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## PATRELI Publications

### CASE REVIEW: LA CASERA COMPANY PLC V. PRAHLAD KOTTAPPURATH GANGHADARAN - RECALIBRATING THE BALANCE BETWEEN RESTRAINT OF TRADE AND THE RIGHT TO WORK

#### Introduction

In our earlier article on non-compete clauses<sup>[1]</sup>, we x-rayed the challenges associated with non-compete clauses and argued that Nigerian courts must strike a principled balance between protecting an employer's legitimate business interests and an employee's constitutional right to gainful employment. The recent decision of the Court of Appeal in *La Casera Company Plc v. Prahlad Kottappurath Ganghadaran*<sup>[2]</sup> provides a practical lens through which that balance can be assessed.

The judgment represents a notable shift from the National Industrial Court of Nigeria's (NICN) increasingly employee-protective stance and signals a return to a more contextual approach to post-employment restraints.

#### Brief Facts of the Case

The Appellant commenced this action at the National Industrial Court of Nigeria ('NICN' or 'lower Court'), alleging that the Respondent breached Clause 23 of his contract of employment by accepting employment with Nigerian Bottling Company Limited, a competitor in the beverages industry. Clause 23 of the contract of employment imposed two post-employment restraints:

1. A restriction preventing the Respondent from accepting employment in the same or similar field in Nigeria for a period of five years after termination; and
2. A further restriction prohibiting the Respondent, after the five-year period, from working for any competing company in the beverages, soft drinks, and table water industry in Nigeria indefinitely.

Upon breach of the above terms, the Appellant sought declaratory and injunctive reliefs restraining the Respondent from working for any competing company for a period of five years, and ₦50,000,000.00 in damages for breach of contract, costs of the action, and interest.

1. <https://www.patrelipartners.com/non-compete-clauses-in-employment-contracts-balancing-the-employees-right-to-gainful-employment-and-employers-interests-in-a-competitive-market/>

2. Unreported Appeal No: CA/L/1059/2016, delivered on 9<sup>th</sup> July, 2025

In response, the Respondent filed a statement of defence and counter-claim challenging the validity of Clause 23. He contended that the restraint imposed was unreasonable, excessive, oppressive, and contrary to public policy. He sought declarations that the clause, which restricted him from engaging in similar employment for five years and thereafter imposed an indefinite prohibition against working for competing companies in Nigeria, was null and void, and sought an order striking out the clause in its entirety.

### Decision of the NICN

Consistent with its jurisprudence on restraint of trade, especially in *iROKOTv.com Ltd v. Ugwu*<sup>3</sup> and *Interswitch Ltd v. Esumeh*,<sup>4</sup> the NICN struck down Clause 23 in its entirety. The court held that the restraints were unreasonable, contrary to public policy, and inimical to the Respondent's right to gainful employment. Dissatisfied with the decision of the lower court, the Appellant appealed to the Court of Appeal.

### Decision of the Court of Appeal

On appeal, the Court of Appeal adopted a segmented and contextual analysis of the restraint clause, evaluating each element independently instead of striking down the clause as a whole, as the NICN had done.

The Court of Appeal invalidated the **indefinite restraint**, holding that a perpetual restriction on employment was inherently unreasonable and contrary to public policy. The Court upheld the **five- year restraint**, finding it reasonable in the circumstances, given the Respondent's sensitive position, access to confidential information, and the competitive nature of the beverages industry. The Court awarded ₦10,000,000 in general damages for breach of the enforceable restraint.

In doing so, the Court of Appeal reaffirmed that restraint of trade is not void per se and must be assessed on a case-by-case basis. The Court of Appeal affirmed that while indefinite restraints remain void, a post-employment non-compete clause will be enforceable where:

- The employer demonstrates a legitimate protectable business interest;
- The restraint is reasonable in duration, scope, and subject matter; and
- The restriction does not amount to an unjustified suppression of the employee's right to work or public interest.

### Critical Commentary

The Court of Appeal's validation of a five-year restraint in *La Casera* is less surprising when viewed in light of the Respondent's senior executive role. As Chief Operating Officer, the Respondent exercised oversight across the organisation and had access to sensitive strategic and operational information capable of causing significant competitive harm post-employment. The Court's reasoning aligns with the UK Supreme Court's position in *Tillman v. Egon Zehnder Ltd*'s case,<sup>5</sup> which recognises that high- ranking employees may justify broader post-employment restraints.

Whilst it has been contended in some quarters that the Court of Appeal failed to sufficiently consider the two-year limitation contemplated under section 68(e) of the Federal Competition and Consumer Protection Act (FCCPA), 2018, this criticism may have overlooked the contextual nature of the Court's analysis. The Court appears to have adopted a pragmatic, fact-sensitive approach (and rightly so), taking into account the

3. (2020, NICN/LA/169/2015, Unreported)

4. (2023) (Unreported, Suit No: NICN/LA/192/2020)

5. [2019] UKSC 32

Respondent's position as Chief Operating Officer and his extensive oversight of the Appellant's operations, strategy, and commercially sensitive information. In such circumstances, we believe a rigid application of a statutory time benchmark may not adequately reflect the commercial realities of senior executive positions and result in an injustice to the Appellant.

Furthermore, the decision reinforces the long-standing common law principle of the sanctity of contract.<sup>61</sup> The Court gave effect to the terms voluntarily agreed upon by the parties, emphasising that contracts freely entered into should not lightly be set aside, especially where the employee occupies a high-ranking position with significant bargaining leverage. While concerns about inequality of bargaining power in employment relationships remain valid, the Court's reasoning suggests that such considerations may carry less weight where the employee is a senior executive capable of negotiating contractual terms.

## Conclusion and Recommendations

The decision in *La Casera Company Plc v. Ganghadaran* represents a recalibration of Nigeria's restraint of trade jurisprudence. By enforcing a five-year restriction while invalidating an indefinite restraint, the Court of Appeal has affirmed a balanced, fact-sensitive approach consistent with comparative global trends.

Premised on the Court of Appeal decision in *La Casera*, it is therefore recommended that employers should adopt role-specific and interest-driven non-compete clauses, rather than blanket restrictions, these being more likely to be judicially enforced. Employees, particularly senior executives, should subject post-employment restraint clauses to careful negotiation and legal review before execution, given the courts' increasing willingness to enforce proportionate restrictions. Legal Practitioners should note that Nigerian courts are moving towards a contextual and proportional analysis of non-compete agreements, assessing enforceability based on role, duration, scope, and legitimate business interest rather than adopting a blanket rejection of such clauses.