

**BLOGS**

Breach of Contract

## Washington Federal Court Grants, In Part, Distributor's Motion to Dismiss Claim for Breach of a Noncompete Provision and Related Claims

A federal court in Washington recently granted in part and denied in part a former distributor's partial motion to dismiss claims for breach of a post-termination noncompete agreement, breach of the implied duty of good faith and fair dealing, and civil conspiracy. *HydroFLOW USA, LLC v. ECO Integrated Tech., Inc.*, 2024 WL 1049998 (W.D. Wash. Mar. 11, 2024).

A federal court in Washington recently granted in part and denied in part a former distributor's partial motion to dismiss claims for breach of a post-termination noncompete agreement, breach of the implied duty of good faith and fair dealing, and civil conspiracy. *HydroFLOW USA, LLC v. ECO Integrated Tech., Inc.*, 2024 WL 1049998 (W.D. Wash. Mar. 11, 2024). After HydroFLOW USA, LLC terminated a distributor agreement with its former distributor, ECO Integrated Technologies, Inc., Eco began selling products that HydroFLOW alleged were "functionally comparable" to its water conditioners and in violation of the applicable noncompete agreement, which prohibited the sale of such products. HydroFLOW sued ECO and ECO moved to dismiss for failure to state a claim.

The court granted ECO's motion to dismiss as to the breach of contract claim because it found that ECO did not owe a duty of noncompetition. The distributor agreement plainly stated that a noncompete duty existed only under two circumstances: (1) so long as the agreement remained in effect, and (2) for a twelve-month period after the termination of the agreement "by the Distributor." Accordingly, the court noted that a post-termination noncompete duty would have been triggered if ECO terminated the agreement, not HydroFLOW. The court found this language was clear and unambiguous, and therefore it must enforce the contract as written—"not indulge in artificial interpretations . . . to save [HydroFLOW] from a bad bargain." Moreover, the court reasoned that, had HydroFlow been concerned enough by the prospect of ECO's immediate competition, "it could have chosen differently," such as by enforcing the agreement through a suit for damages or equitable relief. Ultimately, the court granted HydroFlow leave to amend because the court found that it was not evident that an amendment would be futile. The court dismissed the civil conspiracy claim with leave to amend and denied the motion as to the breach of the implied-duty claim.

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