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Yankees, Astros Must Face Suit Over Minor League Cuts

By **Max Jaeger**

Law360 (May 4, 2022, 6:42 PM EDT) -- Major League Baseball, the New York Yankees and Houston Astros must face lawsuits over their decisions to cut ties with minor league affiliates as part of a reorganization, a New York appeals court said Tuesday.

The opinion by a five-judge panel of the New York State Supreme Court Appellate Division's First Judicial Department affirmed rulings by Justice Barry Ostrager denying motions to dismiss claims in two cases: **a December 2020 suit** by the owners of the defunct Staten Island Yankees and another filed a month later by the Tri-City ValleyCats from Troy, New York.

Staten Island team owners Nostalgic Partners LLC say the Yankees violated a deal to continue their affiliation in perpetuity so long as certain conditions were met. The ValleyCats, for their part, claim a decision by the Astros and MLB to end their relationship tortiously interfered in a business relationship.

An attorney for Nostalgic Partners lauded the ruling on Wednesday.

"It reaffirms what was Nostalgic's intent in purchasing the Staten Island Yankees, which was to have this affiliation with the Yankees, and to have it so long as Nostalgic complied with the contractual requirements," attorney Michael Fay of Berg & Androphy said. "The affiliation was one of the primary reasons that Nostalgic bought the Staten Island Yankees, and Nostalgic would never have bought that team if it thought that the affiliation was going to disappear in nine years."

Under so-called player development contracts, the minor league teams could benefit from major league name recognition in exchange for cultivating player talent that the upper-tier affiliates could later draw on. A compact between MLB and minor league organizer the National Association of Professional Baseball Leagues outlined how player development contracts would work.

MLB ended its so-called professional baseball agreement, or PBA, with the National Association in 2020, and now says the teams should have known that the end of the PBA spelled the end of individual development contracts.

But Nostalgic says its 2011 deal with the Yankees is not that explicit. The agreement calls for a development contract "as referred to in Major League Rule 56 of the professional baseball agreement or the rule that is its successor, replacement or equivalent."

MLB did away with the PBA in 2020 as part of **a controversial decision** to downsize the minor leagues, and replaced the player development contracts with player development licenses, or PDLs. Nostalgic says the development licenses are clearly successors to the development contracts, but the Yankees disagree.

The appeals panel said the record was not developed enough to conclude who was right — but that Nostalgic had sufficiently alleged a violation at this stage.

"The Yankees welcome the opportunity to present evidence establishing Nostalgic's knowledge, from the moment they purchased the Staten Island team, that they had no right to a perpetual 'affiliation' with the New York Yankees; indeed, the contracts Nostalgic signed expressly prohibited any Yankee affiliation beyond September 30, 2020," Yankees attorney Thomas Sosnowski told Law360 in a

statement on Thursday. "It is undisputed, from that date on, MLB, and only MLB, entered contracts with minor league baseball teams."

"The Yankees welcome the opportunity to present evidence, which will prove that Nostalgic had no right to a perpetual 'affiliation' and indeed, the contracts Nostalgic signed expressly forbade the type of agreement Nostalgic claims it had,

In the same order Tuesday, the First Department panel dismissed three of the ValleyCats' **remaining tortious interference claims**, but left one alive.

The ValleyCats could not claim the Astros' refusal to enter a PDL after the minor league reorganization amounted to tortious interference, the panel said, holding that the Astros were merely exercising their right not to enter agreements.

But the ValleyCats can still pursue one tortious interference claim, according to the appeals court. They say the Astros and MLB interfered in their agreement with the National Association by luring other minor league teams to leave the National Association and come under MLB's umbrella.

"The provision plainly prohibits any team that is a party to the NAA from negotiating to become a member of a competing organization," Tuesday's order says.

Counsel for the ValleyCats and Astros did not immediately respond to requests for comment Wednesday.

Nostalgic, 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 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 Walker and Tyler M. Dato of Sullivan & Cromwell LLP.

The cases are Nostalgic Partners LLC dba 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.

--Editing by Stephen Berg.

Update: This article has been updated with comments from the Yankees.