

Court Rules Alarm Company Liable for Breach of Contract

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The Court of Appeals of Ohio, recently issued a decision reinforcing the importance of maintaining broad and precise limitations of liability clauses in alarm services contracts. *JLJ v. Rankin & Houser, Inc.* 2010 WL 3292179 (Ohio Ct. App. 2010). The parties in the case had entered into an agreement for security alarm services using a form contract. A dispute arose over payment, and the alarm company stopped providing monitoring services. The customer sued the company for breach of contract, seeking to recover nine months of pre-paid service, and the fee charge by a new alarm company to take over the monitoring services.

The alarm company argued that the customer was barred from recovering the takeover fee because the service contract included a waiver of consequential damages. More specifically, the alarm company relied upon the last sentence of the limited warranty paragraph, which was in large, bold type, and stated: “Company shall not be liable for any direct, special, exemplary, punitive, incidental or consequential damages.” The court found that the limitation of damages sentence was expressly applicable to a breach of warranty, but not to a breach of contract claim. The sentence did not limit a customer’s ability to recover damages for a breach of contract claim. The court found that the trial court properly allowed plaintiff to recover the takeover charges from the alarm company. Alarm and security companies must ensure all contracts specifically delineate all possible claims and causes of action in the limitation of liability clause.

For more information, please contact [Philip R. Kujawa](#), or your regular [Hinshaw](#) attorney.

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