

# Clauses You Should Never Sign

A Business Guide to Dangerous Contract Terms  
That Could Cost You Thousands

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Learn to spot the 7 most dangerous contract clauses that businesses unknowingly agree to every day, and discover what to negotiate instead.

**ProcuraLogic**

Procurement & Contract Consulting

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# Introduction

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Every year, businesses sign contracts containing clauses that expose them to unnecessary risk, unexpected costs, and legal liability they never intended to accept. The problem is not that these clauses are hidden. They are sitting in plain sight, buried in dense legal language that most people skim past.

This guide identifies the **7 most dangerous contract clauses** that we see repeatedly in vendor agreements, service contracts, partnership deals, and SaaS terms. For each one, we explain what it looks like, why it is risky, and exactly what you should negotiate instead.

Whether you are a small business owner reviewing a vendor agreement, a procurement professional managing supplier contracts, or an executive evaluating a strategic partnership, this guide will help you protect your interests before you sign.

## Who this guide is for:

- Business owners reviewing vendor or service contracts
- Procurement and operations professionals managing supplier relationships
- Executives evaluating partnerships, licensing deals, or SaaS agreements
- Anyone about to sign a contract worth more than they can afford to lose

*"The most expensive contract mistake is the one you do not catch until it is too late."*

# The 7 Clauses You Should Never Sign

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## RED FLAG #1: Unlimited Indemnification

### What it looks like in your contract:

*"Party A agrees to indemnify, defend, and hold harmless Party B from and against any and all claims, damages, losses, liabilities, costs, and expenses arising out of or related to this Agreement..."*

### Why this is dangerous:

This clause makes you financially responsible for **everything** that goes wrong, even if the other party caused the problem. There is no cap, no limit, and no shared responsibility. A single lawsuit or data breach could mean you are on the hook for millions, regardless of the contract value.

### Real-world impact:

A mid-size logistics company signed a vendor agreement with unlimited indemnification. When the vendor's software caused a data breach affecting the company's clients, the company was held liable for over \$800,000 in damages and legal fees, despite the contract being worth only \$50,000 per year.

### What to negotiate instead:

Request **mutual indemnification** with a **liability cap** tied to the contract value (typically 1-2x the annual contract amount). Each party should only indemnify for losses caused by their own negligence or breach. Carve out exceptions for gross negligence and willful misconduct.

## RED FLAG #2: Auto-Renewal with Silent Escalation

### What it looks like in your contract:

*"This Agreement shall automatically renew for successive one-year periods unless either party provides written notice of non-renewal at least 90 days prior to the expiration of the then-current term. Pricing for renewal terms shall be at Provider's then-current rates..."*

### Why this is dangerous:

You are locked into automatic renewals at **whatever price the vendor decides**. Miss the narrow cancellation window and you are stuck for another full year at a rate you never agreed to. Many companies discover 20-40% price increases only after the renewal has already triggered.

### Real-world impact:

A healthcare organization missed a 90-day cancellation window on their EHR system contract by just two weeks. The vendor increased pricing by 35% and the company was locked in for another 18 months with no recourse.

**What to negotiate instead:**

Negotiate a **price cap on renewals** (e.g., increases limited to 3-5% or CPI). Require **written notice from the vendor** at least 60 days before auto-renewal triggers, explicitly stating the new price. Shorten the cancellation notice period to 30 days, or switch to month-to-month after the initial term.

## RED FLAG #3: Broad Non-Compete / Non-Solicitation

### What it looks like in your contract:

*"During the term and for a period of two (2) years following termination, Client agrees not to directly or indirectly engage, hire, or solicit any employee, contractor, or agent of Provider, nor engage any competing service provider for similar services..."*

### Why this is dangerous:

This clause can prevent you from **hiring talented people** who worked on your account and from **switching to a competitor** even after the contract ends. A two-year restriction on engaging competing providers effectively locks you into the relationship long after you have stopped paying.

### Real-world impact:

A technology startup signed a consulting agreement with a broad non-solicitation clause. When the contract ended and they tried to hire a freelancer who had briefly worked for the consulting firm, they received a cease-and-desist letter threatening a \$500,000 lawsuit.

### What to negotiate instead:

Narrow the scope to **direct solicitation only** (not indirect or passive recruitment). Reduce the post-termination period to **6 months maximum**. Remove any restriction on engaging competing service providers entirely. If a non-compete must stay, ensure it is limited to the specific services provided, not your entire business.

## RED FLAG #4: Unilateral Termination for Convenience

### What it looks like in your contract:

*"Provider may terminate this Agreement at any time, for any reason or no reason, upon thirty (30) days' written notice to Client. Upon such termination, Client shall pay all fees for services rendered through the termination date..."*

### Why this is dangerous:

The vendor can walk away whenever they want with just 30 days' notice, but **you cannot**. This is especially dangerous for mission-critical services where losing a provider with minimal notice could disrupt your operations, leave projects unfinished, or force an expensive emergency replacement.

**What to negotiate instead:**

Ensure termination for convenience is **mutual**: both parties should have the same right. Extend the notice period to **60-90 days** for critical services. Add a **transition assistance clause** requiring the vendor to support migration to a new provider. Include provisions for **pro-rated refunds** of prepaid fees.

## RED FLAG #5: Broad Intellectual Property Assignment

### What it looks like in your contract:

*"All work product, deliverables, inventions, and intellectual property created in connection with the services shall be the sole and exclusive property of Provider. Client is granted a limited, non-exclusive, non-transferable license to use such work product..."*

### Why this is dangerous:

You are paying for custom work but **you do not own it**. The vendor retains all intellectual property rights to the deliverables they created specifically for you. They can reuse, resell, or even license your custom work to your competitors. If the relationship ends, you may lose access entirely.

### Real-world impact:

A marketing agency retained IP ownership of a brand identity package they created for a client. When the client switched agencies, the original agency demanded \$75,000 for a full IP transfer, or the client would have to rebrand entirely.

### What to negotiate instead:

For custom work, insist on **full IP assignment upon payment**. If the vendor needs to retain rights to pre-existing tools or frameworks, that is reasonable, but clearly separate pre-existing IP from custom deliverables. At minimum, secure an **irrevocable, perpetual, royalty-free license** to all deliverables.

## RED FLAG #6: Forced Arbitration with Venue Selection

### What it looks like in your contract:

*"Any dispute arising out of or relating to this Agreement shall be resolved exclusively by binding arbitration administered in [Provider's home state/country], in accordance with the rules of [arbitration body]. Each party shall bear its own costs..."*

### Why this is dangerous:

If a dispute arises, you are forced into **private arbitration in the vendor's home jurisdiction**, which could be across the country or even overseas. Arbitration limits discovery, eliminates your right to appeal, and the travel and filing costs alone can make it impractical for smaller claims. Many businesses simply give up rather than fight.

**What to negotiate instead:**

Negotiate for **mediation first**, then arbitration only if mediation fails. Choose a **neutral venue** (midpoint between parties or virtual proceedings). For smaller disputes (under \$25,000-\$50,000), include a **small claims court carve-out**. Ensure the arbitration allows for reasonable discovery and that the prevailing party recovers attorney's fees.

## RED FLAG #7: Unlimited "Change of Terms" Rights

### What it looks like in your contract:

*"Provider reserves the right to modify the terms of this Agreement at any time. Continued use of the services following any modification constitutes acceptance of the revised terms..."*

### Why this is dangerous:

The vendor can change **any term at any time**, including pricing, service levels, data handling practices, and liability limits, and your only option is to accept or leave. This is especially common in SaaS agreements and effectively means you have no contract at all, since every term is subject to unilateral change.

### Real-world impact:

A SaaS vendor modified their terms to include a new data licensing clause, granting themselves the right to use customer data for AI training. Companies that continued using the platform unknowingly agreed to give away rights to their proprietary data.

### What to negotiate instead:

Require **written notice at least 30-60 days** before any material changes take effect. Add a clause that material changes give you the **right to terminate without penalty**. Define what constitutes a 'material change' (pricing, SLAs, data handling, liability terms). Lock critical terms for the duration of your contract period.

## Your Contract Review Checklist

Before you sign any contract, run through this quick checklist:

Clause	Key Question
■ Indemnification	Is it mutual? Is there a liability cap tied to the contract value?
■ Auto-Renewal	Do you know the cancellation window? Is there a price cap on renewals?
■ Non-Compete / Non-Solicit	Is it narrow in scope and duration (6 months or less)?
■ Termination Rights	Are they mutual? Is the notice period adequate for your needs?

■ IP Ownership	Do you own custom deliverables? Is pre-existing IP clearly separated?
■ Dispute Resolution	Is the venue neutral? Is there a mediation step before arbitration?
■ Change of Terms	Will you be notified of changes? Can you exit if terms change materially?

*If you answered "no" to any of these questions, you have a contract that needs attention.*

# Need Help Reviewing a Contract?

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If reading this guide made you think twice about a contract you are about to sign (or one you have already signed), ProcuraLogic can help.

## **Quick Contract Review | \$99**

Submit your contract and receive a professional review identifying risky clauses, missing protections, and specific recommendations for improvement.

## **Initial Consultation | \$125**

A 30-minute one-on-one session to walk through your contract, answer your questions, and develop a strategy for negotiation.

## **Strategy Session | \$299**

A 45-minute deep dive for complex, high-value, or multi-party agreements. We will analyze the full scope and help you negotiate from a position of strength.

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