Client Alert: SJC Clarifies What Deemed Approval Means Under the Prompt Pay Act – Payment May Be Immediate, but the Underlying Dispute May Not Be Over

BY M. MATTHEW MADDEN, JR. • JULY 6, 2026

The Massachusetts Supreme Judicial Court has issued an important decision for subcontractors, general contractors, and owners addressing what happens after a payment application is deemed approved under the Massachusetts Prompt Pay Act.

In *J.C. Cannistraro, LLC v. Columbia Construction Co.*, the Court upheld an arbitration award allowing a general contractor to recover a substantial portion of a payment it had been required to make after its rejection of the subcontractor's invoices failed to comply fully with the Act.

The decision matters to both sides of the payment process. For subcontractors, it confirms that a defective rejection can require prompt payment of the full amount requested. For general contractors and owners, it confirms that making that payment does not necessarily end the underlying dispute over whether the amount was actually due.

A MISSING CERTIFICATION LED TO FULL PAYMENT

J.C. Cannistraro performed work under two subcontracts on a private construction project in Walpole. Cannistraro later submitted invoices seeking approximately $952,000 for disputed change order work.

Columbia Construction rejected the invoices within the required time and explained the factual and contractual reasons for the rejection. Columbia did not, however, include the Prompt Pay Act's required certification that the rejection was made in good faith.

That omission mattered. Because Columbia's rejection did not satisfy all of the statutory requirements, the invoices were deemed approved. The arbitrator ordered Columbia to pay the full amount, and Columbia complied.

After payment, Columbia obtained permission from the arbitrator to pursue a recoupment claim. Following an evidentiary hearing, the arbitrator found that a substantial portion of the invoiced amount was not fair and reasonable and awarded Columbia approximately $577,000, plus interest.

The Superior Court vacated the recoupment portion of the award. The SJC reversed and directed that the arbitration award be confirmed.

WHAT THE SJC ACTUALLY DECIDED

The case reached the SJC on a narrow question. The issue was not simply whether the arbitrator correctly applied the Prompt Pay Act. The issue was whether the arbitrator exceeded his authority by allowing Columbia to recover part of the payment.

The Court held that he did not.

The Prompt Pay Act does not expressly prohibit a contractor from pursuing common law defenses or recoupment after paying a deemed approved invoice. The award also did not violate public policy. Because the parties had agreed to arbitration under the American Arbitration Association Construction Industry Arbitration Rules, the arbitrator had broad authority to grant relief within the scope of their agreement.

The Court also emphasized the limited role of judges reviewing arbitration awards. A court may not vacate an award merely because it believes the arbitrator made an error of fact or law. Unless the arbitrator grants relief prohibited by law or goes beyond the authority given by the parties, the award generally must be confirmed.

That distinction is important. The SJC did not hold that Columbia handled every aspect of the Prompt Pay Act correctly. It held that the arbitrator's decision could not be overturned under the narrow standards governing judicial review of arbitration awards.

GRAYCOR STILL GOVERNS THE TIMING

The decision does not change the payment rule established in *Business Interiors Floor Covering Business Trust v. Graycor Construction Co.*

Under *Graycor*, when an invoice is deemed approved, the withholding party must make payment before, or at the same time as, pursuing defenses related to that invoice. A contractor cannot continue withholding payment while it litigates or arbitrates whether the amount was actually due.

Columbia had asserted certain defenses before it paid the invoices, although it did not add its recoupment claim until after payment. The SJC assumed, without deciding, that this sequence may have conflicted with *Graycor*. The Court nevertheless held that any legal error by the arbitrator was not a basis for vacating the award.

The prudent approach remains to pay a deemed approved amount before asserting defenses or claims seeking its recovery.

WHAT SUBCONTRACTORS SHOULD TAKE FROM THE DECISION

Deemed approval remains a significant remedy for subcontractors. A general contractor that fails to issue a timely and fully compliant rejection may be required to pay the entire amount requested, even when it disputes the work or the price.

Payment, however, may not end the dispute.

A subcontractor that receives payment may still be required to prove that the work was authorized, properly priced, timely noticed, and compensable under the subcontract. The project record therefore remains critical. Written directives, notices, pricing support, daily reports, schedule records, correspondence, and evidence of authorization may all become important after payment has been made.

The Prompt Pay Act provides leverage over the timing of payment. It does not necessarily replace the need to prove the underlying claim.

STRICT COMPLIANCE STILL MATTERS

General contractors and owners should not treat the decision as permission to relax their Prompt Pay Act procedures.

Columbia timely explained why it was rejecting the invoices, but the absence of the good faith certification resulted in deemed approval of nearly $1 million. A certification issued months later did not cure the defect.

A rejection should be timely, in writing, identify the amount being rejected, explain the factual and contractual basis for the rejection, and expressly certify that the rejection is made in good faith. Those requirements apply to both progress payment applications and change order requests covered by the Act.

ARBITRATION CLAUSES MAY SHAPE THE RESULT

The arbitration provision played a central role in the outcome.

The SJC relied heavily on the broad authority granted to the arbitrator and the narrow grounds available to challenge an arbitration award. Parties negotiating construction contracts should therefore consider not only whether disputes will be arbitrated, but also which arbitration rules will apply and what authority those rules give the arbitrator.

The choice of dispute resolution language can affect both the remedies available and the ability to challenge the result.

THE TAKEAWAY

Cannistraro preserves the Prompt Pay Act's central payment protections while recognizing that deemed approval does not always resolve the merits of the claim.

For subcontractors, the decision reinforces the value of deemed approval as a tool to obtain payment, but also highlights the need to maintain the records necessary to prove entitlement if the claim is challenged later.

For general contractors and owners, the decision confirms that defenses and recoupment claims may remain available after payment, particularly in arbitration. It does not, however, lessen the need for strict compliance with the Act's timing, explanation, and good faith certification requirements.

The practical result is that the Prompt Pay Act may determine when payment must be made, while the parties may still need to resolve whether the amount was ultimately due.

