

SUPREME COURT OF SOUTH DAKOTA

New Leaf, LLC v. FD Development of Black Hawk LLC

2010 S.D. 100 (2010) · No. #25566 · Decided December 22, 2010

SUMMARY

The South Dakota Supreme Court reviewed the denial of a permanent injunction sought to enforce a restrictive covenant prohibiting the sale of grocery items on property in the BJD Subdivision. The court held that, even assuming the covenant was valid and enforceable, the circuit court did not abuse its discretion in finding insufficient irreparable harm and determining that the hardship to the defendants would be disproportionate to the benefit of injunctive relief. The judgment was affirmed.

CASE DETAILS

COURT	Supreme Court of South Dakota
WRITING FOR THE COURT	Konenkamp, Justice; Gilbertson, Chief Justice; Zinter, Justice; Meierhenry, Justice; Severson, Justice
JURISDICTION	South Dakota
DECIDED	December 22, 2010
DOCKET	#25566
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the circuit court's denial of permanent injunctive and declaratory relief enforcing a recorded restrictive covenant prohibiting the sale of grocery items on a commercial subdivision lot.
STANDARD OF REVIEW	A decision to grant or deny injunctive relief is reviewed for abuse of discretion; conclusions of law are reviewed de novo; and findings of fact are reviewed under the clearly erroneous standard.
PRECEDENTIAL VALUE	Published South Dakota Supreme Court opinion; precedential.
PARTIES	New Leaf, LLC, Robert J. Dvorak, Vianna June Dvorak v. FD Development of Black Hawk LLC, Family Dollar Stores of South Dakota, Inc.

TOPICS

- covenants and restrictions
- equitable relief
- real estate
- commercial litigation
- standard of review

PRACTICE AREAS

real estate

equitable remedies

commercial litigation

appellate procedure

QUESTIONS PRESENTED

1. Whether the circuit court abused its discretion by denying a permanent injunction enforcing the restrictive covenant.
2. Whether the circuit court's allegedly conflicting conclusions that the covenant was enforceable but unreasonably restrained trade and alienability required reversal.
3. Whether the circuit court's conclusion that the phrase "grocery items" was overbroad required reversal.

HOLDINGS

1. The circuit court did not abuse its discretion in denying a permanent injunction because the plaintiffs failed to establish irreparable harm and the hardship to defendants and other property owners would be disproportionate to the benefit plaintiffs would receive.
2. An erroneous conclusion that a restrictive covenant unreasonably restrained trade or alienability, or that the phrase "grocery items" was overbroad, did not independently require reversal where the judgment denying injunctive relief was correct.
3. A court's decision to grant or deny injunctive relief is reviewed for abuse of discretion, while legal conclusions are reviewed de novo and factual findings are reviewed for clear error.

KEY QUOTATIONS

"The ultimate question here is whether the circuit court abused its discretion in declining to enjoin a business from selling grocery items in violation of a restrictive covenant." (§ 1)

"We see no abuse of discretion in denying injunctive relief." (§ 18)

FACTUAL BACKGROUND

The Dvoraks created and recorded a restrictive covenant for the BJD Subdivision providing that no lot could be used for the sale of grocery items or gasoline. FD Development purchased lot 17 and leased it to Family Dollar, which constructed a store and began selling grocery items despite receiving or having access to information concerning the covenant. The circuit court found that defendants ignored the covenant but found no evidence that the Dvoraks or other subdivision owners suffered harm or that irreparable harm would result, while an injunction would impose disproportionate hardship on defendants and other property owners.

PROCEDURAL HISTORY

The Dvoraks initially sued FD Development and Family Dollar for injunctive relief after Family Dollar began selling grocery items. The circuit court denied a preliminary injunction, later ruled that the restrictive covenant was valid but that only New Leaf and the Dvoraks had standing to enforce it, and ordered a trial on permanent relief. After trial, the court denied a permanent injunction based on the lack of proven harm or irreparable injury.

and the disproportionate hardship an injunction would impose on defendants. The Supreme Court of South Dakota affirmed.

DISPOSITION

affirmed

CASES CITED

- Harsen v. Peska, 1998 S.D. 70, ¶ 12, 581 N.W.2d 170, 173
- Maryhouse, Inc. v. Hamilton, 473 N.W.2d 472, 474 (S.D. 1991)
- Horne v. Crozier, 1997 S.D. 65, ¶ 5, 565 N.W.2d 50, 52
- Poindexter v. Hand Cnty. Bd. of Equalization, 1997 S.D. 71, ¶ 16, 565 N.W.2d 86, 91
- Knodel v. Kassel Twp., 1998 S.D. 73, ¶ 9, 581 N.W.2d 504, 507