



# Liability in the Fine Print

## Case Note: Mallonland Pty Ltd v Advanta Seeds Pty Ltd [2024] HCA 25

### Overview

A recent case involving the supply of seeds to a crop growing group provides an important reminder on the importance of carefully drafted construction contracts.

The case of Mallonland Pty Ltd v Advanta Seeds Pty Ltd is a significant High Court decision concerning the supply of defective goods. The ruling clarifies the extent of liability for suppliers when their products fail to meet industry standards, despite contractual limitations. Within the construction industry, this case highlights how crucial it is for builders and developers to ensure that all materials meet quality standards and emphasises why contracts need to be extremely clear about responsibilities, as failing to do so could lead to costly legal issues and delays.

### Case Background

The case involves Mallonland Pty Ltd (Mallonland) and other plaintiffs who purchased sorghum seed from Advanta Seeds Pty Ltd (Advanta Seeds). Months after planting the seeds, they were found to be defectively contaminated with shattercane seed, a type of weed that competes with sorghum. This defect resulted in significant economic loss to the plaintiffs, including rogue crops and significant remediation works to fix the contaminated fields. The plaintiffs sought damages for

pure economic loss, alleging negligence on the part of Advanta Seeds.

On the other hand, Advanta Seeds relied on the “clear and plain” words on the packaging of the seed bags, which included simple conditions purporting to limit any liability in the event of defects in the seeds to either a replacement or a refund. They argued that this excluded Mallonland from claiming any consequential damages such as broader economic loss resulting from the defect.



The primary issue was whether Advanta Seeds owed Mallonland a duty of care to take reasonable care in its production processes to avoid the risks that the growers would sustain pure economic losses by reason of a hidden defect in the bag of seeds.

## The Decision

The High Court dismissed the appeal, upholding the decisions of the trial court and the Queensland Court of Appeal that no duty of care was owed by Advanta Seeds.

In other words, the liability limiting clauses physically printed on the seed bag were upheld.

This reinforces the Court's reluctance to extend duties of care to pure economic loss without clear and compelling justification. The Court's decision provides significant clarification on the principles governing duties of care in negligence for pure economic loss, particularly in the context of product contamination and agricultural economics.

## Implications for builders and developers

This decision highlights important commercial ramifications for the construction industry, particularly concerning the enforceability of liability clauses in contracts and risk management.

In construction, a well-drafted contract is your first line of defence. The Court's ruling reinforces the power of limitation of liability clauses, which, when properly drafted, can effectively limit your exposure to significant financial losses. Builders and developers should ensure that their contracts include clear, enforceable clauses that outline the extent of liability, particularly in relation to defects and performance issues. Working with an expert in construction law to tailor these clauses to the specific needs of your project is essential.

In this case, the liability limiting clauses were via the text printed on the seed bags and were upheld by the court. To mitigate risk effectively, it's crucial to review all contractual terms thoroughly, regardless of where they are presented. Builders and developers should work closely with legal professionals to ensure these clauses are not only enforceable but also visible and understandable to all parties involved.

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