The acts which disturb the public at large, any community or ignore the health of the people which is required for the betterment of the people is termed as public nuisance. The principle on which the public nuisance is based is legal maxim i.e. “*sic utere tuo ut rem publicam non laedas*,” which means “enjoy your property in such a way as not to injure the rights of the public”

Since, the coronavirus is a deadly disease the spread of the disease would lead into criminal liability. The essential which needs to be established is that the act committed by the person is spreading the disease and the accused person cannot take the defense of the committing the act in his own interest or preventing the harm done to him. The acts cannot be committed negligently as well as intentionally. The act would always lead into criminal liability.

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12 ET Online, *Venturing out during a lockdown? You may be booked under these clauses/articleshow/74779262.cms*

For example, if a person spreads the disease (coronavirus) by infecting the food, or by touching people randomly, or spitting on the staircase which a large number of people might touch and get affected due to it. The people/community can be held liable for committing an offence under these sections. There were many instances in the country when the people were made liable under these sections. Under Indian Penal Code (IPC) Section 270, a 63-year-old woman from Kangra was booked as she refused to reveal her travel background after her returning from Dubai, and later tested positive for COVID-19. Another COVID-19 patient from Kangra, a 32-year-old returning from Singapore, was also booked under Section 270, which protects individuals who maliciously commit any act that is likely to spread the infection of any life-threatening disease.

There were other instances across the country where Sections 269 and 270 were used to arrest person who were defying quarantine orders to contain the pandemic. Although Section 269 provides for a six-month and/or fine prison sentence; Section 270 provides for a two-year, and/or fine prison term. The word 'malignantly' in Section 270 specifies a deliberate intention on the part of the accused.

During the coronavirus outbreak, the penal laws, such as Sections 188, 269, 270 and 271 of the IPC, 1860 and Section 144 of the Code of Criminal Procedure, 1973 are being invoked to enforce the lockdown orders in various states. These sections (269 & 270), for over a century, have been used to prosecute anyone disobeying epidemic-containing orders. A person was found guilty under Section 269 in a case at the Madras High Court in 1886 for traveling by train while suffering from cholera. Similarly, these sections would also be applied by the central authorities when there will be an outbreak of any virus.

In case if you violate Section 144 then you can be held liable under section 188 of the Indian Penal Code, 1860 as you will be violating the order promulgated by the public servant. Section 144 has been imposed by the government across the country which says that there cannot be a gathering of more than four people, if a gathering is found of more than four people then it would be unlawful and you can be punished with an imprisonment upto six months as well as you can be fined with one thousand rupees or both. It means that you cannot form a group or cannot attend any protest etc as you can be booked under “engaging in riots” and the maximum punishment is three years.

Similarly, if you violate the lockdown or if you violate the quarantine restrictions you will be held liable under Section 270 and Section 271 respectively. A notice has been issued by several governments that if a person is found wandering around in the district he will be arrested under this section as he would be held liable for his act of wandering. In case a person who has been tested positive for the deadly disease or is a suspect of having the coronavirus, he could also be arrested for spreading this disease.

intentionally and he may be imprisoned for a term of two years.

CONCLUSION
It appears that considering the COVID-19 outbreak’s overwhelming existence, there would be a bunch of new conflicts which would be arising in the litigations, trade and industry after the country is free from the deadly virus. The virus has already spread across the sectors for example- the cross border trade, real estate, EPC (Engineering, Procurement and Construction). The sustainability of the claim would depend on the language of the force majeure clause and the facts of each case. In the absence of a Force Majeure clause in a contract, one would have to test the case in the backdrop of section 56 of the Contract Act, 1872.

There are incentives for companies to face claims that they have used the COVID19 situation to wriggle out of payment or results. Businesses would then have to show that they have not been affected by the major disruption caused by the pandemic outbreak and not by financial distress and general slowdown. According to Anoop Narayanan, Principal, ANA Law Group, “It’s time for people to start preparing to enforce or defend contracts. The force majeure clause of each contract will have certain requirements of compliance as well as the obligation to issue notice to the other party. Similarly, a party unable to enter into a contract must compile documentation of the measures taken to mitigate and sufficient evidence of how Covid-19 has affected its ability to fulfill the contract.

The spread of the coronavirus is likely to affect most of the sectors in the country. The nationwide lockdown is the plan of action. With industries closed, supply chains disrupted, timelines extended and contracts terminated, this procedure has caused significant economic losses for the centralized industry. There has been a total collapse in the unorganized market, with little to no legal redress for those affected. Although the lockdown helped to control the spread of the disease in the city, a legal and legislative audit of this until now, exercise has eluded scrutiny. As we are now in the seventh week of the lockdown, it is essential and timely that we assess the legislative soundness underlying it.

The effect of the coronavirus on the contracts has been great. Sometimes, the contract can be completed; sometimes it cannot be performed due to involvement by some unlawful activities or due to occurrence of impossibility. Then the doctrine of frustration comes into the picture. The force majeure is a notion which includes the act of wars, economic breakdowns, air strikes or the changes in the law etc. Due to the spread of the coronavirus in the country, the performance of the contract has become difficult and impossible because the virus spreads through touching or through the droplets which are produced after coughing and sneezing. If there is anyone who has the virus and comes to perform the part of the contract then, it would spread to a large number of people. As in India most of the people are daily wagers, they go and work and get paid. If the virus catches any one person, it would spread throughout the community which would cause more damage than the cancellation of the contract. In my opinion, this is the right way in order to stop the spread of the virus. The lives of the people are more important than the performance of the contract. The contract can be completed after the lockdown ends or the vaccine of coronavirus is created. The clause of force
majeure has to be implemented as it would help the people by not spreading the virus. The economy would go down, the business of the people will suffer but there will be less life at stake. There would be a lot of answers to the questions when the cases will be presented in the court that whether the coronavirus will be counted as a force majeure clause in a particular case or it will be allowed under certain restrictions? The court will have to review every case very thoroughly in order to know the extent of the force majeure clause and grant the party the excuse from performing the part of the contract.

Similarly the implications of the Indian Penal Code, 1860 in the country are a way of saving the people from spreading the virus. The population in the country is around 135 crores which is much more than the population of many countries combined. If there is law which is preventing the people from going out and spreading the virus, it has to be applied. The people in order to avoid getting arrested for any reason will follow the law and those people who will intentionally break the law and spread the virus will be punished after their treatment. If the laws are not followed the people will have to get imprisoned or fined or both. The government has already made the laws and expects us to follow them.

Coronavirus has undoubtedly caused a lot of trouble in the entire world. It has shut down each and every sector and is responsible for the downfall of the stock markets. After the world is going to get over this virus there are many other problems which are waiting in a row to distress the world. The world which we all are going to live in after this virus is going to be a new form of human civilization. In this new civilization unlike the one before corona, health will be the one of the major concerns of every government. Parent organizations like world health organizations are going to be much more active than ever. Even the talks have begun about making the health policy for all nations the most important issue. This virus will be taken as a lesson for every action which a government is going to take.

There are a lot of changes which we are going to experience due to this crisis and it is going to show us our paths very clearly. When we all are suffering from this crisis we are also witnessing the cold war which has begun between US and China. With the US stating the virus as Chinese and Chinese stating as it is the act of American soldiers. So, to fight the enemy both the countries want to know more and more details about their enemy. So that no company gains more they are looking into the private information to get the details. Not only that many countries are peeping into the systems of their citizens to keep a track on them. Like in China, the government is using drones to identify the people without masks, in countries like Belgium, Italy, Australia governments are using tracking devices to know about their citizens. We all have been locked down into our homes and due to this we all are more glued to our laptops and mobile phones than ever. We all are monitored by our governments even more than ever. But we forgot that we were

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fighting to stop the same as it was against our right to privacy. But now we all are okay with the government tracking us all the time. This clearly shows that the crisis has changed the way we look at the laws and how we use them.

Not only that in many countries like Hungary or Israel the governments have given all the powers to their prime ministers. They are allowed to rule by the decree and there will be no interference by any courts or legislature. In the UK the coronavirus bill has been rolled out which gives full power to the police officers up to two years that they have full power to detain any person who they think is corona positive and get him tested. Even in big countries like the US they have requested the congress that they should allow the courts to cancel the proceedings in time of emergencies. This means in the new democratic world the people can be parted from their rights to defend themselves and directly sent to jail.

Everything is going to be changed in the new world after the corona war is won and the lives will be normal again but the normal which we are waiting for is never going to come back. Though people have shown great confidence in India, it is our opportunity in this new world to become world leaders. Last time when such a great mankind shift had changed the power of the world shifted from the UK to the US and since the US has failed to maintain its position well in the world. The seat is going to shift again. In this new world the new competitors are in place and everyone is of the view that India has the potential to rule the world. And become the global leader. Though China is a tough competitor to rule the world, yet the world is in great support of India and we can do it.