SUPREME COURT OF NEBRASKA

Denali Real Estate, LLC v. Denali Custom Builders, Inc.

302 Neb. 984 (2019) · No. No. S-18-287 · Decided April 25, 2019

SUMMARY

The Nebraska Supreme Court affirmed most of a judgment enjoining Denali Custom Builders, Inc., from using “Denali” in its business and awarding statutory damages and attorney fees to Denali Real Estate, LLC. The court addressed trade name infringement, deceptive trade practices, and tortious interference, concluding that the evidence established a protected trade name, likelihood of confusion, and deceptive practices, but did not establish all elements of tortious interference. The court also held that the denial of the motion to dismiss became moot after trial and treated the motion for judgment on the pleadings as essentially moot under the circumstances.

CASE DETAILS

COURT	Supreme Court of Nebraska
WRITING FOR THE COURT	Cassel, J.; Heavican, C.J.; Miller-Lerman, J.; Stacy, J.; Funke, J.; Papik, J.; Freudenberg, J.
JURISDICTION	Nebraska
DECIDED	April 25, 2019
DOCKET	No. S-18-287
DISPOSITION	affirmed
PROCEDURAL POSTURE	Denali Custom Builders appealed from a Lancaster County District Court judgment imposing a permanent injunction, statutory damages, attorney fees, and costs after finding trade name infringement and deceptive trade practices. The district court also found intentional interference with a business relationship.
STANDARD OF REVIEW	An injunction action sounds in equity. The Nebraska Supreme Court reviews factual questions de novo on the record and independently resolves questions of fact and law, while giving possible weight to the trial court's observation of witnesses when credible evidence conflicts. Statutory interpretation is reviewed independently. Denial of a motion to dismiss is reviewed de novo; a directed verdict is proper only when reasonable minds can draw but one conclusion; evidentiary rulings and attorney-fee decisions were reviewed for error or abuse of discretion as applicable.

PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Denali Custom Builders, Inc. v. Denali Real Estate, LLC, doing business as Denali Construction and Denali Homes

TOPICS

trademark infringement · trademark law · trade dress · deceptive trade practices · injunctions

PRACTICE AREAS

trademark law · trademark infringement · trade dress · deceptive trade practices · torts · injunctions · appellate procedure · civil procedure

QUESTIONS PRESENTED

1. Whether denial of Denali Custom Builders' motion to dismiss for failure to state a claim remained reviewable after a trial on the merits.
2. Whether denial of the motion for judgment on the pleadings remained dispositive or reviewable after the issues were tried and the pleadings were effectively conformed to the evidence.
3. Whether Denali Custom Builders waived or preserved its challenge to denial of its directed-verdict motion.
4. Whether Denali Real Estate proved trade name infringement by establishing protectable trade names and actual or likely confusion.
5. Whether Denali Custom Builders engaged in deceptive trade practices by causing confusion or misunderstanding concerning the source, affiliation, or association of goods or services, including through similar trade dress.
6. Whether Denali Real Estate proved tortious interference with a business relationship or expectancy.
7. Whether statutory damages, attorney fees, and the permanent injunction—including removal of "Denali" from corporate or trade-name registrations—were authorized and proper.

HOLDINGS

1. Generally, denial of a motion to dismiss under Neb. Ct. R. Pldg. § 6-1112(b)(6) becomes moot after a trial on the merits. Because Denali Real Estate prevailed at trial, Denali Custom Builders' challenge to the denial of its motion to dismiss was moot.
2. A party that unsuccessfully moves for judgment on the pleadings may proceed to trial, preserve an exception, and seek review on appeal from the final judgment. But where the issue is tried and the pleadings are effectively amended to conform to the evidence, the original motion is essentially moot and does not affect the result.
3. A designation is used as a trade name when it is displayed or otherwise made known to prospective purchasers in the ordinary course of business in a manner associating it with the user's goods, services,

or business. A trade name infringement plaintiff must prove a valid protectable trade name and substantial similarity causing actual or probable deception or confusion by ordinary persons exercising ordinary caution.

4. Likelihood of confusion may be shown by circumstances indicating that persons are likely to transact business with one party believing they are dealing with another. Relevant considerations include similarity of products, geographic and market overlap, competition, duration without actual confusion, and visual and phonetic similarity of the names.
5. Under Neb. Rev. Stat. § 87-302, a corporation engages in a deceptive trade practice when, in the course of business, it causes a likelihood of confusion or misunderstanding concerning the source, sponsorship, approval, certification, affiliation, connection, or association of goods or services. A deceptive-trade-practice claim may consider image and trade dress in addition to the allegedly misused trade name.
6. A plaintiff must prove a valid business relationship or expectancy, the defendant's knowledge, an unjustified intentional act of interference, causation, and damage. The claim also requires an intentional act that induces or causes a breach or termination of the relationship or expectancy. Confusion about identity alone does not satisfy this element.
7. Neb. Rev. Stat. § 87-217 authorizes a court to award statutory damages of $1,000 and reasonable attorney fees in lieu of the other specified trade-name remedies. The district court properly awarded those remedies.
8. A court may enjoin use or display of an imitation of a protected trade name and may order additional equitable relief necessary to protect the public from further deceptive trade practices, including removal of the offending name from corporate or trade-name registrations.

KEY QUOTATIONS

> *"We hold that generally, the denial of a motion to dismiss under § 6-1112(b)(6) becomes moot after trial."* (995)

> *"A designation is "used" as a . . . trade name . . . when the designation is displayed or otherwise made known to prospective purchasers in the ordinary course of business in a manner that associates the designation with the goods, services, or business of the user . . . ."* (1000)

> *"Confusion about identity alone did not satisfy this element."* (1004-1005)

FACTUAL BACKGROUND

Denali Real Estate, LLC registered the trade names "Denali Construction" and "Denali Homes" in Nebraska and used them to build, advertise, and sell homes in eastern Nebraska. Denali Custom Builders, Inc., later began building homes in Lancaster County and used "Denali Custom Builders"—rather than consistently using its full legal corporate name—on signs, advertising, social media, and its website. The businesses operated in overlapping markets and used similar visual branding, and evidence showed actual confusion involving a prospective purchaser, suppliers, a furniture store, and a utility provider. The district court found trade name infringement and deceptive trade practices and entered a permanent injunction, statutory damages, attorney fees, and costs.

PROCEDURAL HISTORY

Denali Real Estate sued Denali Custom Builders in Nebraska district court, asserting trade name infringement, deceptive trade practices, and tortious interference with a business relationship. The district court denied pretrial motions to dismiss and for judgment on the pleadings, conducted a bifurcated bench trial, found liability on all three claims, and awarded injunctive relief, $1,000 in statutory damages, attorney fees, and costs. After posttrial motions were denied, Denali Custom Builders appealed. The Nebraska Supreme Court held that the motion-to-dismiss challenge was moot, rejected the judgment-on-the-pleadings and other appellate challenges, reversed the finding of tortious interference as unsupported by evidence of breach or termination, but affirmed the judgment and relief because the other two claims independently supported the disposition.

DISPOSITION

affirmed

CASES CITED

- Christiansen v. County of Douglas, 288 Neb. 564, 849 N.W.2d 493 (2014)
- Junker v. Carlson, 300 Neb. 423, 915 N.W.2d 542 (2018)
- Gerber v. P & L Finance Co., 301 Neb. 463, 919 N.W.2d 116 (2018)
- D.M. v. State, 25 Neb. App. 596, 911 N.W.2d 621 (2018)
- In re Trust Created by Hansen, 274 Neb. 199, 739 N.W.2d 170 (2007)
- Burnham v. Pacesetter Corp., 280 Neb. 707, 789 N.W.2d 913 (2010)
- State ex rel. Peterson v. Creative Comm. Promotions, 302 Neb. 606, 924 N.W.2d 664 (2019)
- Clearone Communications, Inc. v. Biamp Systems, 653 F.3d 1163 (10th Cir. 2011)
- Bennett v. Pippin, 74 F.3d 578 (5th Cir. 1996)
- Blinn v. Beatrice Community Hosp. & Health Ctr., 270 Neb. 809, 708 N.W.2d 235 (2006)
- Weeder v. Central Comm. College, 269 Neb. 114, 691 N.W.2d 508 (2005)
- Ivins v. Ivins, 171 Neb. 838, 108 N.W.2d 99 (1961)
- Dinkel v. Hagedorn, 156 Neb. 419, 56 N.W.2d 464 (1953)
- Buck v. Reed, 27 Neb. 67, 42 N.W. 894 (1889)
- Johnson v. State, 270 Neb. 316, 700 N.W.2d 620 (2005)
- Vaughan v. Omaha Wimsett System Co., 143 Neb. 470, 9 N.W.2d 792 (1943)
- Mueller v. Union Pacific Railroad, 220 Neb. 742, 371 N.W.2d 732 (1985)
- Becker v. Simonds, 33 Neb. 680, 50 N.W. 1129 (1892)
- Board of Educational Lands & Funds v. Gillett, 158 Neb. 558, 64 N.W.2d 105 (1954)
- Gilbert v. First National Bank, 154 Neb. 404, 48 N.W.2d 401 (1951)
- Sinclair Refining Co. v. Stevens, 123 F.2d 186 (8th Cir. 1941)
- Zelenka v. Pratte, 300 Neb. 100, 912 N.W.2d 723 (2018)
- Armstrong v. Clarkson College, 297 Neb. 595, 901 N.W.2d 1 (2017)

- Bradley T. & Donna T. v. Central Catholic High Sch., 264 Neb. 951, 653 N.W.2d 813 (2002)
- Boardman v. McNeff, 177 Neb. 534, 129 N.W.2d 457 (1964)
- Prime Home Care v. Pathways to Compassion, 283 Neb. 77, 809 N.W.2d 751 (2012)
- White v. Board of Regents, 260 Neb. 26, 614 N.W.2d 330 (2000)
- Nebraska Irrigation, Inc. v. Koch, 246 Neb. 856, 523 N.W.2d 676 (1994)
- Dahms v. Jacobs, 201 Neb. 745, 272 N.W.2d 43 (1978)
- Hong's, Inc. v. Grand China Buffet, 19 Neb. App. 331, 805 N.W.2d 90 (2011)
- Powder River Oil v. Powder River Petroleum, 830 P.2d 403 (Wyo. 1992)
- Wal-Mart Stores, Inc. v. Samara Brothers, Inc., 529 U.S. 205, 120 S. Ct. 1339, 146 L. Ed. 2d 182 (2000)
- Thompson v. Johnson, 299 Neb. 819, 910 N.W.2d 800 (2018)
- Recio v. Evers, 278 Neb. 405, 771 N.W.2d 121 (2009)
- Pettit v. Paxton, 255 Neb. 279, 583 N.W.2d 604 (1998)
- Miller Chemical Co., Inc. v. Tams, 211 Neb. 837, 320 N.W.2d 759 (1982), disapproved on other grounds, Matheson v. Stork, 239 Neb. 547, 477 N.W.2d 156 (1991)
- State on behalf of Lockwood v. Laue, 24 Neb. App. 909, 900 N.W.2d 582 (2017)
- Strunk v. Chromy-Strunk, 270 Neb. 917, 708 N.W.2d 821 (2006)
- In re Estate of McKillip, 284 Neb. 367, 820 N.W.2d 868 (2012)