

# Commercial contracts: Top tips before signing on the dotted line

31 May 2024  William Golding

When contracting with another party (or parties), it is important to engage in proactive negotiations to ensure that you are happy with the terms of the contract and that they meet your requirements. Unfortunately, disputes often arise somewhere down the line which could be prevented by a little TLC during the negotiation stage.

Getting the basics right can help ensure that parties minimise risk and avoid disputes arising. Here are our top tips to consider before entering into a contract:

- 1. Read and read again:** Before signing the contract, take the time to carefully read it in full several times. It is important that you understand each party's obligations from the outset.
- 2. Ensure that the contract contains clear defined terms:** If there are any ambiguous or undefined terms in the contract, seek clarification from the other party and ensure that these terms are defined and incorporated into the definitions section of the contract prior to signing. You should also check that the definitions are clear and consistent throughout the contract. Ambiguities can lead to disagreements later down the line, so it's crucial for all parties to have a clear understanding of all the provisions in the contract from the outset.
- 3. Ensure that the contract includes key clauses:** It is important to ensure that the contract includes key clauses which cover but are not limited to: (i) breach of contract and dispute resolution; (ii) service schedules and warranties; (iii) payment terms (iv) force majeure; (v) exclusion/limitation of liability; (vi) notice; (vii) auto renewal; and (viii) termination. These clauses should be included within all contracts to protect your position both legally and commercially. It is vital that you are aware of these clauses (and the consequences of them) during the life of the contract.
- 4. Verify signatories and authority to sign:** Confirm that the individuals signing the contract have the legal authority to do so on behalf of their respective organisations. Check that their names, titles, and company credentials are correctly stated throughout the contract. Ensuring you are contracting with the correct parties helps prevent potential disputes over the validity of the contract.
- 5. Record any key dates:** It is vital to ensure that key dates (i.e. the contract end date, automatic renewals and any notice requirements) are recorded correctly both in the contract and in your own diary. If the key dates in the contract are unsuitable for you, it may be possible to negotiate them prior to signing the contract to ensure both parties' obligations are realistic and can be met.
- 6. Read the contract again:** Once the contract is in its final form, read it again before committing to it. It is important to ensure that any agreed changes to the contract have been accurately incorporated into the final copy and that they meet your exact requirements. Pay close attention to any errors or inconsistencies that might have been overlooked during negotiations and do not be afraid to raise these before signing the contract. We would recommend using document comparison software when comparing previous versions of the contract with the final one as it will notify you of any discrepancies with the documents which might otherwise be missed.

Remember that once you sign the contract, you are legally bound by its terms, so it is crucial to be diligent and attentive during the negotiation and signing stage. Once you have undertaken the checks above and are content with the contract, ensure that you keep a copy of the executed contract safe. We advise storing this on a secured, shared server, rather than within an individual's email account or storage space. This is to avoid the contract becoming misplaced and potentially giving rise to issues later.

Please note, depending on the terms of the contract, an executed copy could include counterparts signed individually by each party. Make sure you have the final copy signed by every party.

It is also good practice to ensure that you keep the contract and the parties' respective obligations under review throughout the life of the contract.

If you have any reservations or uncertainties, do not hesitate to address them with the other party or seek legal advice. At Browne Jacobson LLP, we have specialist lawyers who would be happy to assist you with any [contractual queries](#). Being proactive and thorough in the final stages of forming a contract can help ensure a successful and mutually beneficial contractual relationship between the parties.

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