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Statute of Frauds

California Federal District Court Dismisses Distributor's Oral Contract Claims Under Statute of Frauds

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A federal court in California recently granted a manufacturer's motion to dismiss a distributor's oral contract claims, but declined to dismiss claims for promissory estoppel and unjust enrichment. *Cosmonova, LLC v. BioFilm, Inc.*, 2025 WL 319249 (S.D. Cal. Jan. 28, 2025).

Cosmonova, a distributor of personal care products, sued BioFilm alleging breach of an agreement for exclusive distribution of BioFilm products in Latin America. Cosmonova's complaint alleged the parties discussed distribution rights from 2018 through June 2023, when BioFilm informed Cosmonova to cease all sales and distribution in Brazil and Mexico because it was being acquired by a company that already had active distributors in those countries. In the intervening years Cosmonova spent time and money setting up sales channels and seeking regulatory approval for sale of BioFilm products in multiple countries. Although the parties exchanged various written communications concerning the distribution arrangement, they never executed a written contract. After BioFilm ceased sales, Cosmonova sued, alleging breach of contract, tortious interference, quantum meruit, promissory estoppel, and unjust enrichment. Cosmonova alleged damages of \$700,000 for its expenses in obtaining regulatory approvals and building out sales channels and over \$10 million in lost profits.

The court dismissed Cosmonova's breach of oral contract claim, finding that the statute of frauds applied and required a written contract to be enforceable, but no written contract existed. The court concluded that the various writings exchanged by the parties failed to set out essential terms and conditions required to establish an enforceable agreement. The court also dismissed Cosmonova's tortious interference and quantum meruit claims, but denied BioFilm's motion to dismiss Cosmonova's promissory estoppel and unjust enrichment claims. The court held that those claims were not dependent on a written contract and that Cosmonova had adequately alleged the expenses it incurred and BioFilm's resulting benefit. As to damages, the court denied Cosmonova's claim for recovery of attorneys' fees, but allowed its claims for lost profits damages.

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