

Contractors Must Report All Judgments to Contractors State License Board in order to Avoid License Suspension

A new case, *Pacific Caisson & Shoring, Inc. v. Bernards Bros., Inc.* 2015 DJDAR 5486 was issued by the Court of Appeals, Second District on May 18, 2015, which held that a contractor, whose license was suspended for failing to notify the California Contractors State License Board (“CSLB”) of a judgment against it, was not entitled to recover for work under the substantial compliance exception found in *Bus. & Prof. Code* §7031(e). While Pacific Caisson was performing a subcontract for Bernards Bros., the CSLB suspended Pacific Caisson’s license for 77 days. The suspension was because the qualifier for Pacific Caisson was also the qualifier for another company called Gold Coast Drilling, Inc. (“Gold Coast”) and Gold Coast had an unsatisfied judgment against it for failing to pay union employee benefits. The union notified the CSLB of the unsatisfied judgment and the CSLB suspended Gold Coast’s license and Pacific Caisson’s license (because both share the same qualifier, both licenses are suspended pursuant to *Bus. and Prof. Code* §7071.17(j)).

Since Gold Coast failed to notify the CSLB within ninety (90) days of the date of the judgment, the license was automatically suspended pursuant to §7071.17. On this evidence, the trial court ruled that Pacific Caisson did not qualify for the substantial compliance exception because it had failed to demonstrate under the second prong of the exception that it “acted reasonably in good faith to maintain the proper license.” The court reasoned that the RMO for both companies was responsible for ensuring full compliance with the laws concerning construction operations and Section 7071.17(b) obligated Gold Coast to report the unsatisfied stipulated judgment within 90 days. Failing to notify the CSLB was found to be neither in good faith nor reasonable.

The Court found that Gold Coast was obligated to notify the CSLB as soon as the stipulated judgment was entered. It relied on the old language of §7071.17 which stated that the CSLB required notification of “any entered and unsatisfied judgment within ninety days from the date of judgment.” Thus, the court concluded that as soon as the stipulated judgment was entered, it was “unsatisfied” regardless of whether Gold Coast thereafter made installment payments. Section 7071.17(b) has changed since in that it requires “all licensees shall notify the Registrar in writing of any unsatisfied final judgment imposed upon the licensee. If the licensee fails to notify the Registrar in writing within ninety days, the license shall be automatically suspended on the date the Registrar is informed or is made aware of the unsatisfied final judgment.” It is less clear in the new code section when the ninety days starts to run, but one has to assume that the time begins to run at the time of judgment. Therefore, it is prudent to inform the CSLB of any unsatisfied judgment within ninety days of entry of judgment.

It has been argued that if the judgment is on appeal, then the judgment is not considered “final” for the purpose of §7071.17. Although this issue was not presented to the court, it appears that an appeal does not change the requirement to report the judgment to the CSLB. Note that under §7071.17, a licensee may post a bond on any unsatisfied judgment; bonds are also required on appeal to stay enforcement of judgments.

Here are the steps that a contractor should take to protect its license from being suspended after an entry of judgment:

1. Inform the CSLB of any judgment within 90 days of entry (unless the judgment has been fully paid in that time period).
2. If the judgment will be appealed, post a bond with the CSLB to avoid license suspension. You have ninety days from the date of notification to provide the bond.
3. If you have entered into a payment plan with the creditor, in lieu of filing the bond, you can provide the CSLB with an accord reached with the creditor that is notarized by both parties to avoid license suspension. Make sure that any installment agreement includes provisions that creditor will agree to notarize this accord.

Failure to follow the steps outlined above will result automatic suspension of the license and will put all projects that are ongoing at the time of suspension at risk.

For more information about this topic please contact:

[Marion T. Hack, Esq.](#)

Gibbs Giden Locher Turner Senet & Wittbrodt LLP

1880 Century Park East 12th Floor

Los Angeles, CA 90067

email: mhack@gibbsgiden.com

The content contained herein is published online by Gibbs Giden Locher Turner Senet & Wittbrodt LLP ("Gibbs Giden") for informational purposes only, may not reflect the most current legal developments, verdicts or settlements, and does not constitute legal advice. Do not act on the information contained herein without seeking the advice of licensed counsel. For specific questions about any of the content discussed herein or any of the content posted to the Gibbs Giden website please contact the article attorney author or send an email to info@gibbsgiden.com. The transmission of information by email, over the Gibbs Giden website, or any transmission or exchange of information over the Internet, or by any of the included links is not intended to create and does not constitute an attorney-client relationship. For a complete description of the terms of use of this information and the Gibbs Giden website please see the Legal Notices section at <http://www.ggltsw.com/ggltsw-legal>. This publication may not be reproduced or used in whole or in part without written consent of the firm.

Copyright 2015 Gibbs Giden Locher Turner Senet & Wittbrodt LLP ©

Attorney Newsletter Advertisement