

UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF
LOUISIANA, LAKE CHARLES DIVISION

Pace Construction Services LLC v. Federal Insurance Co.

Pace Construction · No. 2:23-CV-00197 · Decided January 13, 2026

SUMMARY

The United States District Court for the Western District of Louisiana ruled on Sauer Construction LLC’s Rule 12(b)(6) motion to dismiss Pace Construction Services LLC’s counterclaims. The court held that Pace failed to adequately plead a bad-faith breach of contract or entitlement to consequential damages, while allowing its claim for the unpaid subcontract balance to proceed. The challenged counterclaims were dismissed without prejudice, with 60 days allowed for amendment; the ruling was signed on January 13, 2026.

CASE DETAILS

COURT	United States District Court for the Western District of Louisiana, Lake Charles Division
WRITING FOR THE COURT	James D. Cain, Jr.
JURISDICTION	United States District Court for the Western District of Louisiana, Lake Charles Division
DECIDED	January 13, 2026
DOCKET	2:23-CV-00197
DISPOSITION	other
PROCEDURAL POSTURE	Sauer Construction LLC moved under Federal Rule of Civil Procedure 12(b)(6) to dismiss Pace Construction Services LLC's counterclaims for bad-faith and intentional breach of contract, except to the extent Pace sought the unpaid balance of the subcontract. The court granted the motion and dismissed the challenged claims without prejudice, allowing Pace 60 days to amend.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded facts as true and views them in the light most favorable to the claimant, while determining whether the claim is legally cognizable and plausible on its face. The court generally focuses on the pleading and its attachments, but may consider documents referenced in and central to the claims and matters subject to judicial notice.

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QUESTIONS PRESENTED

1. Whether the subcontract's no-damages-for-delay provision barred Pace's claims for delay-related and consequential damages at the pleading stage.
2. Whether Pace plausibly alleged a bad-faith or intentional breach of contract sufficient to invoke the gross-fault exception to the contractual limitation of liability under Louisiana law.
3. Whether Pace adequately identified an underlying contractual breach under Federal Rule of Civil Procedure 8.

HOLDINGS

1. The subcontract's provision making a time extension the subcontractor's sole remedy for delay is enforceable absent evidence of intentional or gross fault, but it does not bar a claim to the extent the alleged damages resulted from delays or hindrances created by Sauer and the claimant adequately invokes the gross-fault exception.
2. Pace failed to state a claim for bad-faith breach of contract because it alleged an underlying breach but did not allege facts showing that the breach itself was motivated by an intent to harm or by a dishonest or morally questionable motive.
3. Because Pace failed to plausibly plead a bad-faith breach, its claim for consequential damages based on that theory also failed.
4. Federal Rule of Civil Procedure 8 does not require a claimant to identify contractual provisions with exhaustive granularity, although identifying specific provisions is preferable when possible.

KEY QUOTATIONS

“Under Louisiana law, such a claim requires that the obligor “intentionally and maliciously fail[ed] to perform his obligation.”” (Section II.B)

“Bad faith is not “mere bad judgment or negligence[;] it implies the conscious doing of a wrong for dishonest or morally questionable motives.”” (Section II.B)

FACTUAL BACKGROUND

The dispute arose from a federal Army barracks-renovation project at Fort Polk, Louisiana. Sauer served as the design-build contractor and subcontracted with Pace for labor, materials, and equipment involving gypsum

assemblies, metal framing, and insulation; Federal issued Pace's payment and performance bonds. Pace alleged that Sauer caused or contributed to project delays by failing to communicate or submit change-order information, altering project priorities, hindering Pace's work, and making misleading statements to the project owner and Pace's surety.

PROCEDURAL HISTORY

Pace sued Federal Insurance Company under the Miller Act for delay damages and the unpaid subcontract balance arising from a federal construction project. After a stay required by the subcontract was lifted, Sauer intervened and asserted state-law counterclaims against Pace and its surety. Pace responded with counterclaims against Sauer for bad-faith and intentional breach of contract, including consequential damages, and Sauer moved to dismiss those counterclaims.

DISPOSITION

other

REMAND INSTRUCTIONS

Pace may timely amend its counterclaims within 60 days. If no amendment is filed within that period, the challenged counterclaims will be dismissed with prejudice. The claim for the unpaid balance of the subcontract was not dismissed.

CASES CITED

- Wilson v. Birnberg, 667 F.3d 591, 595 (5th Cir. 2012)
- Collins v. Morgan Stanley Dean Witter, 224 F.3d 496, 498-99 (5th Cir. 2000)
- Hall v. Hodgkins, 305 Fed. App'x 224, 227 (5th Cir. 2008) (unpublished)
- Bustos v. Martini Club, Inc., 599 F.3d 458, 461 (5th Cir. 2010)
- In re Katrina Canal Breaches Litigation, 495 F.3d 191, 205 (5th Cir. 2007)
- Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 570 (2007)
- Lone Star Fund V (U.S.), L.P. v. Barclays Bank PLC, 594 F.3d 383, 387 (5th Cir. 2010)
- Alonso v. Westcoast Corp., 920 F.3d 878, 884-85 (5th Cir. 2019)
- Wadick v. Gen. Heating & Air Conditioning, LLC, 145 So. 3d 586, 599 (La. Ct. App. 4th Cir. 2014)
- Pellerin Const., Inc. v. Witco Corp., 169 F. Supp. 2d 568, 584-85 (E.D. La. 2001)
- Freeman v. Dep't of Hwys., 217 So. 2d 166 (La. 1968)
- Volentine v. Raeford Farms of La., LLC, 201 So. 3d 325, 338 (La. Ct. App. 2d Cir. 2016)
- Hi-Tech Electric, Inc. of Delaware v. T&B Const. and Elec. Servs., Inc., 2018 WL 2268168, at *7 (E.D. La. May 17, 2018)
- Sanchez Oil & Gas Corp. v. Crescent Drilling & Prod., Inc., 7 F.4th 301, 309 (5th Cir. 2021)

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