STANDARD OIL COMPANY MUST GO.

Supreme Court of United States Orders Dissolution—Interpretation of Sherman Anti-Trust Law.

The Supreme Court of the United States at Washington, D.C., upheld the decision of the Missouri courts ordering the dissolution of the Standard Oil Company of New Jersey.

The Supreme Court holds:—

That the Standard Oil Company is a monopoly in restraint of trade.

That this giant corporation must be dissolved within six months.

Corporations whose contracts are "not unreasonably restrictive of competition" are not affected.

The court was unanimous as to the main features of the decision, Mr. Justice Harlan dissenting only as to a limitation of the application of the Sherman anti-trust law.

The Supreme Court of the United States at Washington, D.C., ordered the dissolution of the Standard Oil Company, of New Jersey. In connection with this decree it stated its interpretation of the Sherman anti-trust law.

In this, the first of its big decisions in the anti-trust cases, the court holds that the Standard Oil Company is a conspiracy in restraint of trade, and a monopoly in contravention of the Sherman anti-trust law and must be dissolved.

To accomplish this undertaking the court sets a period of six months. This is an extension of five months over the time allotted in the dissolution decree of the lower court. The court holds that it is necessary to distinguish between "reasonable" and "unreasonable" restraint of trade as covered by the Sherman anti-trust law.

Effect of the Decision.

The effect of the decision is to insert the word "unreasonable" into the general prohibition in the Sherman anti-trust law against combinations in restraint of trade. The Supreme Court has thus eliminated the uncertainty with which all business combinations regarded the Sherman anti-trust law, and in the future it will be the duty of the government to draw the line between good and bad trusts. The anti-trust law, as construed by the court, does not apply to all combinations, contracts or acts in restraint of trade, but only to those which are shown to be unreasonable, and in which the intent to form an unlawful conspiracy or monopoly can be proved or inferred.

Chief Justice White, dealing with the arguments as to the law and the facts in the case, said that out of the "jungle" of law and facts both sides were agreed only in one thing, and that was the determination of the controversy rested upon the proper construction and application of the first and second sections of the anti-trust Act. The views of the two sides as to the law, the Chief Justice said, were as wide apart as the poles. The same, he said, was true as to the facts.

The Chief Justice seized upon the single point of concord, namely, the application of the two sections of the Sherman anti-trust law, as the initial basis of an examination of the contention. The rest of his opinion divides itself into a consideration of the meaning of the Sherman anti-trust law in the light of the common law and the law of the United States at the time of its adoption, the contentions of the parties concerned regarding the Act and the scope and effect of the decisions of the Supreme Court, the application of the statute to the facts, and, lastly, the remedy.

"The Rule of Reason Must be Applied."

The Chief Justice said the "rule of reason must be applied in applying a statute to any given set of facts." By the omission of any direct prohibition against monopoly the statute indicates a consciousness that freedom of the individual right to contract when unduly or improperly exercised was the most efficiet means for the prevention of monopoly.

The government contention could be reduced to the claim that the language of the statute embraced "every contract, combination etc., in restraint of trade," and left no room for the exercise of judgment, but simply imposed the plain duty of applying its prohibitions to every case within its literal language. The error of the government on this point, Chief Justice White said, was in assuming that the court had decided in accordance with its contentions. "It is obvious," he said, "that judgment must in every case be called into play in order to determine whether a particular act is embraced within the statutory classes and whether, if the act is within such classes, its nature or effect causes it to be a restraint of trade within the intention of the Act."

Chief Justice White touched upon the phase which formed the basis for Justice Harlan's dissenting opinion. It was that the opinions of the Supreme Court in the cases of the United States versus Freight Association and United States versus Joint Traffic Association excluded the right to thus reason in interpreting the statute. The general language of those opinions had been subsequently explained, and held not to justify the broad significance attributed to them.

The Facts and the Statute.

The court found that the result of enlarging the capital stock of the Standard Oil Company of New Jersey and the acquisition by that company of the shares of the stock of the other corporations in exchange for its certificates gave to the corporation an enlarged and more perfect sway and control over the trade and commerce in petroleum and its products. The effect of this, Chief Justice White said the lower court held, was to destroy "the potentiality of competition. We see no cause to doubt the correctness of these conclusions. Considering the subject from every aspect, that is, both in view of the facts as established by the record and the necessary operation and effect of the law, we have construed upon the inferences deducible from the facts the following reasons:—

Reasons Given by Court.

"(a) Because the unification of power and control over petroleum and its products, which was the inevitable result of the combining in the New Jersey corporation by the increase of its stock and the transfer to it of the stocks of so many other corporations, aggregating so vast a capital, gives rise in and of itself, to say the least, to the prima facie presumption of intent and purpose to maintain the dominancy over the oil industry, not as a result of normal methods of industrial development, but by new means of combination, which were resorted to in order that greater power might be added than would otherwise have arisen, the whole with the purpose of excluding others from the trade, and thus centralizing in the combination a perpetual control of the movements of petroleum and its products in the channels of interstate commerce.

"(b) Because the prima facie presumption of intent to restrain trade, to monopolize and to bring about monopolization is made conclusive by considering (1) the conduct of the persons or corporations mainly instrumental in bringing about the extension of power in the New Jersey corporation before the consummation of that result, and prior to the formation of the trust agreements of 1879 and 1882; (2) by considering the proof as to what was done under those agreements and the acts which immediately preceded the vesting of power in the New Jersey corporation, as well as by weighing the modes in which the power vested in that corporation has been exerted and the results which have arisen from it."

The Gradual Extension of Power Over Oil Trade.

No disinterested mind, said the Chief Justice, could resist the conclusion that the genius for development and organization manifested from the beginning soon begot the intent to exclude others. Considering the period from the trust agreements of 1879 and 1882 to the time of the expansion of the New Jersey corporation, the court recalled the gradual extension of power over the oil trade, the decision of the Supreme Court of Ohio, and the tardiness to conform to that decision as so many signs to the intent at exclusion, and the acquisition of every means of development, including transportation agencies, confirmed that view.

"The inference that no attempt to monopolize could have been intended, and that no monopolization resulted from the acts complained of, since it is established that a very small percentage of the crude oil produced was controlled by the combination, is unwarranted," said the court.

History of the Case.

Once before the institution of the present suit the Standard Oil Company was dissolved by the courts and forced to reorganize. This was in 1892, when the company was an Ohio corporation.

The present suit against the Standard Oil Company of New Jersey was filed by the government on November 15th, 1906, by Attorney-General Moody, under the direction of President Roosevelt. The form the suit took was a petition in equity against the Standard Oil Company of New Jersey and its seventy constituent corporations. It was filed in the United States Circuit Court at St. Louis. The filing of this suit came six months after Commissioner of Corporations Garfield had made a report on the company to the President declaring it to be a monopoly. This report was made in response to a resolution in Congress. In reply to this report the company, in a long statement made to its stockholders on May 16th, 1906, declared that it was a "palpable absurdity" to call the company a monopoly, and took the government to task for casting aspersions on it when the courts were open.

The Standard Oil Company's answer to the suit was a general denial of the allegations of a conspiracy to establish a monopoly. They denied accepting rebates from the railroads, and said that whatever rates had been made to them were available to all persons engaged in the business. At the hearings the exhibits were introduced, showing that in seven years the profits of the business had been nearly $500,-