

## **The Supreme Court rules on the buyer's duty to inspect and give notice of defects in "The Panel Timber" (sv. *Panelvirket*)**

In June 2025, the Swedish Supreme Court handed down a judgment of significant importance for commercial actors trading in goods – particularly within the construction and timber industries. The case, T 5269-23 between Specialtre AS ("**Specialtre**") and Hanåsa Sågverk AB ("**Hanåsa**"), concerned the buyer's duty to inspect goods and the time limits for giving notice of defects under the Swedish Sale of Goods Act (sv. *köplagen* (1990:931)). The Supreme Court's decision provides guidance on the extent of the buyer's obligation to inspect goods and to notify the seller of defects in due time, especially in situations where the goods are processed or resold before the end customer discovers any defects.

Specialtre, a Norwegian distributor of custom-ordered timber products, purchased a batch of planed pine panels of a certain knot-free quality from Hanåsa. On 7 September 2018, the planed panels were delivered to a surface treatment company engaged by Specialtre, which was to lacquer the panels before delivery to the end customer in Norway. The surface treatment company received the panels on 8 September and sent an order confirmation to Specialtre on 11 September. The work was carried out and the panels were delivered to the end customer. After delivery, defects in the form of knots and planing damages were discovered. The end customer notified the construction company of the defects on 20 September, which in turn notified Specialtre on 25 September; Specialtre then notified Hanåsa of the defects the same day. Specialtre subsequently brought an action against Hanåsa, claiming a price reduction and damages.

The District Court found that the goods were defective and that Specialtre had notified Hanåsa in due time. The Court of Appeal, however, reached the opposite conclusion regarding the notice of defects and dismissed Specialtre's claim. The Supreme Court examined the issues of when the inspection of the goods should have taken place and whether notice of defects had been given within a reasonable time after the defects ought to have been discovered.

According to Section 31 of the Sale of Goods Act, the buyer must examine the goods as soon as circumstances permit after delivery, in accordance with sound commercial practice. If the goods are to be transported, the buyer may wait to inspect them until they have arrived at the destination. Under Section 32, the buyer may not invoke that the goods are defective unless he or she notifies the seller within a reasonable time after the defect was discovered or ought to have been discovered. These provisions are non-mandatory but express fundamental principles in commercial sales.

The Supreme Court initially stated that the circumstances of the individual case must be taken into account in determining what constitutes notice of defects within a reasonable time. The starting point is that there is normally no reason to delay notice once the buyer has actually discovered what he or she wishes to invoke as a defect. However, it should be considered that the buyer may need some time after the inspection to determine whether

what has been discovered can be asserted as a defect. For commercial buyers purchasing goods for resale or processing in the ordinary course of business, notice should generally be possible within a few days.

The Supreme Court further held that the assessment of when the buyer should inspect the goods should be based on the contract and on what a reasonable person in the seller's position, from an objective perspective, can expect of the buyer. The fact that the goods are put to use or processed (in this case, lacquered) strongly indicates that inspection can take place at that time. However, this does not mean that the buyer, provided that notice is given within a reasonable time, loses the right to invoke defects merely because the goods have been used or processed. There may be circumstances that prevent the buyer from inspecting the goods immediately upon delivery or arrival. Obstacles within the buyer's sphere of control should generally not outweigh the seller's interest in prompt notice. If the buyer has organised its business so that the goods are received by a subcontractor for processing before reaching the buyer or the end customer, this should not, as a rule, be to the detriment of the seller's interest in prompt notice. In such cases, the buyer may be required to instruct another party to carry out the inspection on its behalf.

The Supreme Court also noted that some defects may be detected by a simple visual inspection, while others may require the goods to be tested in operation or subjected to costly or destructive analysis. The extent of the buyer's inspection obligation should, as a starting point, not go so far as to risk destruction of value for the buyer. The assessment of the scope of the buyer's inspection obligation should also be based on the contract and on what a reasonable person in the seller's position can expect, where the seller should be able to expect the buyer to act in accordance with sound commercial practice. What is required of the buyer may thus vary depending on the type of goods, packaging, intended use, and may also be influenced by factors relating to the buyer, such as particular expertise or experience.

In the present case, the Supreme Court found that Specialtre had the opportunity to inspect the timber in connection with the lacquering, and that the fact that the lacquering was carried out by a subcontractor was irrelevant. The defects invoked (knots and planing damages) could have been discovered by a simple visual inspection upon receipt or, at the latest, during lacquering. The Supreme Court therefore found that notice of the defects had not been given within a reasonable time after Specialtre ought to have discovered the defects.

The judgment clarifies that buyers operating in a commercial context must organise their procurement and processes so that goods are inspected before they are processed or resold, even if this is done through a subcontractor. It is not sufficient to wait for the end customer's complaint. If the buyer fails to inspect the goods in connection with processing and only notifies the seller after the goods have reached the end customer, the buyer risks losing the right to invoke defects.

The decision means that companies trading in goods for resale or processing must have routines in place to inspect goods in due time, and, where necessary, instruct subcontractors to carry out quality control. Otherwise, the right to a price reduction or damages may be lost, even if the goods are objectively defective. The ruling is an important reminder that the rules on notice of defects in the Sale of Goods Act are strict and that the buyer's inspection obligation cannot be circumvented by delegating processing or delivery to subcontractors. For companies in supply chains, it is crucial to ensure that goods are inspected before they are put to use or processed, and that notice is given immediately upon discovery of defects. Otherwise, there is a risk of being left without remedies, even in the case of serious defects in the delivery.