

What Every Small Business Owner Should Ask a Business Lawyer Before Signing a Contract

Why Routine Contracts Catch Small Business Owners Off Guard

I have seen it more times than I can count: a small business owner signs what looks like a standard service agreement, shakes hands, and six months later discovers a clause that costs them thousands. The problem is not that the contract was poorly written. The problem is that the owner never sat down with a business lawyer before signing it. Most people think legal review is only for lawsuits or major mergers. In my experience, the most expensive mistakes come from everyday agreements: vendor terms, partnership letters, software licenses, and customer contracts.

A business lawyer does not just flag risks. They show you where leverage sits in the deal, where obligations are one-sided, and where a small word change can save you from a lawsuit down the road. But you need to know which questions to ask. After working with dozens of business owners, I have found that the best conversations start with five specific topics. Each one changes how you read a contract from that point forward.

Question One: What Is the Dispute Resolution Process

Most contracts bury dispute resolution in the back pages. Arbitration clauses, venue selection, and attorney fee provisions can shift the entire balance of power. I once reviewed a software license that required all disputes to be heard in a specific county in Delaware, three thousand miles from the small business that bought it. The owner had no idea that clause existed. A [business lawyer](#) would have spotted it immediately and either renegotiated the venue or flagged the cost of enforcing any claim.

Ask your lawyer to explain how a disagreement would actually play out under the contract. Is there a mandatory mediation step? Who pays for arbitration? Can you recover legal fees if you win? These details determine whether you can afford to enforce your rights. Without that knowledge, a contract can become a weapon against you rather than a shield.

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Question Two: What Happens if You Want to Leave

Every contract should have a clean exit path. Yet many small business owners sign multi-year agreements with auto-renewal clauses, early termination penalties, or notice windows that are easy to miss. I worked with a marketing agency that signed a three-year lease for office space during a growth phase. When the business model shifted to remote work, they were stuck

paying rent for two more years. A business lawyer would have negotiated a break clause tied to revenue milestones or a shorter initial term.

Ask specifically: what does it take to end this agreement without penalty? How much notice is required? Is there a liquidated damages clause that charges a flat fee for early termination? If the contract does not allow exit, you are not signing a deal. You are signing a trap.

Question Three: Who Owns What After the Deal Ends

Intellectual property, customer lists, and proprietary work product often get overlooked in service agreements. A web developer builds a custom ecommerce platform for a retailer. The contract says nothing about who owns the code after the engagement ends. Later, the retailer wants to switch developers, but the original builder claims ownership of the entire site. This situation happens constantly. A business lawyer can add a simple work-for-hire clause or an IP assignment that clarifies ownership upfront.

Ask about data rights too. If your contract involves customer information, vendor lists, or trade secrets, you need to know who can use that data after the relationship ends. Many contracts grant the other party a broad license to use your business data for their own marketing or analytics. That might be fine, but you should know about it before you sign, not after.

Question Four: What Are the Real Payment Terms

Net 30 sounds straightforward until you read the penalty section. Late fees, interest rates, and acceleration clauses can turn a slow payment into a debt spiral. I reviewed a contract for a manufacturing supplier that charged a 5 percent late fee per month on overdue invoices. The effective annual rate was over 80 percent. The small business owner who signed that deal had no idea because he only looked at the price per unit and the delivery schedule.

Ask your business lawyer to run a quick calculation on late payment scenarios. Also check whether the contract allows setoff, meaning you can deduct amounts the other party owes you from what you owe them. Many standard form contracts prohibit setoff, which leaves you with no leverage if the other side fails to perform. Payment terms are not just about timing. They are about power.

Question Five: How Does Indemnification Actually Work

Indemnification clauses are among the most misunderstood parts of any contract. They look like standard language, but they often require one party to cover the other's legal costs and damages in a wide range of scenarios. I have seen indemnification clauses that would force a small business to pay for the other side's attorney fees even when the lawsuit had nothing to do with the small business's work.

Ask your lawyer to read the indemnification clause out loud and explain who bears the risk for each type of loss. Is there a cap on liability? Does the clause cover only direct claims or also third-party claims? Is there a duty to defend? That last one is critical. A duty to defend means you must pay for the other party's legal defense in a lawsuit, regardless of fault. Many small business owners treat indemnification as boilerplate, but it can be the most expensive sentence in the entire document.

How to Make the Conversation Productive

When you sit down with a business lawyer, bring the actual contract. Do not describe it. Hand them the document. A good lawyer will read it with fresh eyes and mark the clauses that need discussion. You do not need to understand every legal term. You need to understand the business impact of each clause. That is what you are paying for. That is the value of the conversation.

I also recommend preparing a one-page summary of your business goals for the deal. What outcome do you want? What are you willing to compromise on? What is a hard no? When the lawyer sees your priorities, they can tailor their advice to your specific situation rather than giving generic warnings. The best legal advice is specific, concrete, and grounded in your actual business reality.

A Final Practical Note

After you have asked these five questions and made your edits, store the signed contract in a place you can find it. I cannot tell you how many times I have seen business owners lose track of their own agreements. When a dispute arises, the first thing you need is the document itself. Keep a digital copy, a printed copy, and a note about which lawyer reviewed it. That small habit saves hours of stress later.

If you are in Utah and want someone who understands the day-to-day reality of running a small business, Jeremy Eveland at 17 N State St, Lindon, UT 84042, (801) 613-1472 works with owners on exactly these kinds of contract reviews. They know the local courts, the local business climate, and the kind of practical advice that keeps you out of trouble without slowing down your growth.