

SaaS Contract Red Flags Checklist

9 clauses to review before you sign any SaaS contract above \$10,000/year

How to use: Work through each section before signing. Check every item you have verified. Flag anything in the Target rows you cannot negotiate — document it and ensure it is tracked in your renewal system.

1 Notice Window for Cancellation

- What is the required notice period to cancel or not renew?
- Is it 30 days, 60 days, or 90+ days?
- Does your renewal system surface this date with enough lead time?
- Is notice required in writing — email or certified mail?

Target: 30-day notice. Flag anything over 60 days.

2 Automatic Price Escalation

- Can the vendor raise price at renewal without negotiation?
- What is the cap? ("up to X%", "CPI-linked", or no cap?)
- Have you modelled escalation into your multi-year budget?
- Did you push to fix pricing or cap increases at 3%?

Target: Fixed pricing or $\leq 3\%$ cap. Flag any uncapped clause.

3 Evergreen Renewal Into Multi-Year Term

Watch for: "successive terms of the same length"

- Does auto-renewal reset to the full original term length?
- If original term was 3 years, does a missed notice lock you in for 3 more?
- Is the renewal term explicitly stated in the auto-renewal clause?

Target: Month-to-month or 1-year auto-renewal only.

4 Seat Ratchet / Minimum Commitment

Watch for: "seat count cannot be reduced below prior term's count"

- Can you reduce the number of seats at renewal, or only add?
- Is there a seat floor that persists across all renewal terms?
- If usage drops, are you still billed for peak seat count?

Target: Right to reduce seats to actual active users each renewal.

5 Termination for Convenience

- Can you exit for any reason, or only for vendor breach?
- Is there an early termination fee, and how is it calculated?
- Is there a wind-down period with reduced payment?
- For multi-year: is there a convenience exit after Year 1?

Target: T4C clause, 30–90 days notice, no penalty. No exit path = flag.

6 Data Deletion on Exit

- How long after cancellation can you export your data?
- What formats are available — CSV, JSON, API?
- When does the vendor permanently delete your data?
- Is there a confirmed deletion certificate?
- Does retention comply with your regulatory obligations?

Target: 30-day export window, deletion within 90 days, portable format.

7 Unilateral Terms Changes Mid-Term

- Can the vendor change pricing mid-term with 30 days notice?
- Does continued use constitute acceptance of new terms?
- Do you have an explicit exit right for material changes?

Target: Pricing and material terms locked for the full contract term.

8 Audit Rights and Usage Definitions

- What exactly counts as a "user" or "seat" in this agreement?
- Does the definition include API connections or service accounts?
- Can the vendor audit and retroactively bill for overages?
- Is the audit right limited in frequency — once per year?

Target: Clear user definition, capped audit frequency, no retroactive billing.

9 Subprocessor Changes Without Notice

- Does the DPA list current subprocessors?
- Can the vendor add subprocessors without notifying you?
- Do you have an exit right if a new subprocessor creates compliance issues?
- Is there a mechanism to object to specific subprocessors (GDPR)?

Target: Advance notice of material subprocessor changes + exit right.

Quick Decision Guide

FINDING	RECOMMENDED ACTION
Notice window > 60 days	Request reduction or add to renewal tracking immediately with correct lead time
Uncapped price escalation	Negotiate cap of $\leq 3\%$ or fixed pricing for the contract term
Auto-renews into multi-year	Negotiate so auto-renewal is limited to a 1-year term only
No seat reduction right	Negotiate right to right-size licensed seats to actual active users each renewal
No termination for convenience	Non-starter on multi-year deals — escalate to legal before signing
No data export window stated	Get explicit export window and format in writing before signing
Mid-term price change right	Add explicit exit right for any material changes without negotiation
Vague user definition	Define "user" and "seat" in writing; confirm your specific integration setup
Subprocessors can change silently	Add advance notice requirement and objection right to the DPA

Before You Sign

LARGE CONTRACTS

Above \$50,000/year

Legal review is worth the cost. Share this checklist with counsel before procurement wraps.

MID-RANGE CONTRACTS

\$10,000 – \$50,000/year

Work through this checklist yourself. Document vendor responses in writing during procurement.

SMALLER CONTRACTS

Under \$10,000/year

At minimum confirm items 1 (notice window), 3 (renewal term), and 5 (exit rights) before signing.