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MLB's "Sign Stealing" Report Highlights Supervisory Compliance Obligations of General Managers and Field Managers

On January 13, 2020, Major League Baseball published the findings of its investigation into the Houston Astros' use of electronic equipment to steal signs during the 2017 and 2018 seasons (the "Report"). The Report details how the Astros utilized video feeds at their home ballpark to decode and transmit their opponents' signs in order to provide their batters with an advantage. Commissioner Rob Manfred also imposed lengthy suspensions on both the team's general manager Jeff Luhnow and field manager A.J. Hinch for creating an environment that allowed this conduct to occur, fined the Astros \$5 million, and took away their top two draft picks in the next two player drafts. The fallout from the Report also led the Boston Red Sox and the New York Mets to part ways with their respective managers, former Astros bench coach Alex Cora and former Astros player Carlos Beltran.

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While the particulars of this case provide important lessons in policing the misuse of electronic video equipment to steal signs, the Report contains a more significant and far-reaching message: MLB expects baseball operations management to maintain a culture of compliance in their organizations and will hold general managers and field managers personally responsible for rules violations that occur on their watch, even if these managers are not personally involved in the misconduct. Much like the NCAA's enactment of Bylaw 11.1.1.1 in 2012, Major League Baseball is making clear that those in charge of baseball operations are responsible for the conduct of players, coaches, and other baseball personnel, and will be punished for wrongdoing even if they did not take part in the rules violations themselves. As such, managers will not only be judged by success on the field but also for the level of rules compliance in the clubhouse.

Background

In November 2019, a former Astros player told reporters for *The Athletic* that the team engaged in electronic sign stealing during the 2017 season. Following the publication of the story in *The Athletic*, MLB conducted an investigation into the Astros' use of electronic equipment to steal their opponents' signs from 2016 through the present. As part of the investigation, MLB investigators interviewed 68 witnesses (including 23 current and former players), and reviewed thousands of emails and other communications.

According to MLB's Report, the Astros' use of electronic sign stealing began early in the 2017 season, when team employees used a center field camera to decode and transmit opposing teams' sign sequences. Once team employees decoded the signs, they would relay the signs to the Astros' dugout. That information would then be conveyed to a runner on second base, who would know the opposing team's sign sequences and be able to convey to the batter what pitch was coming next.

Two months into the 2017 season, the Astros' scheme became more intricate. The investigation found that Astros bench coach Alex Cora had a monitor installed just outside the Astros' dugout. Players watched the monitor to decode their opponents' sign sequences. Once the signs were decoded, those players would then bang a garbage can with a bat to communicate to the batter what pitch was coming. Of note, with the exception of Cora, MLB characterized this scheme as "player-driven," with non-player staff having no role in this conduct. Both forms of sign stealing described in the Report were used throughout the 2017 season.

In September 2017, in response to another "sign stealing" investigation, MLB reiterated to teams that they cannot use electronic equipment to steal signs. At the time, MLB also sent a memorandum to all teams informing them that the Commissioner's Office would take future violations of these rules "extremely seriously." MLB specifically said that team general managers and field managers "would be held accountable for any violations of the rules in the future."

The investigation concluded that despite this warning from the Commissioner, the Astros continued to use electronic equipment to steal signs for the remainder of the 2017 regular season and postseason. The investigation revealed that the Astros' electronic sign stealing ended sometime during the 2018 season after players no longer believed the information was effective.

Findings and Penalties

As mentioned above, with the exception of the bench coach, MLB found that the Astros' use of electronic equipment to steal signs was "player-driven and player-executed." Despite the important role of players in these schemes, MLB has, to date, not assessed discipline against individual Astros players. In reaching this decision, MLB noted the difficulty of assessing individual player culpability, given that almost every Astros player had some involvement in or knowledge of the schemes.

Instead, MLB laid responsibility where it said it would in September 2017 – with the general manager and field manager. Despite concluding that the sign stealing was "not an initiative that was planned or directed by the Club's top baseball operations officials," MLB blamed the players' conduct on a failure of team leadership to foster a culture of compliance. Specifically, the Report stated that the Astros' conduct was attributable "to a failure by the leaders of the baseball operations department and the Field Manager to adequately manage the employees under their supervision, to establish a culture in which adherence to the rules is ingrained in the fabric of the organization, and to stop bad behavior as soon as it occurred."

General Manager Jeff Luhnow

Although general manager Jeff Luhnow denied knowledge of any of the schemes, MLB said that he was responsible for the Astros' conduct as the team's head of baseball operations. The Report stated that it is the "job of the General Manager to be aware of the activities of his staff and players, and to ensure that those activities comport with both standards of conduct set by Club ownership and MLB rules." MLB found fault in Luhnow's failure to determine whether the Astros were in compliance with the rules regarding sign stealing following MLB's statements regarding the topic in September 2017.

Beyond the specific issue of sign stealing, the Report also took Luhnow to task for the culture that permeated the Astros' baseball operations department. The Report noted that "the culture of the baseball operations department, manifesting itself in the way its employees are treated, its relations with other Clubs, and its relations with the media and external stakeholders, has been very problematic." It also faulted what it characterized as the baseball operations department's "insular culture," which "valued and rewarded results over other considerations," and included staff "who often lacked direction or sufficient oversight," which led "to an environment that allowed" the impermissible sign stealing to occur.

Field Manager A.J. Hinch

Field manager A.J. Hinch was aware of the sign-stealing scheme but neither devised it nor participated in it. Although Hinch attempted to signal disapproval of the scheme by twice damaging the monitor used to steal signs, MLB determined that he did not take affirmative steps to put an end to the scheme or notify the Astros' players or Cora that he objected to their conduct. "As the person with responsibility for managing his players and coaches," the Report said, "there simply is no justification for Hinch's failure to act."

Astros owner Jim Crane was not personally punished. MLB investigators determined that he was unaware of any rule violations and that he told Luhnow after fallout from the prior incident with another team that Luhnow should ensure that the Astros did not engage in similar conduct.

Implications

The Report highlights the Commissioner's view that the onus of rule compliance falls on the general manager and field manager. Specifically, the Report states that general managers and field managers "are responsible for ensuring that the

players both understand the rules and adhere to them.” Noting that most MLB rules are distributed to the teams rather than to the players directly, the Report places the responsibility on general managers and field managers “to educate and instruct their players on the rules governing play on the field.” The failure of a general manager or field manager to educate players on the rules and make sure they are following them can leave these team officials liable for rule breaking by their players or coaches.

The Report also outlines conduct it expects the general manager and field manager to undertake in order to foster a culture of compliance. Based on the Report, general managers are required to distribute information to coaches and players regarding MLB rules and to confirm that team personnel are in compliance with those rules. The Report blames Astros general manager Jeff Luhnow for failing to forward MLB’s September 2017 memorandum regarding electronic sign stealing and for not doing anything to confirm that players and team personnel were in compliance with MLB’s rules at the time.

As for field managers, they must take affirmative steps to stop players or other team personnel from engaging in impermissible conduct. It was not enough for Astros field manager A.J. Hinch to merely voice disapproval of the players’ sign-stealing scheme or damage the monitor used to decode the signs; he was required to stop the conduct. In addition, the Report requires the field manager to go up the chain of reporting to the general manager if he is unsure whether certain conduct is permitted. The Report said Hinch should have gone to Luhnow if he was unsure how to handle the situation regarding the sign-stealing scheme.

Next Steps

The affirmative obligations imposed on general managers and field managers to ensure adherence to MLB rules will require teams to establish compliance systems that they may currently lack for their baseball operations department and on-field personnel. To create a culture of compliance, teams should consider taking the following steps:

- Have a compliance officer dedicated to baseball operations issues who will travel with the team throughout the season and actively monitor its activities. This individual should report to senior leadership outside of baseball operations in order to avoid the pressure to “look the other way.”
- General managers and field managers should attend and participate in compliance trainings for coaches, players, and other team personnel in an effort to demonstrate management’s commitment to compliance.
- Distribute internally and post all MLB/team rules and policies. Ensure a system for testing that rules and policies are understood and are being followed.
- Establish a well-defined system for the reporting of possible compliance concerns and encourage employees to report all concerns.
- Develop and update compliance manuals in a timely manner and ensure that personnel are made aware of any changes.

While no compliance program can prevent all employee misconduct, taking appropriate steps to ensure a compliant environment will reduce the risk of an occurrence, and limit the penalties if an infraction occurs.

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