The Sherman Antitrust Act was passed in 1890 to curb the growing power of monopolies in the United States. The Sherman Antitrust Act made it illegal for businesses engaged in interstate commerce to combine for the purpose of reducing or restraining competition.

But the Sherman Antitrust Act did not make it clear what the word "commerce" meant. When the E. C. Knight Company purchased four additional refineries and gained an almost complete control of the manufacturing of sugar in the United States, the Supreme Court ruled it had not violated the antitrust law.

In order for this law to be effective, the Court must interpret "commerce" broadly.

Are you saying a rose by any other name is still a rose and a monopoly by any other name is a monopoly?

Yes, for the antitrust law to be more effective, 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 Mississippi River to the Pacific Ocean at Puget Sound.

Thanks to this monopoly, consumers and businesses of the Northwest were at the mercy of one company—one company that controlled the freight rates of goods brought into and out of the area.

Don’t worry, dear students. 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.

So, the constitutional issue is: Did Congress exceed its constitutional authority to regulate interstate commerce when it enacted the Sherman Antitrust Act?

In a 5-4 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 have the potential to restrain it. In this case, Harlan found restraint of trade due to suppression of competition resulting from combining competing railroads.

The Court also 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.”

“The purpose of the combination was concealed under very general words that gave no clue whatever to the real purpose of those who brought about the organization of the Securities Company. If the certificate of the incorporation of the company had expressly stated the object of the company was to destroy competition between competing, parallel lines of interstate carriers, all would have seen, at the outset, that the scheme was in hostility to the national authority, and that there was a purpose to violate or even evade the act of Congress.”

But the dissenting justices maintained that the holding company might have diminished trade or competition in the railroad industry, but that did not make it a “restraint of trade.” The dissenting justices thought the majority gave too broad a reading of the statute.

2. What had the E. C. Knight Company done?

3. What did the Sherman Antitrust Act not make clear?

4. What would the Supreme Court have to do to make the Antitrust law more effective?

5. What had the Northern Securities Company done in 1901?

6. Why did the federal government bring a suit against the Northern Securities Company?

7. What constitutional issue did the Court have to address?

8. What was the Supreme Court’s ruling?

9. In what way did the Court broaden the meaning of the word “commerce” in the Northern Securities case?

10. The Northern Securities Company owned railroads that operated in several states. What role did this fact play in deciding whether the Sherman Antitrust Act applied to the company?

11. What was the dissenting opinion in the case?

12. Why was the Northern Securities case important?