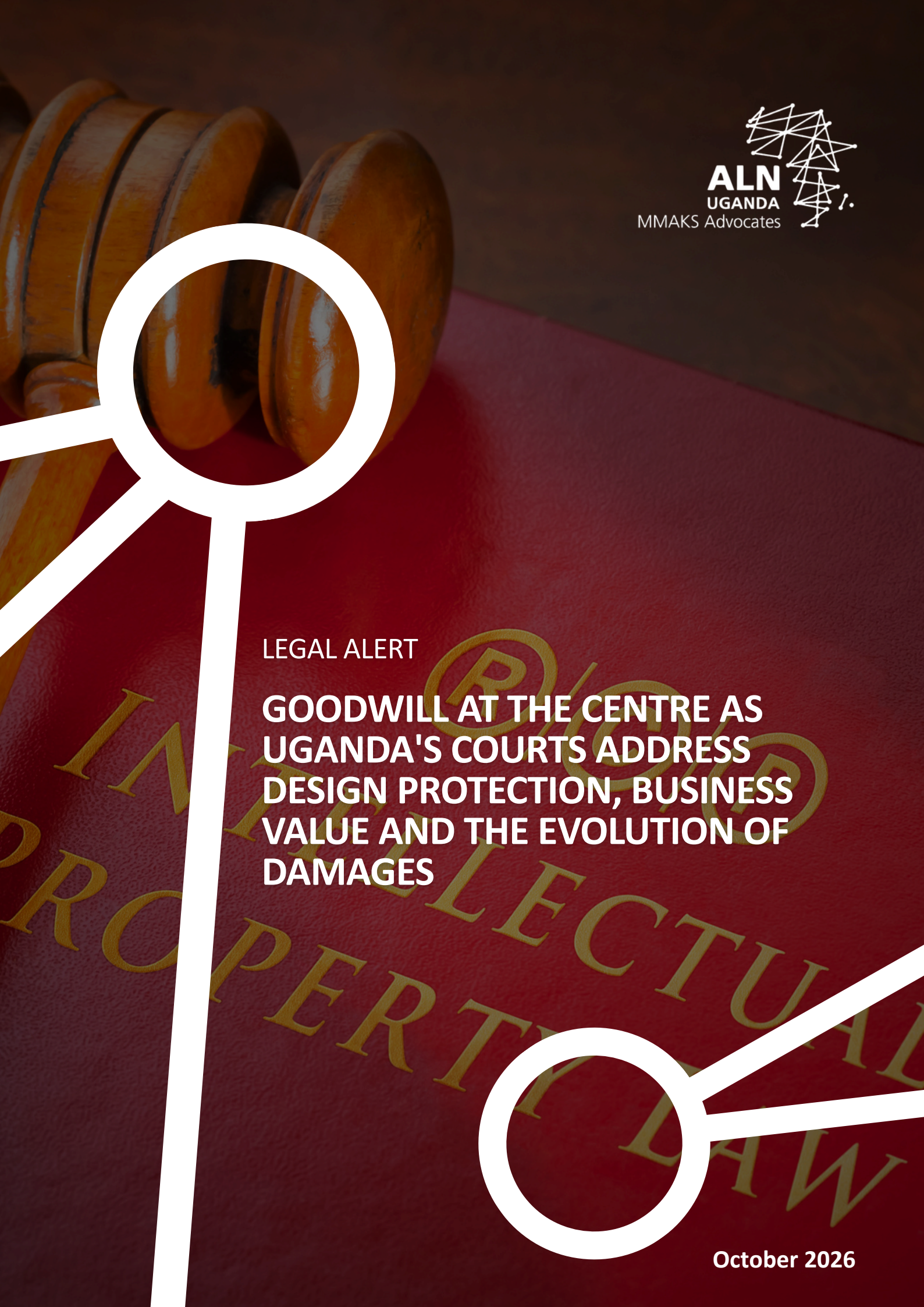
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GOODWILL AT THE CENTRE AS UGANDA'S COURTS ADDRESS DESIGN PROTECTION, BUSINESS VALUE AND THE EVOLUTION OF DAMAGES
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Introduction

Goodwill has emerged as one of the most significant intangible assets in modern commerce. Intellectual property rights traditionally focus on registered rights such as trademarks, patents, copyright among others. However, a business's true commercial value often lies in its goodwill which widely includes customer loyalty, market reputation, distribution networks and its ability to attract repeat business. The two recent Ugandan decisions in ***Migoo Industrial and Trading Company (U) Limited v Rida International Industry (U) Limited (No. 2) [2026] UGCommC 483*** **and** ***Gregory Gidagui Mafabi & Another v Nile Breweries Limited [2026] UGCA 87*** have brought these issues into sharp focus.

Read together, the decisions signal a significant judicial shift towards recognising goodwill as a commercial asset capable of protection, valuation and compensation, rather than merely a legal concept. They also demonstrate a growing willingness to award substantial damages where goodwill is wrongfully interfered with, as discussed in detail below in this legal alert.

Migoo v Rida brings Industrial Design Protection to life

The dispute in *Migoo v Rida* arose between competing gumboot manufacturers operating in Uganda and neighbouring markets. Migoo claimed ownership of an industrial design used in its gumboots and alleged infringement, passing off and fraud by Rida. The case gave the Commercial Court a rare opportunity to examine Uganda's industrial design regime comprehensively under the Industrial Property Act. In a detailed judgment, the Court clarified the requirements for validity, novelty, infringement and enforcement of industrial designs.

The Court held that registration creates only a rebuttable presumption of validity. It does not shield a design from challenge where evidence shows that the design lacked novelty at the time of application or had already been disclosed to the public. Applying these principles, the Court invalidated both parties' industrial design registrations after finding that the design lacked the requisite novelty.

The decision's significance extends beyond industrial design law. The Court provided extensive guidance on the "ordinary observer" test, functional and ornamental features, informed users and the importance of designer freedom in assessing similarity. For manufacturers and intellectual property practitioners, the decision gives practical meaning to industrial design protection in Uganda, an area that has historically received limited judicial attention. The failure of the industrial design claims did not, however, end the dispute.

(i) Passing off

Although both industrial design registrations were invalidated, Migoo succeeded in its alternative claim for passing off. The Court emphasised that passing off does not protect ownership of a

product shape or design. Rather, it protects the goodwill that customers associate with a product, business or trade dress. The Court reaffirmed the classical trinity of passing off: 1)Goodwill or reputation; 2) Misrepresentation by the defendant, and; 3) Damage or likelihood of damage.

(ii) Protection of Goodwill

The Court's treatment of goodwill was particularly significant. It held that goodwill does not reside in the industrial design itself, but in the reputation and customer association attached to a product's presentation, branding, trade dress and market identity. Accordingly, Migoo could not monopolise a common market gumboot design, but could protect the customer association built around its products. The Court found strong evidence that consumers associated the products' appearance and presentation with Migoo, alongside evidence of customer confusion, diversion of business and deliberate conduct likely to mislead consumers.

The decision demonstrates that a defective or invalid intellectual property registration does not necessarily leave a business without protection. Where a business has invested in reputation and customer goodwill, passing off remains available to protect that investment.

Mafabi v Nile Breweries :Goodwill as a compensable asset

The Court of Appeal's decision in ***Gregory Gidagui Mafabi & Another v Nile Breweries Limited*** addressed the seminal question of **how Goodwill should be valued when it exists and is lost?** The dispute arose from the termination of a distributorship relationship that had lasted more than two decades. The appellants argued that termination deprived them of both their contractual rights and the goodwill developed through years of customer engagement and market development.

The Court accepted that the affected business comprised tangible assets, including property, inventory and equipment, and intangible assets, including customer relationships, reputation and market goodwill. Drawing heavily on English authorities, it defined goodwill as the benefit and advantage of a business's good name, reputation and customer connections. It also recognised that goodwill varies between businesses and industries.

Importantly, the Court rejected the notion that goodwill is too uncertain to value. As Justice Kawuma JA observed, the absence of invoices, receipts or physical manifestation does not mean that goodwill lacks measurable financial value. In a significant development for Ugandan commercial jurisprudence, the Court endorsed a structured valuation methodology involving:

- Examination of earnings records,
- Adjustment of earnings to future maintainable profits,
- Determination of appropriate rates of return,
- Capitalisation of adjusted earnings,
- Valuation of other assets, and
- Determination of goodwill as the residual value.

Applying these principles, the Court overturned the High Court's award of UGX 100 million and substituted UGX 1,117,687,085 as damages for loss of goodwill. The decision firmly establishes that goodwill claims must be supported by financial and valuation evidence, rather than speculation.

Evaluating Migoo and Mafaabi

Although *Migoo* and *Mafabi* arose from entirely different facts, they converge on an important principle that **goodwill is a commercially valuable and legally protectable asset.** In *Migoo*, the Court protected goodwill against consumer confusion and misrepresentation, while in *Mafabi*, the Court quantified goodwill and compensated its destruction. Both courts recognised that a business's real commercial value often extends beyond physical assets and registered rights to customer relationships, market recognition, reputation and commercial trust.

The decisions demonstrate that goodwill operates at two distinct levels, namely as a basis for legal protection through actions such as passing off, and as a compensable economic asset whose loss can attract substantial financial remedies. Together, they establish a coherent framework for future commercial and intellectual property disputes.

Damages in Intellectual porperty disputes: A new judicial trend?

The courts' treatment of damages is particularly notable. Historically, Ugandan courts have struggled to quantify losses arising from intellectual property infringement and injury to goodwill. Claims were often supported by limited valuation evidence, and courts frequently adopted conservative awards. These decisions suggest a gradual evolution in that approach.

In *Migoo*, the Court awarded over **UGX 12.7 billion** in special damages and **UGX 4 billion** in general damages, with total awards exceeding **UGX 16.7 billion**. This is arguably Uganda's largest reported award in an intellectual property-related dispute. In *Mafabi*, the Court demonstrated a willingness to use structured valuation methodologies and expert evidence to quantify goodwill with greater precision.

The emerging trend points towards substantial compensation where parties provide credible financial evidence linking wrongful conduct to measurable commercial harm. The focus appears to be shifting from symbolic damages to evidence-driven compensation.

Implications for Industry

The practical significance of these decisions extends beyond litigation. Manufacturers and product designers should pay closer attention to novelty, ownership and registration strategies before bringing industrial design claims. Brands should invest in distinguishing features, trade dress and market identity capable of generating protectable goodwill. Distributors, franchisees and commercial agents should maintain records demonstrating their role in customer acquisition and market development.

Businesses should treat goodwill as a strategic asset requiring protection, documentation and valuation, rather than an abstract accounting concept. The decisions also underscore the importance of expert valuation evidence. Future claims involving goodwill, trademarks, designs, distributorship rights and related commercial interests are likely to require greater involvement from accountants, valuers and financial experts.

Key Takeaways

The decisions in *Migoo* and *Mafabi* mark a significant development in Uganda's treatment of intangible business assets. Migoo clarifies and strengthens industrial design law while reaffirming passing off as a tool for protecting market goodwill. Mafabi recognises that goodwill has measurable measurable economic value and can attract substantial compensation when wrongfully destroyed.

Together, the decisions send a clear message that businesses must protect goodwill with the same diligence they devote to trademarks, patents, copyrights and physical assets. Litigants seeking compensation must move beyond broad assertions and provide rigorous evidence of value and loss.

For Uganda's intellectual property, manufacturing and commercial sectors, these decisions represent an important step towards a more sophisticated understanding of intangible assets, their protection and their valuation.

Disclaimer

This opinion piece does not constitute legal advice and should not be relied on as such. Our Intellectual Property (IP) Legal Team at MMAKS Advocates is available to elaborate further and provide any required support.



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