

## MUNICIPAL LAW GROUP

**Seventh Circuit Court of Appeals Holds Exclusive Agreements And Direct Connect Ordinances for Fire Alarm Systems Do Not Violate Anti-Trust Laws**

The Seventh Circuit Court of Appeals held in *Alarm Detection Systems, Inc. v. Village of Schaumburg* and *Alarm Detection Systems, Inc. v. Orland Fire Protection Dist* that the Alarm Company Plaintiffs could not sustain neither Anti-Trust claims under the Sherman Act or Clayton Act, nor certain Constitutional claims alleging that defendants conspired to centralize local markets for their fire-alarm services by passing an Ordinance that requires sending an alarm signal directly to the local 911 dispatch through use of a competitors equipment.

In both cases, the local municipality had passed an ordinance requiring commercial buildings to send a fire-alarm signals directly to a designated 911 dispatch center. The Plaintiffs argued these ordinances threatens to exclude from the market all alarm system providers except for one – the provider holding the exclusive contract with the dispatch center. Each of the designated dispatch centers in these cases has a long term exclusive contract with Tyco Integrated Security, LLC.

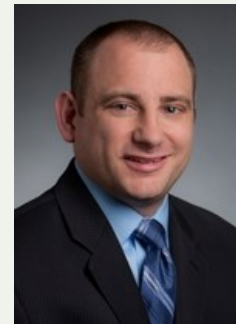
How the fire-alarm system works is important to the appeal. Each system has three components: heat and smoke detectors, a panel and a transmitter. When one of the detectors goes off it sends an alert to the panel and the panel connects to the transmitter. After notification to the transmitter, the transmitter would send a signal to one of two places. The first place is a central-supervising station run by the alarm-system provider (“CSS model”). The second is a route-supervising station operated by the local emergency dispatch center (the “RSS model”). Both villages used the RSS model in which Tyco

Authored By:

Name: Howard C. Jablecki

Email: [hcjablecki@ktjlaw.com](mailto:hcjablecki@ktjlaw.com)

Phone: (312) 984-6451



For any questions or comments you might have regarding this newsletter, please feel free to contact:

**Chicago Office**

20 N. Wacker Drive, Ste. 1660  
Chicago, IL 60606

T: (312) 984-6400

F: (312) 984-6444

**Orland Park Office**

15010 S. Ravinia Ave., Ste. 10  
Orland Park, IL 60462

T: (708) 349-3888

F: (708) 349-1506

**Streator Office**

7 Northpoint Drive  
Streator, Illinois 61364

T: (815) 672.3116

F: (815) 672.0738

[www.ktjlaw.com](http://www.ktjlaw.com)

This newsletter is not to be construed as legal advice or a legal opinion under any circumstance. The contents are solely intended for general informative purposes, and the readers of this newsletter are strongly urged to contact their attorney with regard to any concepts discussed herein.

This newsletter may be deemed advertising under the laws of the Supreme Court of Illinois.

© 2019 Klein, Thorpe and Jenkins, Ltd.



was the authorized installer of the radio equipment. Schaumburg stated three public safety reasons as a basis for adopting the ordinance to use the RSS or “direct connect” model: first, to increase the reliability of fire-alarm monitoring; second, to eliminate the possibility for transmission delays; and third, to improve response times.

In the context of both cases, the Court, in reviewing the Anti-trust claims, found that Plaintiffs failed to present any direct or indirect evidence of existence of agreement among defendants to establish an anti-trust conspiracy under either Section 1 of the Sherman Act, which prohibits agreements that unreasonably restrain trade, Section 2 of the Sherman Act, which prohibits monopolization, or the attempt at it through willful, anticompetitive acts, or Section 7 of the Clayton Act, which bans mergers or acquisitions that substantially lessen competition or create a monopoly. Because the Plaintiffs failed to show any plausible reason for Schaumburg to have conspired with Tyco in order to pass the Ordinance, all anti-trust claims fail and were properly dismissed by the District Court.

The Appellate Court also found that the Ordinance did not violate the Fourteenth Amendment, as the allegations could not plausibly allege a claim that would survive rational basis review.

The Appellate Court did allow a contracts clause claim against the Schaumburg Ordinance to proceed, reversing dismissal and finding that the complaint sufficiently plead such a claim, stating that the pleading stage was too early to determine the amount of deference to be given to the stated public safety rationale of the Ordinance. However, the Court specifically noted that the Plaintiffs do not show a likelihood of success on the merits of that claim, stating that because the Ordinance allowed a three year window from its enactment to its effective date, it was not a case of a “sudden, totally unanticipated, and substantially retroactive” change in the law that would generally trigger a Contracts Clause issue. *Allied Structural Steel Co. v. Spannaus*, 438 U.S. 234, 248-49.

Links to the Courts full decisions in these cases can be found here: [Schaumburg](#) and [Orland](#).