“Sports give people something to believe in, something to hope for, and something in which they can take pride in their community.”
SPORTS HAVE LONG BEEN DEEPLY INTERTWINED WITH SOCIETY BUT IN THE PAST SIXTY YEARS THEY HAVE BECOME A MAJOR ECONOMIC INDUSTRY. WHILE PROFESSIONAL SPORTS FRANCHISES BENEFIT THEIR OWNERS FINANCIALLY, THEY ARE ALSO CENTRAL TO THE CULTURE OF THE CITY THEY REPRESENT. THE DICHOTOMY BETWEEN SPORTS AS AN INTEGRAL PART OF SOCIETY AND SPORTS AS A BUSINESS HAS BEEN MADE APPARENT THROUGH THE LEGAL CASES SURROUNDING THE MOVES OF FRANCHISES IN THE NATIONAL FOOTBALL LEAGUE. THIS PAPER ANALYZES THE PRECEDENT SET BY THE CASES REGARDING THE MOVES OF THE OAKLAND RAIDERS, BALTIMORE COLTS, AND CLEVELAND BROWNS. IN ALL THREE, THE COURTS HAVE FAVORED THE SPORT FRANCHISE AS A BUSINESS RATHER THAN AS A REPRESENTATION OF LOCAL CITIZENS. THESE FRANCHISE RELOCATIONS HAVE ESTABLISHED A SYSTEM KNOWN AS “FRANCHISE FREE AGENCY” IN WHICH THE SPORT FRANCHISE IS LEGALLY NO DIFFERENT FROM ANY OTHER CORPORATION. OVER THE PAST THIRTY YEARS, COURTS HAVE DETERMINED THAT OWNERSHIP OF A TEAM BELONGS SOLELY TO ITS LEGAL OWNER AND NOT TO THE TEAM’S FANS OR HOME CITY.
The analogy between sports and life is often touted in order to express a sense of the importance of sports in the development of a nation's culture. Sports have often played a major role in societies because they encapsulate so much of what those societies represent. In sports, there is a competition between the good and the bad. Sports give people something to believe in, something to hope for, and something in which they can take pride in their community. Sports are integral to the development of children because they intrinsically teach how to work as a team, how to be competitive, how to win with class, and how to lose with grace.

"The courts have played a major role in the regulation of franchise moves in sports and in the determination of whether owners' or fans' interests are paramount."

In addition to being a catalyst for the development of society, sports have also become a major business in American society. Because of the popularity of sports in America, people have found ways to make money through the playing and promotion of professional sports. Over the past century, professional sports in America have grown from a small endeavor to a multi-billion dollar international industry. With that growth, it has become increasingly hard to distinguish professional sports franchises from businesses. This is made evident by how the open market so easily influences certain franchises' futures. Professional sports franchises, however, are more than simple economic entities because of what they mean to the communities that support them. Because of the open market in which they function, though, the opportunity for greater profits, rather than the opportunity for fan support, has become the catalyst for franchises' actions. This trend has resulted in the movement of teams from one city to another in search of more money; it has also resulted in cities paying increasingly larger sums of taxpayer money to keep teams that threaten to move. The courts have played a major role in the regulation of franchise moves in sports and in the determination of whether owners' or fans' interests are paramount. Based on the decisions reached in cases over the past thirty years, the courts have determined that ownership of a team belongs solely to its legal owner and not to its fans or the home city.

The two most popular sports in America are baseball and football, but the way the courts have treated the two sports is entirely different. The movement of franchises that are a part of Major League Baseball (MLB) is much rarer and has resulted in less legal action than the movement of franchises that are a part of the National Football League (NFL). The reason for this can be traced back to the ruling in Federal Baseball Club of Baltimore, Inc. v. National Baseball Clubs. In 1922, the Federal Baseball Club of Baltimore brought suit against the National Baseball Clubs for damages under the Anti-Trust Acts of 1890, claiming that the National Baseball Clubs were attempting to monopolize the sport and destroy the Federal League by "buying up some of the constituent clubs and in one way or another inducing all those clubs except the plaintiff to leave their League." The court ruled that the National Baseball Clubs could not be held in violation of the Anti-Trust law because their business was not a part of interstate commerce. Justice Holmes wrote in the majority opinion,

The business is giving exhibitions of baseball, which are purely state affairs. It is true that in order to attain for these exhibitions the great popularity that they have achieved, competitions must be arranged between clubs from different cities and States. But the fact that in order to give the exhibitions the Leagues must induce free persons to cross state lines and must arrange and pay for their doing so is not
enough to change the character of the business. According to the distinction insisted upon in Hooper v. California, 155 U. S. 648, 655, 15 Sup. Ct. 207, 39 L. Ed. 297, the transport is a mere incident, not the essential thing.\textsuperscript{ii}

Based on this decision and the fact that attempts at overruling it have failed, Major League Baseball is the only league allowed to regulate franchise moves without fear of violating the Sherman Anti-Trust Act. As a result of this exception granted to MLB, there has been little legal controversy surrounding franchise moves in baseball.

The legal history of franchise moves in the National Football League, however, has taken a different course. The NFL was never granted the same exemption as MLB, but the implications of this fact were not made clear until 1980 when Oakland Raiders owner Al Davis tried to move his team to Los Angeles. When Davis announced the move, the NFL attempted to reject it pursuant to section 4.3 of their bylaws which states in full that,

\textit{The League shall have exclusive control of the exhibition of football games by member clubs within the home territory of each member. No member club shall have the right to transfer its franchise or playing site to a different city, either within or outside its home territory, without prior approval by the affirmative vote of three-fourths of the existing member clubs of the League.}\textsuperscript{iii}

The two landmark cases that followed the Raiders’ move to Los Angeles set the precedent for the phenomenon called “franchise free agency”\textsuperscript{iv} in football. Via the court ruling that section 4.3 of the NFL’s bylaws is a violation of anti-trust law, the courts have created a new system; teams use relocation and the threat of relocation to extract more money and better stadiums from whichever city will provide them. This system also has resulted in a system in which the city and fans that these NFL teams represent have almost no say in a team’s decision to move. The precedent set in the two Raiders cases was upheld when after the Baltimore Colts’ “midnight ride” to Indianapolis, the city of Baltimore failed to reclaim the franchise through eminent domain. The court ruled that it was the owner’s right to relocate his team and that the League had no authority to prevent that move. In this new system of “franchise free agency,” the courts have posited the owners and teams as businesses and favored them over the cities and fans as patrons. Even in the case of the relocation of the Cleveland Browns to Baltimore, fan outcry did not inhibit the city’s “Beloved Browns”\textsuperscript{v} from leaving Cleveland.

As aforementioned, franchise free agency in the NFL was first established in the outcome of the Oakland Raiders lawsuit, which declared that section 4.3 of the NFL’s bylaws violated the Sherman Anti-Trust Act by restricting free trade. Oakland Raiders owner Al Davis entered into talks with Oakland officials to discuss the status of his team in that city. Davis’ lease on the Oakland Coliseum was set to end in 1978 and he believed that the stadium needed substantial improvements if his team was to continue playing there. When it became clear to Davis that Oakland was not going to meet his terms, he entered into talks with the City of Los Angeles to attempt to obtain terms acceptable for the relocation of the Raiders. Los Angeles had just lost the Rams to Anaheim and had the 92,000 seats of the Los Angeles Coliseum sitting empty. These negotiations
moved rapidly and on March 1, 1980, the two parties signed an agreement outlining the terms of the lease. Both sides got what they wanted; Davis received a nicer stadium for his Raiders to play in and Los Angeles got an NFL team once more. Davis announced his plans to move the Raiders to Los Angeles on March 3, 1980.

One week subsequent to Davis’ announcement, the League owners convened a meeting to vote on the move under section 4.3 of the League’s bylaws. The League voted unanimously against the move 22-0 and obtained an injunction preventing the move under the terms of the team’s contract with the League. Shortly after this vote was taken, the Los Angeles Memorial Coliseum Commission sought an injunction to “enjoin the League from preventing the Raiders’ move.”vi This suit became known as Raiders I and ultimately determined that preventing the free movement of teams from city to city was a violation of anti-trust law. At the same time, the City of Oakland brought an eminent domain action against the team in an attempt to prevent the Raiders from moving to Los Angeles.vii This suit became known as Raiders II and ultimately determined that a football team can be qualified as a public benefit which can be seized by eminent domain, but that Oakland’s exercise of that eminent domain was a violation of the Commerce Clause. The court’s interpretation of the two cases showed that they favored the interests of the NFL franchise as a business over the interests of both the League in which a franchise plays and the city which a franchise represents.

When considering whether or not section 4.3 of the NFL’s bylaws violated the Sherman Anti-Trust Act, the court considered two factors. First, the court considered whether the NFL should be treated as a single entity. Justice Anderson of the Ninth Circuit Court of Appeals summarized the arguments of both sides when he wrote,

*The NFL contends the league structure is in essence a single entity, akin to a partnership or joint venture, precluding application of Sherman Act section 1 which prevents only contracts, combinations or conspiracies in restraint of trade.*

Justice Anderson cited the district court decision as being correct in determining that the NFL is not a single entity. In the district court hearing the court determined three reasons why the NFL cannot be considered a single entity. The first reason was based on the precedent set when other courts had determined that the League had violated section 1 of the Sherman Act in other areas of its business. In this case the court ruled that “the NFL is not the ‘parent’ of any league member, nor do any two clubs have a common owner. The clubs do not share key operational personnel. And the NFL itself has conceded that ‘the existence of actual or potential inter-club competition in certain areas is not disputed.’”ix The second reason the court cited was that other similar organizations had been found to have violated section 1 of the Sherman Anti-Trust Act.
The final reason the court presented to show that the NFL is not a single entity was that the individual NFL clubs are "separate business entities whose products have an independent value." Though the various NFL clubs all share certain common purposes, they do not operate as a single entity. Based on these reasons laid out by the district court, Justice Anderson ruled that the NFL had only a limited identity and this identity did not consist of an incorporation of all of its member franchises. He wrote,

> The League itself is only in very limited respects an identity separate from the individual teams. It is an unincorporated, not-for-profit, "association." It has a New York office run by the Commissioner, Pete Rozelle, who makes day-to-day decisions regarding League operations. Its primary functions are in the areas of scheduling, resolving disputes among players and franchises, supervising officials, discipline and public relations.

In the court's opinion, the NFL is nothing more than a governing body that sets rules and schedules. Because of this opinion the court determined that each franchise acts as a separate entity when conducting business. This decision is elucidated by the competition amongst teams for players, coaches, fan support, and media coverage.

The second question the court asked in its determinations was whether or not section 4.3 is an "unreasonable restraint of trade" under section 1 of the Sherman Anti-Trust Act. The court ultimately concluded that the provision preventing the free movement of franchises was an unreasonable restraint that hindered competition among members of the NFL. In determining this, the court considered both the positive and negative effects that section 4.3 had on competition. The section 4.3 rule was established because of a need for stability in the League. In the early days of the NFL, teams struggled to become established in their respective regions. The rule prohibiting unauthorized franchise movement was seen as a method of proffering constancy to the League. By granting franchises exclusive territories, and prohibiting other teams from moving into markets without League approval, NFL owners believed that it would be easier to establish the League as a long-term entity. Because the NFL has since established itself as the premier football league in the world, section 4.3 evolved to be seen as a harmful restriction of competition. The court held that "direct competition between the Rams and Raiders would presumably ensue to the benefit of all who consume the NFL product in the Los Angeles area." The court was of the opinion that the marketplace should be the determining factor in franchise moves and not the League. Its decision in favor of the Raiders' move to Los Angeles thus set the precedent for franchise free agency.

Since the ruling, the League has been wary of interfering with franchise relocation. The League did, however, create a policy in 1984 regarding franchise moves. The new policy "requires any team proposing a move to submit written notice and a statement of reasons to the league." This provision was put forth as a levy against arbitrary team relocation. It was not intended to block teams from moving; rather, it was aimed to make those teams seriously consider why they were moving. Among the requirements in the "statement of reasons" were analyses of the adequacy of the
team’s present stadium, fan support, public financing, the degree to which owner mismanagement contributed to the need for relocation, the financial status of the team, and the extent to which the team tried to negotiate with and stay in its home city. It was believed that this provision would deter many teams from moving unless there were extreme reasons for them to relocate.

After the court ruled that prohibiting the relocation of the Raiders franchise to Los Angeles was a violation of the Sherman Act, the city of Oakland had only one more legal option to try to keep their Raiders at home. The city was forced to attempt to acquire the team through eminent domain. Although this action was ultimately seen as a violation of the Commerce Clause, it set an important precedent that other teams would use to attempt to prevent relocation of teams whose owners wanted to move. To win their case, the city would be required to show that the exercise of eminent domain over the Raiders franchise would be a valid public use.

Before the court could determine the issue of public use, however, it first had to deal with the issue of whether or not a city could exercise its power of eminent domain over an intangible object such as an NFL franchise. This concern was handled at the appeals level, as it was a question of law. In his opinion, Justice Richardson of the Supreme Court of California ultimately found that an intangible object could be acquired by a city through eminent domain. He wrote that “unless restricted by constitutional or statutory provisions, the right of eminent domain encompasses property of every kind and character, whether real or personal, or tangible or intangible…” Even with this liberal definition of the types of objects that can be claimed through eminent domain, to be able to exercise eminent domain over any object (tangible or intangible), the site of that object must be shown to fall within the legal boundaries of the municipality trying to claim it. Richardson was liberal in this distinction as well. Even though the Raiders had already physically moved to Los Angeles, Richardson wrote, “Oakland is the principal place of business of the partnership. It is the designated NFL-authorized site for the team’s ‘home games.’ It is the primary locale of the team’s tangible personality.”

Richardson believed in a very broad sense of the scope of eminent domain not only in the sense that he included intangible objects, but also in his definition of public use. He defines public use as “(that) which concerns the whole community or promotes the general interest in its relation to any legitimate object of government.” He continued to say that if the city can prove the public function of the franchise, then the franchise can legally be acquired through eminent domain. When this decision was released and the case was remanded to the lower court to hear if the city could prove that the Raiders served a public function in Oakland, the fans were optimistic about their chances of regaining their team. However, this optimism would soon be extinguished by the ruling of the lower court.

The City of Oakland was able to demonstrate a valid public use in their case at the district level. However, the decision to allow the implementation of eminent domain over the Raiders, when reviewed on appeal, was decided to be a violation of the Commerce Clause because of the unique nature of the NFL as a league. Article i, section 8, clause 3 of the US Constitution grants Congress the power to regulate commerce among the several States. In the final appeal of the Raiders case, this clause trumped all other claims made by either side; it did not matter that the City had a valid public use claim or that the City could legally acquire an intangible franchise through eminent domain. In his opinion, Justice Sabraw ruled that the acquisition of a football team through eminent domain was a violation of the commerce clause. He said that because of the importance of the dependence of every NFL member team on each other, a state’s interference in this matter would be detrimental to the entire league. He ruled that the nation-wide structure of the league was what ultimately gave the individual teams such popularity and that a “bar to relocation on the basis of state eminent domain law would adversely affect the League enterprise.” Justice Sabraw basically decided that the “invisible hand” of the market must govern
franchise moves in the NFL and that blocking teams with claims of eminent domain was harmful to the franchise as a business entity. He wrote that if a city was allowed to claim eminent domain over their team,

The League's interests would be subordinated to, or at least compromised by, the new owner's allegiance to the local public interest in matters such as lease agreements, ticket prices, concessions, stadium amenities, scheduling conflicts, etc... A single precedent of eminent domain acquisition would pervade the entire League, and even the threat of its exercise elsewhere would seriously disrupt the balance of economic bargaining on stadium leases throughout the nation.

This decision handed down by the court, in favor of the NFL franchise as business enterprises rather than as agents of the municipalities they represent, set the precedent for the future movement of the Colts and the Browns. Additionally, it created an environment in which teams could use the threat of relocation to attract better monetary and economic incentives from the cities in which they play.

The first franchise to take advantage of the system of "franchise free agency" established through the Raiders cases was the Baltimore Colts. In late 1983 and early 1984, Colts owner Robert Irsay entered into extensive negotiations with the Mayor of Baltimore, William Donald Schaefer, to discuss the future of his NFL franchise. The two sides discussed the possibility of building a new stadium for the Colts to play in and the suggested terms of that lease. After negotiations with Baltimore provided unfavorable terms for Irsay and his team, he turned to the City of Indianapolis.

The brand new $80 million Hoosier Dome and a propitious lease agreement enticed Irsay to move his team to Indiana. Despite the city of Baltimore and the state of Maryland's best efforts to try to prevent the team's exit, Irsay knew that because of the recently administered Raiders decision, he would not have to defend his actions. When Maryland officials saw that the move was imminent, the State Senate passed a bill on March 27, 1984 authorizing Baltimore to condemn professional sports franchises. After hearing of this bill the next day, Irsay decided to move his franchise to Indianapolis. On the night of March 28, 1984, while his agents were still working out the terms of the lease with the Hoosier Dome officials, Irsay had most of the Colts' physical possessions loaded into the now infamous "Mayflower moving vans" and driven to Indianapolis in the midst of a snow storm.

To fully understand the rationale of this move, it must be placed into context in terms of the decisions reached at the various levels of the Raiders cases. Irsay's move followed both the decision against the NFL for its violation of antitrust laws and the decision that a city could claim an intangible object such as a sports franchise through eminent domain. However, this move came well before the California courts decided that the capture of a sports franchise through eminent domain was a violation of the Commerce Clause. This context gives further weight to the claim that the courts favored the business interests of the owners of the franchise over the interests of the fans and cities which those franchises represented. The timing of the move and the urgency with which Irsay executed it showed his uncertainty about how the courts would treat a claim of eminent domain for football franchises.
When the Colts left, the Maryland legislature enacted the bill allowing the City of Baltimore to condemn sports franchises, and the City filed a condemnation petition seeking to acquire the Colts through eminent domain. Ultimately, the courts decided that this condemnation was invalid because the franchise was outside of the City's jurisdiction. In making this determination, the courts further asserted that an NFL franchise is first and foremost, if not entirely, a business entity.

The major point of contention in this eminent domain suit was the issue of whether the Colts franchise fell under the jurisdiction of the City of Baltimore at the time the City tried to claim it through eminent domain. To determine this, the court addressed three issues. "First, what is the relevant date to determine the location of the Club: the date of filing of the condemnation proceedings or the date when compensation is paid? Second, what standard is the appropriate test for determining the situs of an intangible franchise in condemnation proceedings? Third, was the franchise in Maryland at the time when situs must be determined?" The court gave two primary reasons for its determination that the Colts as a franchise were not under the jurisdiction of the City of Baltimore at the time of the eminent domain claim. The court first addressed the City's claim that the Colts had "minimum contacts" remaining in Maryland after March 30, 1984. The court rejected this claim on the grounds that it would lead to "untenable precedent." In his opinion, Justice Walter Black said, "Sports franchises, which have minimum contacts with many jurisdictions in this country, could be condemned by any state in which the team plays . . . minimum contacts standard would permit the condemnation of the Colts franchise . . . by Florida, since the Colts play a football game in Miami each year."

This judgment has come to mean that a city cannot claim eminent domain based on the fan support or the franchise's history in that city.

The court went on to discuss the precedent set by the Raiders case. The two differences from the Raiders case were that the NFL had not condemned the Colts relocation and that this move and lawsuit took place during the off-season. The court ruled that because there was no further day-to-day business conducted in Maryland by the Colts after March 30, and because all of the Colts' physical property was in Indianapolis, the City of Baltimore had no situs to claim eminent domain. Justice Black wrote,

*The Court finds this act of physical relocation, however unpopular in Baltimore at the time, to be of great significance to our inquiry here. Indeed, if the move to Indianapolis had not taken place until after March 30, the location of the team's tangible personal property, although of small value, would have been a potent factor in the city's position of situs of the franchise.*

By saying this, the court gave more weight to the interpretation of a franchise as an economic entity over the interpretation of a franchise as representative of a city.

In its final decision, the court cites the fact that the other teams in the NFL decided not to try to block the move as evidence of a waiver or suspension of article 4.3 of the League's bylaws. The court also reiterates the fact that a
team's historical ties to a particular city prove nothing as far as that team's current physical location. Justice Black closed by saying, "The team's principle place of business and its tangible property were both outside Maryland on that date, and it is clear that the owner's intention was to relocate outside of Maryland. Under any of the workable tests for determining the situs of the franchise, the Court concludes that the Colts were 'gone' on March 30, 1984."

This decision, when taken in conjunction with the decision of the California courts in the Raiders' case, shows the courts' consistency in treating NFL franchises as businesses. The final franchise move that upholds this consistency is the Cleveland Browns' move to Baltimore in 1996. The citizens of Cleveland tried to overwhelm the courts with lawsuits against owner Art Modell and the Browns, but despite nearly 100 suits, the move proceeded without interruption. On February 8, 1996 the NFL and Cleveland reached an agreement that promised the city "as much as $48 million in loans to build a 72,000-seat open-air stadium and the promise of another team that gets the Browns' name and colors in 1999." Since the 1980 repositioning of the Raiders from Oakland to Los Angeles, the courts have been unable and unwilling to interfere with the business of professional sports in America. With the advent of franchise free agency, teams and owners do not represent cities as they did in the past; rather, they represent a business whose sole purpose is the same as any other business: money.

During the Colts' move to Indianapolis, NFL commissioner Pete Rozelle explained the difficult situation that has arisen from this new system:

"With the advent of "franchise free agency," teams and owners do not represent cities as they did in the past; rather, they represent a business whose sole purpose is the same as any other business: money."

"When the Raiders sought to desert Oakland, the NFL voted against the move, was sued, and subsequently was penalized $49 million for opposing the move . . . Moreover, if we had voted to allow the move, the Oakland authorities were prepared to sue us. Now we are being sued for not preventing the Colts from leaving . . . Under court anti-trust interpretation, we are literally damned if we do and damned if we don't."
ENDNOTES


ii. Ibid.

iii. Leone (495)

iv. Leone

v. Forbes (4c)


vii. Ibid.

viii. Ibid. at 1387


x. Ibid. at 584


xii. Ibid. at 1394

xiii. Ibid. at 1396

xiv. Leone (499)

xv. City of Oakland v. Oakland Raiders, 32 Cal.3d 60 at p67 (1982)

xvi. Ibid. at 74

xvii. Ibid. at 69


xxi. Ibid. at 282

xxii. Ibid. at 284

xxiii. Ibid. at 285

xxiv. Ibid. at 289

xxv. Weisman (4c)

xxvi. Shiparo (F3)

xxvii. Rosen (D2)

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City of Oakland v. Oakland Raiders, 32 Cal.3d 60. 1982.


Forbes, Gordon. “Modell Feels the Heat from Cleveland Fans,” USA TODAY. 18 January 1996. p.4c


