

Northern Securities Company v. United States, 1904

***** **Background of the Case** *****

In 1890 Congress passed the Sherman Antitrust Act to curb the growing power of monopolies in the United States. The act made it illegal for businesses engaged in interstate commerce to combine for the purpose of reducing or restraining competition. The wording of the act was vague, however, because it did not make clear what the word *commerce* meant. In an 1895 case involving the E. C. Knight Company, the Supreme Court had ruled that the company had not violated the antitrust law, even though the purchase of four additional refineries gave the company almost complete control of the manufacturing of sugar in the United States. For the antitrust law to be effective, it was clear that the Supreme Court would have to interpret the meaning of *commerce* more broadly.

In 1901 the Northern Securities Company, a holding company, was formed by combining the ownership of two major railroads that served the Northwest, running parallel lines from the Great Lakes and the Mississippi River to the Pacific Ocean at Puget Sound. With this monopoly of ownership, consumers and businesses of the Northwest were at the mercy of one company that controlled the freight rates of goods brought into and out of the area.

In 1903 the federal government brought suit against the Northern Securities Company as part of its "trust-busting" campaign. The government charged that the company was a monopoly pursuing restraint of trade in violation of the Sherman Antitrust Act and demanded that the company be dissolved.

Constitutional Issue *****

Did Congress exceed its constitutional authority to regulate interstate commerce when it enacted the Sherman Antitrust Act?

***** **The Supreme Court's Decision** *****

In a 5-to-4 ruling, the Court held that the Northern Securities Company should be dissolved because the arrangement was an illegal combination in restraint of interstate commerce and thus violated the Sherman Antitrust Act. Justice John Marshall Harlan wrote that a combination need not be directly involved in commerce in order to restrain it or to have the potential to restrain it. In this case Harlan found restraint of trade due to suppression of competition resulting from combining competing railroads: ". . . it is manifest that, if the Antitrust Act is held not to embrace a case such as is now before us, the plain intention of the legislative branch of the Government will be defeated. If Congress has not, by the words used in the act, described this and like cases, it would, we apprehend, be impossible to find words that would describe them." Harlan rejected the view that the state that charters a corporation should regulate that corporation, saying: "It means nothing less than that Congress, in regulating interstate commerce, must act in subordination to the will of the States when exerting their power to create corporations. No such view can be entertained for a moment."

