

CONTRACT REDLINING: QUICK REFERENCE

How to read a redlined contract and what to focus on first

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You received a redlined contract. It looks overwhelming. It isn't — once you know what you're looking at. Use this card to triage what matters before you respond to anything.

Part 1 — How to Read a Redline

What you see	What it means
Text in red / strikethrough	The other side has deleted this. Read it — if you needed that clause, you need to put it back.
Text in red / underlined (or highlighted)	The other side has added this. This is new language that was not in your original draft.
Balloon or comment in the margin	An explanation of why they made a change, or a question they want answered. Always read these — they tell you what is really bothering them.
A clause that is entirely deleted	They want it gone completely. Decide whether you need it and, if so, why. Then push back with a reason.
A clause rewritten from scratch	The most significant change. Do not compare word by word — read the new version as a whole and ask: what does this commit me to that the original did not?

Part 2 — What Has Been Changed, and How Much It Matters

Priority	Clause — what the redline usually changes	What to do when you see it
TIER 1 Read every word	▶ Indemnity — who pays if a third party sues ▶ Liability cap — the ceiling on what either side can recover ▶ Consequential loss exclusion — what kinds of loss are ruled out entirely	Do not accept any change here without understanding it. Even small wording shifts (adding or removing "direct", "indirect", "gross negligence") can move enormous financial risk. If in doubt, call a lawyer before you respond.
TIER 2 Read carefully	▶ IP ownership — who owns what is created under the contract ▶ IP infringement — who is liable if the work infringes someone else's rights ▶ Termination rights — when each side can exit and what happens at exit	These are negotiable but consequential. Understand what you are giving up before you accept. IP ownership in particular: once you sign it away, you cannot take it back. Termination clauses affect your exit options if the relationship goes wrong.
TIER 3 Check if changed	▶ Warranties — promises each side makes about what they can and will do ▶ Payment terms — when, how, and in what currency you get paid — or pay	Often marked up as a negotiating tactic. Check the change carefully: a warranty that used to say "best efforts" versus one that says "guarantees" is a very different commitment. Payment terms are usually commercial — agree them with your finance team, not just your legal team.

Before you respond to the redline

Accept only what you actually agree with — not everything marked up

Read comments and balloons — they often reveal the real concern behind a change

If Tier 1 clauses have been changed, get a lawyer to review before you respond

When you push back on a change, say why — a reason gets further than a flat rejection

Do not accept a fully rewritten clause without reading the new version as a whole

If the other side has deleted your clause entirely, ask for it back with an explanation

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