

SaaS Agreement Red Flags Checklist

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How to Use (60 seconds)

- Read the agreement and mark each item: **Green** (acceptable), **Yellow** (needs adjustment), or **Red** (do not sign without resolving).
- Two or more Reds means the agreement has material problems. Stop and get clarity before proceeding.

1. Scope of Service and Definitions Are key terms defined consistently across the agreement, MSA, SLA, order form, and policies? Vague or inconsistent definitions are where disputes start.	 Green  Yellow  Red
2. License and Permitted Use Is the license limited to your actual use case and number of users? Watch for restrictions that would require renegotiation as you scale.	 Green  Yellow  Red
3. Data Ownership and Use Rights Do you retain ownership of the data you put into the platform? The vendor should be limited to using your data only to provide the service, not for product development, analytics, or resale.	 Green  Yellow  Red
4. DPA and Processor Obligations Is a Data Processing Agreement included? It must confirm the vendor acts as processor only, name subprocessors, and include breach notification timelines and audit rights.	 Green  Yellow  Red
5. International Transfers If your data leaves the EEA or UK, is there a valid transfer mechanism in place? Standard Contractual Clauses or a UK IDTA addendum are the baseline.	 Green  Yellow  Red
6. Security and Audit Rights What security commitments does the vendor make? Are audit rights available to you, and are they practical to exercise? Vague security language is not a commitment.	 Green  Yellow  Red
7. Service Levels and Credits Are uptime targets measurable and meaningful? Service credits for downtime should not be the only remedy for significant outages that affect your operations.	 Green  Yellow  Red
8. Liability Caps and Carve-Outs Is the liability cap set at a reasonable level relative to what you are paying? Watch for carve-outs that effectively remove the cap for the scenarios most likely to cause you harm.	 Green  Yellow  Red

9. Termination, Renewals, and Data Return How much notice do you need to cancel? Is renewal automatic? What happens to your data after termination, and how long does the vendor retain it?	Green Yellow Red
10. IP and Confidentiality Does the agreement confirm you own the data and outputs you generate? Watch for any language that assigns rights in your data, feedback, or usage patterns to the vendor.	Green Yellow Red

Practical Notes

Most SaaS agreements look reasonable on a first read. The risk is usually in the detail: what the data ownership clause actually permits, whether the liability cap has exceptions broad enough to swallow it, and whether termination gives you enough time and control to exit cleanly. The three areas that cause the most friction are data and privacy, liability and termination, and service levels.

STOP SIGNS — Do Not Sign Without Resolving These

- Unlimited liability or carve-outs that effectively remove the cap for the most likely harm scenarios
- Vendor claims ownership of data you generate, including usage patterns or derivative analytics
- Broad change-of-control provisions that give the vendor rights you did not agree to
- No meaningful remedy beyond service credits when the platform fails
- Auto-renewal with a notice window too short to act on in practice

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