

The Manufacturer's Supply Contract Checklist

The customer writes the purchase order or supply agreement to protect their plant, their schedule, and their budget. Before you sign to build and deliver, here is what to require — and what to reject — read from the side that makes the goods and stands behind them.

Scope, orders, and price

- ☐ **Term and renewal** **Require:** a fixed term long enough to build and deliver what's in scope, with a clear end date; any auto-renewal has a right to revise or exit first.
Watch for: An open-ended term, or an evergreen clause that renews on its own and locks in price and terms you never revisited.
- ☐ **Orders and specifications** **Require:** the buyer is responsible for the accuracy of its own orders, drawings, and specifications; you build to what was provided.
Watch for: Terms that make you guarantee the fitness of the buyer's own design or specs, or absorb the cost of the buyer's ordering errors.
- ☐ **Acceptance and defect notice** **Require:** the buyer inspects and may reject only for material defects, within a short fixed window, after which the goods are accepted.
Watch for: Open-ended acceptance, or a right to reject an entire shipment for trivial or cosmetic nonconformity.
- ☐ **Payment terms** **Require:** net 30 from invoice date, with interest on late payment; progress payments where the build warrants them.
Watch for: Terms stretched past 30 days, "pay when paid" tied to the buyer's own collections, or no remedy for late payment.

The risk you carry

- ☐ **Limitation of liability** **Require:** your liability capped to the deal — the value of the contract, the value of the required insurance, or a set number of months' fees.
Watch for: No cap at all, or a cap set well above your coverage — exposure that outruns both the deal and the policy.
- ☐ **Consequential damages** **Require:** both parties waive special, indirect, incidental, and consequential damages — lost profits, lost revenue, and downtime included.
Watch for: Carve-outs that quietly put consequential damages — a customer's downtime or lost production — back on you.
- ☐ **Indemnification** **Require:** indemnities that are mutual and proportional to each party's fault; you answer only for harm you caused, not the buyer's or a third party's.
Watch for: A one-way indemnity running only from you, or a duty to indemnify the buyer for the fault of others.
- ☐ **Force majeure** **Require:** relief for delay or non-performance caused by events outside your reasonable control — supply disruption, disaster, labor action, government act — with reasonable notice.
Watch for: No force-majeure clause, or notice requirements too tight to meet when the event actually hits.
- ☐ **Liquidated damages** **Require:** any liquidated damages to be fair, capped, clearly triggered, and escalated for approval — with no penalty for buyer-caused delay.
Watch for: Uncapped per-day delay penalties, or LDs with no clear trigger and no relief when the buyer caused the slip.

Warranty and intellectual property

- ☐ **Warranty scope and duration** **Require:** a limited warranty of one year from shipment (or the original manufacturer's warranty on parts you didn't make), remedy limited to repair, replace, or refund; implied warranties disclaimed.
Watch for: An open-ended warranty, implied warranties of merchantability or fitness left in, or third-party components warranted as if you built them.
- ☐ **Intellectual property** **Require:** no transfer of your background IP, tooling, or know-how; nothing framed as "work made for hire" that assigns rights you mean to keep.
Watch for: A broad IP assignment, or work-for-hire language that sweeps in your pre-existing designs and processes.

Changes, termination, and venue

- ☐ **Change-order process** **Require:** changes to design, specifications, scope, schedule, or price take effect only by a written change order signed by both parties, with a fair price and schedule adjustment.
Watch for: A buyer right to direct changes without a signed change order, or a process that lets scope grow while price and schedule stay fixed.
- ☐ **Termination** **Require:** at least 14 days' written notice and a chance to cure before termination for cause; no buyer right to terminate for convenience without making you whole.
Watch for: Immediate termination on any breach with no cure, or termination for convenience with no reimbursement.
- ☐ **Termination cost recovery** **Require:** on early termination, recovery of costs incurred and non-cancellable commitments — plus markup on work in progress.
Watch for: Cancellation that leaves you holding committed labor, materials, and long-lead purchases with no reimbursement.
- ☐ **Flow-downs and venue** **Require:** any prime-contract flow-down provided and reviewed before you're bound; governing law and venue in your home jurisdiction or where the work is performed.
Watch for: A blanket clause binding you to a prime contract you've never seen, or law and venue set to the buyer's home turf.