

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.

TOPICS

construction law

breach of contract

motions to dismiss

government contracts

commercial litigation

PRACTICE AREAS

construction law

contract law

civil procedure

government contracts

surety and Miller Act litigation

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)

OPINION

UNITED STATES DISTRICT COURT WESTERN DISTRICT OF LOUISIANA LAKE CHARLES DIVISION PACE CONSTRUCTION SERVICES L L C CASE NO. 2:23-CV-00197 VERSUS JUDGE JAMES D. CAIN, JR. FEDERAL INSURANCE CO MAGISTRATE JUDGE LEBLANC MEMORANDUM RULING Before the court is a Motion to Dismiss [doc. 47] filed under Federal Rule of Civil Procedure 12(b)(6) by Sauer Construction LLC (“Sauer”), in response to the counterclaims asserted by plaintiff Pace Construction Services LLC (“Pace”).

Pace opposes the motion. Doc. 52. I. BACKGROUND This suit arises from a federal construction project for the renovation of barracks at Fort Polk, a United States Army installation in Vernon Parish, Louisiana. The Army (“Owner”) contracted with Sauer under Contract No. W9126G-18-C-0072 (“Prime Contract”) for Sauer to serve as design-build contractor for the project.

Doc. 1, att. 5. Sauer then entered into a Subcontract Agreement No. S1C1765-1B (“Subcontract”) with plaintiff, Pace, under which Pace was to provide labor, materials, and equipment to assist Sauer in completing the Prime Contract. Doc. 1, att. 3. This work included gypsum assemblies, metal framing, and building insulation. Doc. 46, p. 11 ¶ 8. Pace was also required to obtain payment and performance bonds.

Doc. 1, att. 3, pp. 7–8. These bonds were issued by defendant Federal Insurance Company (“Federal”), which acted as surety. Doc. 1, att. 2. Pace filed suit against Federal in this court in February 2023, alleging that its work on the Project was delayed by various circumstances¹ causing damages in the amount of \$1,023,858.73. Doc. 1, ¶¶ 10–11.

Accordingly, it sought to recover delay damages and the balance of the Subcontract from Federal under the Miller Act, 40 U.S.C. § 270(a)–(d), amended by 40 U.S.C. §§ 3131–3134. After a lengthy stay imposed by the Subcontract was lifted, Sauer intervened as defendant and asserted state law counterclaims for breach of contract and breach of performance bond against Pace and its surety.

Doc. 44. In response Pace raised a counterclaim for bad faith and/or intentional breach of contract against Sauer. Doc. 46. It alleges damages from the unpaid balance of the Subcontract as well as consequential damages including lost profits and higher costs. See *id.* at pp. 14, 17, ¶¶ 24, 35–36. Sauer now moves to dismiss Pace’s counterclaims, except to the extent that the counterclaim states a breach of contract claim for the unpaid balance of the Subcontract.

To this end it asserts that (1) delay damages are not available under the Subcontract and (2) Pace fails to state a claim for lost profits or other consequential damages caused by bad faith or an intentional breach of contract. Doc. 47, att. 1. Pace opposes the motion. Doc. 52. 1 In particular, Pace alleges delays resulting from (1) site conditions, including the discovery of asbestos and the presence of parapet walls not connected to the existing roof deck; (2) the COVID-19 pandemic;

(3) unusually bad weather; and (4) directives to suspend work, perform work out of sequence, and/or correct defective work of a subcontractor hired to supplement Pace's work.

Doc. 1, ¶ 10; doc. 46, p. 12, ¶¶ 10–14. II. LAW & APPLICATION A. Legal Standards Rule 12(b)(6) allows for dismissal when a plaintiff "fail[s] to state a claim upon which relief can be granted." When reviewing such a motion, the court should focus on the complaint and its attachments. *Wilson v. Birnberg*, 667 F.3d 591, 595 (5th Cir. 2012).

The court can also consider documents referenced in and central to a party's claims, as well as matters of which it may take judicial notice. *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). Such motions are reviewed with the court "accepting all well-pleaded facts as true and viewing those facts in the light most favorable to the plaintiff." *Bustos v. Martini Club, Inc.*, 599 F.3d 458, 461 (5th Cir.

2010). However, "the plaintiff must plead enough facts 'to state a claim to relief that is plausible on its face.'" *In re Katrina Canal Breaches Litig.*, 495 F.3d 191, 205 (5th Cir. 2007) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)).

Accordingly, the court's task is not to evaluate the plaintiff's likelihood of success but instead to determine whether the claim is both legally cognizable and plausible. *Lone Star Fund V (U.S.), L.P. v. Barclays Bank PLC*, 594 F.3d 383, 387 (5th Cir. 2010). B. Application Sauer first asserts that the Subcontract does not allow for delay damages.

The Subcontract provides: 5.3.6 CLAIMS RELATING TO DESIGN-BUILDER. Should the Subcontractor's Work be delayed, disrupted or interfered with solely as a result of the acts or omissions of Sauer or anyone employed by Sauer on the Project, then Subcontractor shall receive an extension of time equal to the actual delay... as determined by Sauer.... An extension of time, as determined by Sauer, or the decision that no extension shall be allowed, shall be the Subcontractor's sole remedy for the delay.

In exchange, Subcontractor expressly waives the right to bring against Sauer or Sauer's surety any claim for damage for delay, inefficiency, disruption, acceleration, interference, extra work resulting from such delay, extended overhead, wage escalation, overtime wage provisions, lost opportunity or lost profit or financial impact on Subcontractor's other projects.

Doc. 1, att. 3, p. 11. Further, under Article 5.3.3, "Sauer shall not be liable to Subcontractor for any delay, disruption or interference... caused by" any number of circumstances, including weather conditions, change orders, and the act, omission, or fault of the Owner. *Id.* at 10. Nevertheless, Pace claims a bad faith and/or intentional breach of contract based in part on allegations that Sauer "failed to communicate crucial information regarding Change Orders relative to the Subcontract Work," "failed to submit the proper Change Order documentation to the Owner for approval,"

“failed to inform Pace that the Project schedule changed and the priorities on multiple projects at Fort Polk had been adjusted,” and communicated with the U.S. Army about “reallocat[ing] the available project resources to Project 0074 and away from the Project at issue in this litigation” while at the same time falsely claiming that any delays were attributable to Pace.

Doc. 46, pp. 14–15, ¶¶ 22–23, 26–28. Additionally, Pace alleges that Sauer “intentionally made false and misleading statements regarding the quality and quantity of Pace’s work to Pace’s surety.” *Id.* at p. 15, ¶ 29.

As a result, Pace asserts, it suffered damages. *Id.* at p. 17, ¶¶ 35–36. Louisiana Civil Code article 2004 nullifies any contractual clause that, “in advance, excludes or limits the liability for one party for intentional or gross fault that causes damage to the other party.” La. Civ. Code art. 2004. “Gross fault,” as used in that article, “encompasses not only gross negligence, but also bad faith breach of contract or fraud.” *Alonso v. Westcoast Corp.*, 920 F.3d 878, 885 (5th Cir.

2019) (quoting *Wadick v. Gen. Heating & Air Conditioning, LLC*, 145 So.3d 586, 599 (La. Ct. App. 4th Cir. 2014)). Accordingly, a no-damages-for-delay clause may not be invalidated because it permits a party to stipulate an exemption for its own negligence. *Pellerin Const., Inc. v. Witco Corp.*, 169 F.Supp.2d 568, 584 (E.D. La. 2001) (citing *Freeman v. Dep’t of Hwys.*, 217 So.2d 166 (La.

1968)). Instead, such clauses are “enforceable in the absence of evidence of intentional or gross fault.” *Id.* at 585. Sauer maintains that Pace’s allegations fall outside the no-damages-for-delay exemption, because it separately alleges other causes of delay, *supra* note 1, not attributable to any fault of Sauer. It also asserts that Pace’s allegations are conclusory and do not amount to a bad faith breach of contract claim.² But Pace has alleged that “Sauer interfered with, stopped, hindered, or delayed Pace” from completing its work through the factual allegations made under the bad faith breach of contract claim.

Doc. 46, p. 14, ¶ 21. Pace further alleges that it has incurred damages as a result. *Id.* at p. 17, ¶¶ 35–36. The court ² Sauer further argues that Pace has not identified a specific contractual provision for its underlying breach. But the Subcontract provides under Article 4.6 that “[t]he Design-Builder shall transmit to the Subcontractor, with reasonable promptness, all submittals, transmittals, and written approvals relative to the Subcontract Work.” Doc.

1, att. 3, p. 9. “While litigants should, when possible, identify specific contractual provisions alleged to have been breached, Rule 8 does not require that level of granularity.” *Sanchez Oil & Gas Corp. v. Crescent Drilling & Prod., Inc.*, 7 F.4th 301, 309 (5th Cir. 2021).

To the extent Pace wishes to clarify any additional contractual provisions or duties that may apply, it may do so through the amendment to its counterclaim. finds no ambiguity in the above provisions. To the extent that Pace has alleged that its damages are due to delays or other

hindrances created by Sauer, its claim falls within the Article 5.3.6. Further, then, Pace's allegations fall within the gross fault exception to the extent that it states a claim for bad faith breach of contract.

Under Louisiana law, such a claim requires that the obligor "intentionally and maliciously fail[ed] to perform his obligation." La. Civ. Code art. 1997, Rev. cmt. (b). Bad faith is not "mere bad judgment or negligence[;]" it implies the conscious doing of a wrong for dishonest or morally questionable motives." *Volentine v. Raeford Farms of La., LLC*, 201 So.3d 325, 338 (La.

Ct. App. 2d Cir. 2016). Accordingly, a plaintiff must allege both a breach of the agreement as well as an intent to harm or some other "dishonest or morally questionable motive[]." *Id.* The failure to communicate change orders or submit the proper documentation form the only clear breaches of the Subcontract and may stem from mere negligence. *Supra*, note 2. Pace has further alleged that Sauer attempted to cover its breach with misrepresentations to the project owner and to Pace's surety, as a result of which Pace suffered damages.

But there is no allegation that the underlying contractual breach stemmed from a dishonest or morally questionable motive.³ Pace fails to state a claim for bad faith breach of contract. This failure not only implicates Article 5.3.6 but also ³ Pace notes that the Fifth Circuit affirmed a jury verdict in *Alonso*, *supra*, finding gross fault by a contractor who misrepresented communications, failed to submit Change Orders, and failed to make timely payment.

But plaintiff in that matter alleged that "Westcoast breach the contract by: not obtaining change orders, not providing workable plan specifications, and not providing access to the Corps." 920 F.3d at 884. The only breach of a specific contractual provision that this court can identify, on the other hand, relates to the failure to promptly communicate Change Orders.

Although the allegations provide a sufficient basis from which the court could determine more serious fault by Sauer in covering up its breach, Pace has provided nothing from which the court could find "gross fault" on the underlying breach. jeopardizes the availability of consequential damages. See *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) ("Moreover, the only difference between breach and breach in bad faith is that the latter permits recovery of nonforeseeable damages."). The motion will therefore be granted and these claims will be dismissed, without prejudice to Pace's right to timely amend. II. CONCLUSION For the reasons stated above, the Motion to Dismiss [doc.

47] will be GRANTED and Pace's counterclaims [doc. 46] against Sauer, except to the extent that Pace states a claim for the unpaid balance of the Subcontract, will be DISMISSED without prejudice to Pace's right to amend within 60 days. If no amendment is made within that time, these

counterclaims are automatically DISMISSED WITH PREJUDICE. THUS DONE AND SIGNED
in Chambers on the 13th day of January, 2026.

UNITED STATES DISTRICT JUDGE Page 7 of 7