

LEGAL INSIGHT

LEGAL ALERT:

BREACH OF CONTRACT, CONVERSION, UNFAIR COMPETITION
CASE SUMMARY: VAS GARAGE LIMITED V MTN UGANDA
LIMITED, HIGH COURT CIVIL SUIT NO. 689 OF 2022



Case Overview

In a recent landmark contract ruling delivered on 24th April 2025 the High Court of Uganda (Commercial Division) ruled against MTN Uganda Limited (MTN), ordering the telecom giant to pay over UGX 11,300,000,000/= (Uganda Shillings Eleven Billion Three Hundred Million) to VAS Garage Limited for breach of contract, unfair competition, and data conversion.

In 2014, VAS Garage, a licensed provider of Value-Added Services (VAS), entered into a revenue-sharing agreement (Content Provision Agreement) with MTN to deliver mobile content to its subscribers. In 2015, MTN deleted VAS Garage's subscriber database, citing a directive from the Uganda Communications Commission (UCC) regarding unsolicited messages.

Key Findings of Court:

- The Court ruled that MTN's deletion of VAS Garage subscriber database was unauthorized and violated the agreement. MTN's actions amounted to wrongful expiry of proprietary subscriber data, effectively pushing VAS Garage out of the market while promoting its own VAS platform; MTN Play.
- MTN Uganda's actions were intended to restrict competition, as MTN continued to provide similar value-added services under its platform, MTN Play, while blocking VAS Garage from operating.
- Damages for unfair competition should be adequate to deter anticompetitive conduct, without resulting in a windfall for an injured plaintiff.

- A cause of action for unfair competition arises when a business is harmed by a competitor's unlawful, unfair, fraudulent, deceptive, misleading, or unethical business practices like misappropriation of trade secrets, false or untrue advertising, or imitating a competitor's goods or services. Specifically, the harm must be a direct result of the competitor's actions, and the injured business must be a competitor.
- Section 25 of the Limitation Act provides for postponement of limitation period in case of fraud or mistake. The period of limitation does not begin to run until the plaintiff has discovered the fraud or the mistake or could with reasonable diligence have discovered it. MTN's actions involved some level of fraud, deception of bad faith.

Court's Decision:

The court awarded VAS Garage the following compensation:

UGX 1,256,624,946/= in interest on unpaid invoices.

UGX 300,000,000/= to recover marketing expenditures in September 2024.

UGX 8,375,715,765/= in lost revenue for 29 months period of the contract.

UGX 1,395,952,628/= for general damages due to conversion and unfair competition.

19% annual interest on the entire award until final payment.

Implications:

This ruling sets a strong precedent for contract enforcement and fair competition in Uganda's telecom sector. It underscores the need to safeguard contractual agreements by VAS entities, the legal risks associated with anti-competitive behavior especially by the dominant players in a sector and highlights the importance of regulatory compliance.

It is important to note that MTN Uganda has filed an appeal challenging the court's findings on subscriber data ownership and contractual obligations.

KTA Advocates supports its clients with assessments of their competition compliance by reviewing business practices and existing obligations under contract.

Disclaimer

This article provides general information only and does not constitute legal advice. KTA Advocates has made every effort to ensure the accuracy of the information presented. However, the legal landscape can be complex, and this article should not be taken as a substitute for personalized legal counsel. For specific guidance regarding Ugandan contract law, we strongly encourage you to contact a qualified Ugandan attorney.

Please feel free to reach out to KTA Advocates at corporate@ktaadvocates.com to discuss your specific needs.

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