



Portfolio Media, Inc. | 111 West 19th Street, 5th floor | New York, NY 10011 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

NY Appellate Judges Question Minor League Contraction

By **Zachary Zagger**

Law360 (April 13, 2022, 10:23 PM EDT) -- New York appellate judges on Wednesday hammered Major League Baseball, the New York Yankees and the Houston Astros over the meaning of minor league affiliation agreements, suggesting contract suits over the cut of Yankees and Astros affiliates should continue as part of the league's rehauling of the minor league system.

The questioning came during oral arguments at a New York state appeals court in two cases brought by the owners of the Staten Island Yankees and Tri-City ValleyCats, which were cut from the new MLB-affiliated minor league baseball system.

Arguing for the Yankees, which is **attempting to arbitrate** a \$20 million lawsuit, Thomas H. Sosnowski of Boies Schiller Flexner LLP argued that once the Professional Baseball Agreement expired in 2020, it was replaced with a new set of agreements that are not a successor to the PBA contractually.

"You are saying that and arguing that, but what document tells me that?" Justice Sallie Manzanet-Daniels asked, questioning whether it was a possibility minor league teams could lose their MLB team affiliations at the expiration of the professional baseball agreement.

"I am trying to understand why MLB would not have said, 'You are OK to enter into that agreement, but understand, come 2020, that agreement is gone and we start all over,'" she said.

Nostalgic Partners LLC, owners of the Yankees' former Staten Island affiliate, and the Tri-City Valleycats, located in Troy, New York, sued MLB and its **former affiliated big-league clubs** in December 2020 and January 2021.

The suits alleged the clubs breached their contracts or other agreements to continue their affiliations with the minor league clubs, that they breached fiduciary duties to the minor league clubs and that MLB tortiously interfered in their deals.

The suits come after MLB allowed an agreement with Minor League Baseball to end in 2020, and then **controversially contracted** the number of affiliated minor league teams from around 160 to 120 and gave MLB more control over the minor leagues.

As part of the move, the 80-year-old New York-Penn League, of which both Staten Island and Tri-City were a part of, was cut.

Last year, a lower court judge **trimmed the suits**, allowing a contract claim against the Yankees to proceed, as well as a claim that MLB and the Astros **interfered with** Tri-City's business dealings.

"Major League Baseball now literally owns Minor League Baseball," said Gregory Silbert of Weil Gotshal & Manges LLP, arguing for Tri-City. "What agreement accomplished that transfer? Well, before discovery, we don't know. But you give us some discovery; there definitely is an agreement out there. The independent system of minor league baseball was wiped out."

Benjamin Walker of Sullivan & Cromwell LLP, an attorney for the MLB and the Astros, argued the minor league team cannot claim tortious interference, because it had made agreements with other parties, including a stadium lease, that required continued affiliation when it was known that the

affiliation could end at the end of the PBA.

Further, Tri-City relinquished any prior contractual rights it had when it negotiated to join the new minor league system.

"You sat on your hands. You allowed the minor league baseball teams to build up the minor league franchises and just when it is getting good, let's take them over," Justice Manzanet-Daniels said to the attorney for the MLB and the Astros.

"No, we disagree with that, your honor, factually," Walker said.

"You may be contractually sound, but essentially, what you have done is wiped out an independent minor league," Justice Manzanet-Daniels said.

Counsel for the parties did not respond to requests for further comment Wednesday.

Nostalgic Partners, the Staten Island Yankees and the Tri-City ValleyCats are represented by James W. Quinn, Michael M. Fay and Emily Burgess of Berg & Androphy, and David J. Lender, Gregory Silbert and Zachary A. Schreiber of Weil Gotshal & Manges LLP.

The Yankees are represented by Jonathan D. Schiller and Thomas H. Sosnowski of Boies Schiller Flexner LLP.

The Astros and MLB are represented by John Hardiman, Benjamin R. Walker and Tyler M. Dato of Sullivan & Cromwell LLP.

The cases are Nostalgic Partners LLC d/b/a The Staten Island Yankees v. New York Yankees Partnership et al., case number 2021-03933, and Tri-City ValleyCats Inc. v. Houston Astros Inc. et al., case number 2021-03831, in the New York Supreme Court Appellate Division, First Judicial Department.

--Additional reporting by Rachel Scharf. Editing by Lakshna Mehta.