I. MECHANICS’ LIEN BASICS

Conn. Gen. Stat. § 49-33 et seq. provides for and governs mechanics’ liens on private projects. A mechanics’ lien is an encumbrance on the owner’s interest in the property, and payment may be obtained after a lien is foreclosed upon. The two types of lien claimants generally include a general contractor with a direct agreement with the owner of the land upon which the construction work is performed and subcontractors and others who have the consent of someone having authority from or rightfully acting on behalf of the owner in procuring the labor or materials. The statutory procedural requirements must be strictly followed to perfect a lien right. The general considerations for mechanics’ lien include:

A. Notice of Intent. The first step for a subcontractor or supplier without a direct contract with the owner of the property is to serve a notice of intent to file a mechanics’ lien upon the owner of the property. The notice must be served after commencing the work and within 90 days after ceasing to furnish materials or services for the subject property. The notice period begins after the completion of substantial work or materials and may begin before all work is completed. However, if after substantial completion, the owner requests to have additional substantial work performed, the 90 day period will begin to run from the date the requested work was last performed. The notice must state that the claimant has furnished materials or rendered services and intends to claim a lien on the building, lot, or plot of land. For parties contracting directly with the owner, there is no need to furnish a notice of intent.

B. Certificate of Lien. The Certificate of Lien is the document which is actually filed on the land records. It needs to set forth the basis under which the lien arises, and must contain: (1) a description of the premises, (2) the amount claimed in the lien, (3) name of the person/entity against whom the lien is filed, (4) date of commencement of performance, and (5) a statement that the amount claimed is justly due. Finally, the lien certificate must be signed and its contents sworn to by the claimant. The Certificate must then be recorded in the land records in the town where the project is located within 90 days from the date of the last day of providing services or labor to the project. A copy of the lien certificate must be served on all property owners not later than 30 days after recording the certificate.

C. Amount of Lien. The amount of a lien may include the costs of materials furnished (including equipment and machinery that is rented or leased) and services rendered so long as the materials and services are actually used in the project. The lien also secures interest
and attorney’s fees. Lost profits on work not completed are not covered. A subcontractor’s right to file a mechanics’ lien is based on the doctrine of subrogation. The amount of a subcontractor’s recovery is limited to the amount of the unpaid contract debt owed by the owner to the general contractor. Subcontractors cannot file liens which are duplicative of amounts covered in their General Contractor’s lien for the same work.

D. Foreclosure. Once the lienor has complied with the statutory notice, service, and recording requirements, the lien will be considered perfected. An action to foreclose a mechanics’ lien must be commenced within 1 year after the lien is filed with the town clerk where the property is situated. Also, a notice of lis pendens must be filed on the land records within one year from the date the lien was recorded or the claimant will be deprived of the right to foreclose the lien. Foreclosure is not the exclusive remedy available to a party that has filed a lien.

E. Defenses. In determining the amount of lien fund to which any lien may attach, the owner shall be allowed payments made to the original contractor if (1) made in good faith, (2) made before receiving written notice of any liens, and (3) the owner gives written notice to all known subcontractors at least 5 days before making payment in advance of the time set forth in the contract. If written notice of advance payment is not given, such payment is considered made in “bad faith” and not deducted from the lien fund. In addition, if a contractor abandons the project, an owner may deduct from the lien fund any reasonable amount that the owner had to pay to complete the project including damages. The owner of property subject to mechanic’s lien must have consented to work being performed on the property.

F. Lien Waivers. Prospective lien rights on all private, commercial, and industrial projects cannot be waived but may be subordinated. However, some lien waiver agreements may be effective without payment for residential and public construction projects.

II. PUBLIC PROJECT CLAIMS

A. State and Local Public Work. The statutes, Conn. Gen. Stat. §§ 49-41 et seq., known as “The Little Miller Act” are patterned after the federal government’s counterpart. A payment bond is required on most public projects and coverage extends to second-tier subcontractors. Conn. Gen. Stat. § 49-42 contains the notice requirements for a claim. The period within which the Surety must respond to a claim is directory not mandatory. Conn. Gen. Stat. § 4-61 permits a party in privity with the State to institute a civil action or arbitration. However, subcontractor pass-through claims are not allowed against the State under this statute.

III. STATUTES OF REPOSE AND LIMITATIONS

A. Contract for Sale under UCC - Conn. Gen. Stat. §42a-2-725. An action must be commenced within four years after the cause of action has accrued, which is when the breach occurs, regardless of the aggrieved party's lack of knowledge of the breach. The statute of limitations under this section may not be extended by contract. A breach of warranty occurs when tender of delivery is made, except where the warranty extends to future performance.
B. **Action to recover for personal injuries** - Actions founded upon a tort shall be brought within three years from the date of the act or omission complained of. Conn. Gen. Stat. §52-577. An action to recover damages for injury to persons or property must be brought within two years from the date an injury is first sustained or discovered or reasonably should have been discovered, except that no action may be brought more than three years from the date of the act complained of. Conn. Gen. Stat. §52-584.

C. **Contract Actions** - Conn. Gen. Stat. § 52-576. Actions for account or on simple and implied contracts, or on any contract in writing, have a 6-year statute of limitations after the right of action accrues, except that any person legally incapable of bringing any such action at the time of the right of action may sue at any time within 3 years after becoming legally capable of bringing the action. A breach of contract action accrues as of the time the injury is inflicted.\(^{21}\) The statute of limitations in Connecticut’s Little Miller Act (Conn. Gen. Stat. § 49-41, *et seq.*.) for bond claims cannot be modified by contract.\(^{22}\) The provision of services or materials to remedy defects does not extend a Contractor’s one year time limit for asserting a claim against a public works payment bond.\(^{23}\) Statutes of limitations on claims linked to public projects is 10 years running from substantial completion as set forth in Conn. Gen. Stat. §52-584c.

D. **Oral Contract** - Conn. Gen. Stat. § 52-581. An action founded upon any express contract or agreement which is not reduced to writing, must be brought within three years after the right of action accrues.

E. **Indemnification Action** - Conn. Gen. Stat. § 52-598a. An action for indemnification may be brought within three years from the date of the determination of the action against the party which is seeking indemnification by either judgment or settlement. The limitation in Conn. Gen. Stat. § 52-598a applies to all actions for indemnity, even when the indemnity claim is contractual.\(^{24}\)

F. **Design Professionals** - Conn. Gen. Stat. § 52-584a. An action whether in contract, tort, or otherwise, to recover damages for a deficiency in design, planning…or construction of an improvement to real property… which is brought as a result of any such claim for damages against any architect, professional engineer or land surveyor performing or furnishing the design, planning, supervision, observation of construction…shall not be brought more than seven years after substantial completion of such improvement.\(^{25}\) If an injury occurs in the seventh year after substantial completion, a tort claim to recover damages may be brought within one year of the injury, but in no event more than eight years after substantial completion of an improvement.

G. **New Home Construction** - Conn. Gen. Stat. §§ 47-117 and 47-118. Express and implied warranties for new home construction terminate one year after the delivery of the deed to the purchaser or one year after the purchaser takes possession of the house, whichever occurs first; and in the case of an improvement not completed at the time of delivery of the deed to the purchaser, one year after the date of the completion or one year after taking of possession by the purchaser, whichever occurs first.
IV. PRE-SUIT NOTICE OF CLAIM

There is no pre-suit notice requirement before a claim for breach of a statutory warranty may be brought in Connecticut.

V. COVERAGE TRIGGERS AND ALLOCATION ISSUES

A standard general liability policy (“CGL”) provides protection that the insurer “will pay those sums that the insured becomes legally obligated to pay as damages because of ‘bodily injury’ or ‘property damage’ that is ‘caused by an occurrence’, during the applicable policy period.” An occurrence policy is triggered when the damage occurs during the policy period, regardless of when the claim is made.

The Connecticut Supreme Court recently concluded that unintended, defective, or faulty construction work by a subcontractor that damages non-defective property may constitute an “occurrence” resulting in “property damage” covered by a CGL policy under certain circumstances. However, defective work alone or repairs to defective work do not constitute property damage.

Connecticut follows the “injury-in-fact” rule to determine which liability policies have been triggered. The policy will not depend on the causative event and occurrence but will be based upon injuries or damages which result from such an event and which happened during the policy period.

To determine which policy or policies apply, the policies that were in effect when the injury or damage took place need to be identified. If the physical injury was continuous, such as in environmental contamination cases, and existed over multiple policy periods, the continuous trigger approach is used and all injury policies issued during the extended exposure period would be triggered for coverage. The triggered policies are given a pro rata allocation and the damages are split. The Second Circuit ruled that property damage occurs upon installation of asbestos products in a building; the damage does not continue thereafter. Therefore, a single trigger is applied and only the insurers on the risk when installation occurred have a duty to defend and indemnify the insured. If insurance was unavailable for a period, the insured is liable for costs attributable to losses incurred during periods when it was uninsured.

Finally, Connecticut adopts the pro rata approach to the allocation of defense costs that trigger multiple insurance policies. In addition, because the duty to defend arises solely under contract, if the duty to defend the insured occurs outside of the policy period, the insured is required to pay its fair share of the defense costs.

In the context of a construction contract, it is lawful to spread risk to an insurer by requiring the inclusion of other parties involved in a construction project as additional insureds.

VI. CONTRACTUAL INDEMNITY
Under Conn. Gen. Stat. §52-572k, any construction contract which purports to indemnify the promisee for injury to persons or damage to property caused by the negligence of the promisee, his agents or employees, is against public policy and void. This statute, however, does not affect the validity of any insurance contract, workers’ compensation agreement, or other agreement issued by a licensed insurer.

A waiver of subrogation provision in a standard AIA contract coupled with a requirement to provide insurance is not a hold harmless or indemnification provision as these terms are used in the statute and does not violate § 52-572k. The statute prohibits clauses purporting to require subcontractors to indemnify and hold harmless general contractors for the general contractor’s negligence, but does not prohibit a general contractor from being included as an additional insured. A subcontractor’s contractual duty to defend a general contractor is separate and distinct from the duty to indemnify, and therefore is not impacted by §52-572k. The Second Circuit recently held that Conn. Gen. Stat. § 52-572k was preempted by 49 U.S.C. § 28103(b), which allows Amtrak to allocate responsibility for claims, and enforced a contract provision that allowed Amtrak indemnification for its own negligence.

VII. CONTINGENT PAYMENT AGREEMENTS

There is no definitive appellate authority governing the enforcement of the typical pay-when-paid and pay-if paid clauses in construction contracts. A majority of superior courts have held that these clauses do not excuse the payment obligation but set a reasonable time for payment to be made. However, pay-if-paid provisions are enforceable on a private construction project. The stronger and more comprehensive the clause the more likely it will be enforced. The Connecticut Appellate Court recently confirmed a lower court decision enforcing a pay-if-paid contract clause in the context of a State DOT project.

Liquidating agreements on public projects where a general contractor attempts to pass through subcontractor claims against the State are not enforceable in Connecticut unless certain conditions are satisfied. One recent superior court decision allowed a pass-through claim against the state once the general contractor proved it admitted unconditional liability to the subcontractor, liquidated its liability to the subcontractor to a sum certain, and had incorporated the subcontractor’s claim into the general contractor’s own claim against the state.

VIII. SCOPE OF DAMAGE RECOVERY

A. Personal Injury Damages v. Construction Defect Damages – The measure of damages for injury to real estate is the same under theories of tort and breach of contract, both are intended to compensate the landowner for damage done. The general rule in breach of contract cases is that the award is intended to place the injured party, so far as can be done by money, in the same position as that which he would have been had the contract been performed, which includes direct damages plus incidental or consequential loss caused by the breach. For a breach of a construction contract involving defective or unfinished work, damages are measured by computing either (i) the reasonable cost of construction and completion in accordance with the contract if it is possible and does not involve economic waste; or (ii) the difference between the value that the product contracted for would have had and the value of the
B. Attorney’s Fees, Interest, and Punitive Damages - Pre-judgment interest may be recovered if provided for in a contract or under Conn. Gen. Stat. §37-3a which allows for 10% annually. Connecticut case law follows the general rule known as the “American Rule” where attorney’s fees are not allowed to the prevailing party as an element of damages unless such recovery is allowed by statute or contract. Punitive damages are generally not recoverable for breach of contract claims. Punitive damages may be awarded only for acts done with bad motive or with reckless indifference to the interests of others.

A judgment on foreclosure of a mechanics’ lien shall be allowed costs including reasonable attorney’s fees. When making a claim on a statutory payment bond pursuant to the Little Miller Act, attorney’s fees are available if the surety’s denial of claim is without substantial basis in fact or law. Under the Fairness Act, on a private construction project, no surety is obligated to reimburse a bond claimant for interest, costs, penalties, or attorney’s fees unless the terms of the bond expressly reference such costs. If requirements of prompt payment are not met under the Fairness Act, the Act provides for the award of interest, costs, penalties and attorney fees. A violation of the Connecticut Unfair Trade Practices Act (“CUTPA”) can result in an award of punitive damages and attorney fees. A violation of any of the provisions of the New Home Construction Contractors Act (Conn. Gen. Stat. §§ 20-417a – 20-417j) shall be deemed an unfair or deceptive trade practice under CUTPA which may result in an award of attorney fees. The failure to comply with the Home Improvement Act is also a violation of CUTPA which may result in an award of attorney’s fees.

C. Direct and Consequential Damages - The general rule in breach of contract cases is that the award of damages is designed to place the injured party, so far as can be done by money, in the same position as that which he would have been in had the contract been performed. A party may collect for any loss that may fairly and reasonably be considered as arising naturally from the breach of contract or were foreseeable at the time of contract formation. Consequential damages can include lost profits, unless they are too speculative or remote. A contractor’s recovery may be limited if the architect and owner waive consequential damages. A pay-if-paid provision can be a valid defense to a payment bond claim on a private project. Failure to follow contract provisions allowing for notice and a cure period prior to terminating, even when the other party is in breach, precludes recovery for costs to complete the other party’s work. With a few exceptions a general contractor may delegate responsibility to subcontractors for the safety of (and for liability for personal injuries to) the subcontractor’s employees.

The New Home Construction Contractors Act provides for a fund to pay consumers who successfully bring claims against contractors who lack the ability to pay a judgment. The consumer can recover actual damages and costs, but not punitive damages. Recovery under the fund is capped at $30,000. The Home Improvement Act provides for a similar fund, however, the consumer may recover up to $15,000 from the fund.
D. **Delay and Disruption Damages** - Absent contractual limitation, a contractor’s recovery for damages for delays caused by the owner may include damages such as increased wages and material costs, cost of overhead, damages due to disruption, and escalation. When an owner requires a contractor to accelerate his efforts to adhere to the original contract schedule, the contractor, so long as he was not the cause of delay, is entitled to extra compensation. No damages for delay provisions are enforceable in Connecticut.

E. **Economic Loss Doctrine** - This is a judicially-created principle which bars recovery in tort where the relationship between the parties is contractual and the only losses alleged are economic. While not expressly holding that the economic loss doctrine has been adopted in Connecticut, the Supreme Court applied the doctrine in *Flagg Energy Dev. Corp. v. General Motors Corporation*, a case involving product liability and the sale of goods. Since *Flagg*, no appellate authority has addressed whether the doctrine is recognized in Connecticut. Consequently, there is a split in superior court decisions as to whether a broad economic loss doctrine bars claims for economic loss in non-product liability cases in Connecticut.

F. **Liquidated Damages** – Liquidated damages are enforceable if: (1) the damage which was to be expected as a result of a breach of contract was uncertain in amount or difficult to prove; (2) the parties intended to liquidate damages in advance; and (3) the amount stipulated was reasonable. Liquidated damages will not be enforced when the owner suffers no damages. Liquidated damages may be enforceable even if the Owner contributed to part of the delay and if an owner terminates for convenience.

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2 Conn. Gen. Stat. § 49-33; Conn. Gen. Stat. §49-35(a). The original contractor is also entitled to a notice of intent if he files with the town clerk within 15 days of commencing construction an affidavit stating the business name and address, and a description of the project.
3 See *Martin Tire & Rubber Co. v. Kelly Tire & Rubber Co.*, 99 Conn. 396, 399 (1923) Trivial services requested well after the date of substantial completion will not extend commencement of the 90 day period. This rule was discussed in *F.B. Mattson Company, Inc. v. Tarte*, 247 Conn. 234, 239 (1999).
4 *Red Rooster Construction Co. v. River Associates, Inc.*, 224 Conn. 563 (1993) (If oath is not taken, the lien will be held invalid); *Stone-Krete Construction, Inc. v. Eder*, 280 Conn. 672 (2006); *TMC Services, Inc. v. Haines*, 45 Conn. L. Rptr. 130 (2/6/08); *McDonough v. Collender*, 44 Conn. L. Rptr. 209 (8/8/07).
5 *Brennan v. Fairfield*, 225 Conn. 693 (2001)
6 Conn. Gen. Stat. §49-34(2). If the owner resides in the same town as the project, notice must be served by an indifferent person or state marshal by leaving a true and attested copy with the owner or at his usual place of abode. § 49-35(a). If the owner does not reside in the same town, but has an agent therein, notice may be served upon the agent or it may be served by any indifferent person, state marshal, or other proper officer by registered mail or certified mail to the owner’s home. Id.
7 Conn. Gen. Stat. §49-33(a) and Conn. Gen. Stat. §49-42(c)
8 Conn. Gen. Stat. §§ 52-249 and 52-249a
12 *Frank Lill & Son, Inc. v. O&G Industries*, 2012 WL 6582897
19 Electrical Contractors, Inc. v. Insurance Co. of the State of PA, 314 Conn. 749 (2014)
20 Federal Deposit Insurance Corp. v. Peabody, N.E., Inc., 239 Conn. 93 (1996)
23 American Pride Builders, Inc. v. Housing Authority of the City of New Haven, 2018 WL 632458
25 See also, Bagg v. Town of Thompson, 2008 Conn. Super. LEXIS 965; Town of Beacon Falls v. Towers Golde, LLC, 2010 Conn. Super. LEXIS 140 (Conn. Gen. Stat. § 52-598a, a three year statute of limitations for indemnification actions, supersedes the seven year limitation period found in Conn. Gen. Stat. § 52-584a)
26 Capstone Development Corp. v. American Motors Insurance Co., 308 Conn. 760 (2013)
29 Id.
32 Id.
37 O&G Indus. v. Hartford Fire Ins., Co., 537 F.3d 153 (2d Cir. 2008)
49 Lydal, Inc. v. Ruschmeyer, 282 Conn. 209, 245 (2007)
53 Conn. Gen. Stat. §§ 42-158i(4) and 42-158r.
60 Semac Electric Company, Inc. v. Skanska USA Building, Inc. 2017 WL 4508507
66 White Oak Corp. v. Dept of Transportation, 217 Conn. 281 (1991)
68 244 Conn. 126, 153-54 (1998).