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FEATURED CASE

Seventh Circuit Upholds Validity of Municipal Ordinance Mandating Direct Alarm Monitoring, Finding That the Ordinance Does Not Violate Contracts Clause or Constitute Tortious Interference.

***Alarm Detection Systems, Inc. v. Village of Schaumburg,* No. 24-3163 (7th Cir. July 15, 2025)**

In 2016, the Village of Schaumburg (Village), Illinois enacted an ordinance mandating that all commercial and multi-family properties within the Village transmit fire alarm signals directly to the regional emergency dispatch center, the Northwest Central Dispatch System (NWCDS), instead of routing them through private alarm company central stations. Previously, many fire alarm companies including Alarm Detection Systems, Inc. (Alarm Companies) used the central station model, in which emergency signals were first routed to the Alarm Companies' central station, and the central station would then alert NWCDS if they believed an emergency response was needed. The fire chief of the Village recommended a change because he believed that a switch to the direct connect model would reduce response times by cutting out the middleman of the central station, increase awareness of out-of-service alarm systems, and because NWCDS had an exclusive contract with Tyco/Johnson Controls (Tyco), another fire alarm detection company. If the Village adopted a direct connect model, Tyco would pay NWCDS $23 per month per customer, and NWCDS would credit an equal amount to the Village, saving the Village roughly $300,000 a year.

According to the Alarm Companies, this was a devastating blow to their businesses in the area, as it was impossible for them to compete with Tyco's alarms and be in compliance with the ordinance, because it required access to frequencies that Tyco owned. They also contended that customers in the area now had to pay more for poorer quality alarms.

Considering these developments, the Alarm Companies filed suit against the Village, raising claims under the Contracts Clause and alleging tortious interference with existing contracts and prospective

economic advantage. They asserted that the Ordinance forced customers to breach existing contracts prematurely or forgo renewal, and that the Village acted with the improper intent of harming the Alarm Companies' business relationships. After an initial round of litigation involving an appeal and remand, the Alarm Companies once again appealed the decision of the trial court which granted the Village's 12(b)(6) motion.

Legal Questions:

1. Does a municipal ordinance that prospectively limits the use of private alarm monitoring services, while allowing existing contracts to be completed, constitute a substantial impairment of contractual rights in violation of the Contracts Clause of the U.S. Constitution?
2. Did the Village tortiously interfere with the Alarm Companies' existing contractual relationships and prospective business expectancies by enacting and enforcing an ordinance that forced customers to terminate or avoid renewing their contracts with the Alarm Companies in favor of a government-selected provider?

Holdings:

The Seventh Circuit affirmed the dismissal of all claims, holding that the Village of Schaumburg's ordinance did not violate the Contracts Clause because it allowed existing contracts to be completed and served a legitimate public safety interest. The court further held that the Alarm Companies failed to plausibly allege tortious interference with contract or with prospective economic advantage.

Analysis:

1. Contracts Clause Claim

The basic test for whether a state or local law violates the Contracts Clause as stated by the court is (1) the law operates as a substantial impairment of a contractual relationship and (2) the law is not drawn in an 'appropriate' and 'reasonable' way to advance 'a significant and legitimate public purpose'. *Sveen v. Melin*, 584 U.S. 811, 819 (2018). Importantly, the court noted that the Contracts Clause only protects preexisting entitlements and not contingent interests or potential future interests. *Health Care Servs., Inc. v. Mt. Vernon Hosp., Inc.*, 545 N.E.2d 672, 676 (Ill. 1989).

The court found that the Alarm Companies could not give evidence as to the Village's impairment of their existing contracts as the only evidence the Alarm Companies produced was a verified complaint and documentary evidence of customer nonrenewals. While the court acknowledged that a sworn complaint could have evidentiary value at summary judgement, it must possess "the specificity required for a reasonable jury to understand how the affiant reached her factual conclusion." *See Osborn v. JAB Mgmt. Servs., Inc.*, 126 F.4th 1250, 1259 (7th Cir. 2025). The court found the sworn statements in the complaint vague and unconvincing and thus dismissed them. It also dismissed the documentary evidence of nonrenewals as the companies did not possess any rights in potential future contract renewals.

2. Tortious Interference Claims

The court once again began with the basic test for tortious interference with an economic advantage in that the Alarm Companies must show (1) they had a reasonable expectancy of entering into a valid business relationship, (2) the Village knew of the expectancy, (3) the Village intentionally and unjustifiably interfered with the expectancy, inducing or causing a breach or termination, and (4) they suffered damage as a result. *Voyles v. Sandia Mortg. Corp.*, 751 N.E.2d 1126, 1133–34 (Ill. 2001). However, the court ruled that the Alarm Companies failed on the third element, as there was much

evidence to suggest that the Village was motivated by a decrease in emergency response times and the financial advantages of adopting the ordinance, rather than a desire to intentionally harm the Alarm Companies' businesses.

Alarm Detection Systems, Inc. v. Village of Schaumburg

SHORT SUMMARIES:

6th Circuit – Wrongful Termination

The oldest and longest-tenured police officer in the City of Union (City), Ohio, was terminated after allegedly violating several police department policies over a two-day period. After an arbitrator ordered his reinstatement, the City delayed his reinstatement for two months. During this delay, other officers received promotions, and all officers received raises. The officer sued the City under the Age Discrimination in Employment Act (ADEA), alleging age-based termination and retaliatory delay in his return for filing a charge with the Equal Employment Opportunity Commission (EEOC). The United States District Court granted summary judgment to the City on both claims, and the officer appealed.

On appeal, the Sixth Circuit reversed the district court's grant of summary judgment in favor of the City. The court held that Smith had offered sufficient circumstantial evidence from which a reasonable jury could infer discriminatory intent. Notably, the arbitrator's findings undermined the legitimacy of the City's proffered reasons for termination, and a remark by the Chief of Police that "younger officers" did not make similar mistakes supported an inference of age-based animus. With respect to Smith's retaliation claim, the court determined that the City's post-reinstatement conduct, including requiring a fitness-for-duty exam, delaying his return to work, withholding raises, and bypassing him for promotions, could reasonably be construed as materially adverse actions taken in response to his protected activity. Accordingly, the Sixth Circuit remanded the case for further proceedings, emphasizing that a jury should resolve the disputed factual questions underlying both the discrimination and retaliation claims.

Smith v. City of Union

4th Circuit – Free Speech

Plaintiff, Zachary Hebb, brought a constitutional challenge against a City of Asheville (City) ordinance that prohibited the use of amplified sound within 150 feet of a medical facility during its operating hours. Hebb, a regular protester outside the Asheville Health Center, used a plastic cone to project his voice while expressing anti-abortion messages. He alleged that the ordinance infringed on his First Amendment rights and was unconstitutionally vague under the Fourteenth Amendment's Due Process Clause. The City argued the ordinance was a content-neutral time, place, and manner restriction aimed at protecting patient access and tranquility.

The Fourth Circuit agreed in part and disagreed in part with the District Court's ruling. On the First Amendment claim, the court held that the ordinance was content-neutral and served a significant government interest in protecting patients from harmful noise. However, it concluded that the entry of summary judgment was premature as there were still disputed factual and legal questions regarding the claim. On the due process claim, the court rejected Hebb's argument that the ordinance was

unconstitutionally vague as applied to his use of a plastic cone. It concluded that the term "amplified sound" provided sufficient notice of what conduct was prohibited and did not invite arbitrary enforcement.

Hebb v. City of Asheville

10th Circuit – Contracts

In this case the Tenth Circuit affirmed a jury verdict and restitution award arising from the City of Fort Collins' (City) rescission of a contract with Open International and its parent company, Open Investments (Open). The City had issued an RFP in 2018 for a utility billing software system, to which Open responded by representing that its software met nearly all of the City's functional requirements without the need for customization. However, internal documents later revealed that Open knew its product lacked many of the promised capabilities and that it had proposed a different software suite than what was ultimately delivered. After implementation failed, the City sued for fraudulent inducement, prevailed at trial, and rescinded the contract. The district court subsequently awarded nearly $20 million in restitution.

The Tenth Circuit upheld the district court's denial of Open's motion for summary judgment, rejecting defenses based on Colorado's economic-loss rule, the contract's merger clause, and waiver. The court found that the fraud claims were independent of the contract and not barred by the economic-loss doctrine, and that the merger clause did not preclude reliance on pre-contractual misrepresentations about the specific software being provided. The court also upheld the jury's determination that the City did not waive its right to rescind because it lacked full knowledge of the fraud until well after contract execution. Finally, the court affirmed restitution against Open, finding that its role in the contract and guarantee of performance justified joint liability under principles of equity.

City of Fort Collins v. Open International