

CONTRACTS · REVIEW

# THE CONTRACT RED FLAGS GUIDE

A working document for owners, executives, and HR leaders.

## HOW TO USE THIS

# Ten clauses to read before you sign anything

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You do not need to be a lawyer to catch most bad paper. You need to know where bad paper hides. Before signing, read these ten spots slowly. If any answer surprises you, that is the conversation to have before signatures, when you still have leverage.

## THE LIST

### Red flags, in the order they usually bite

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- **Indemnification that flows one way.** You cover their losses, they cover nothing of yours. Indemnity should match who controls the risk.
- **Uncapped liability** on your side, while theirs is capped at fees paid. Caps should be mutual or justified by the deal's economics.
- **Termination asymmetry.** They can exit for convenience on short notice; you are locked in for the term.
- **Auto-renewal with a narrow escape window.** Calendar the notice window the day you sign, or the contract renews itself.
- **Payment terms that move.** Vague milestones, approval-based payment with no approval deadline, or pay-if-paid chains.
- **IP ownership that swallows your business.** Work-for-hire language that captures your pre-existing tools, templates, or methods.
- **Non-competes and exclusivity** hiding in supply, dealer, or services agreements, not just employment contracts.
- **Warranty language written as marketing.** Absolute promises ('will be error-free') you cannot keep become breach claims.
- **Dispute clauses chosen by the other side:** distant forum, waived jury, mandatory arbitration with their preferred rules. Sometimes fine, never accidental.
- **Amendment by conduct.** If the contract can be changed by email or by 'course of dealing,' your file cabinet is not the contract anymore.

## A WORKED EXAMPLE

### The renewal that cost a quarter

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A West Michigan services company signed a vendor agreement with a 60-day non-renewal notice window buried in section 14. The relationship soured in month ten; procurement flagged it in month eleven; the window had closed in month ten. One more year of fees, for want of a calendar entry. The fix costs nothing: the day any contract is signed, its notice windows go on the company calendar with a 30-day head start.

## WHEN TO ESCALATE

### The two-reading rule

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Read every material contract twice: once for the deal, once for the exits. If the exits reading raises questions you cannot answer, that is a one-hour counsel review, not a leap of faith. Our contracts practice does exactly this, at a quoted price, before you sign rather than after you regret.

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*This guide is educational and general in nature. It is not legal advice, and reading it does not create an attorney-client relationship. Michigan law changes; confirm the current state of the law before acting. Prepared by Beckett & Moss, a demonstration property of Href Creative ([hrefcreative.com](http://hrefcreative.com)).*