

FULL TEXT OF DECISION IN FAMOUS MERGER CASE OF NORTHERN SECURITIES CO.

Every lawyer and nearly all business men, besides the workman and the small dealer, are interested in the decision which has been handed down by the United States Supreme Court on the 10th of the month. The case will go to the United States Supreme Court and its final settlement will be a matter of international as well as national importance. The full text of the important document that was the merger's undoing is here given and is worth filing for reference.

In the Circuit Court of the United States for the District of Minnesota, Third Division—United States Circuit Court, the case of the Northern Securities Company, the Northern Pacific Railway Company, James J. Hill, William F. Cough, D. Willis James, John S. Kennedy, J. Pierpont Morgan, Robert Bacon, George F. Baker and Daniel Lamont versus the State of Minnesota, et al., was heard and decided by the Hon. Judge C. Knox, Attorney General, D. T. Watson, special counsel; James M. Beck and W. A. Day, Assistant Attorneys General and John M. Freeman for the United States.

Mr. George B. Young and the Hon. John W. Griggs for the Northern Securities Company; M. D. Grover for the Great Northern Railway Company; C. W. Bunn for the Northern Pacific Railway Company; Francis Lynde Stetson and David Wilcox for Defendants Morgan, Bacon and Lamont. Before Caldwell, Sanborn, Thayer and Van Devanter, Circuit Judges. Thayer, Circuit Judge, stated the conclusions of the court:

This is a bill exhibited by the United States to restrain the violation of an act of Congress approved July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," which is commonly called the Sherman Anti-Trust act.

The case was tried before a Circuit Court composed of four Circuit Judges of the Eighth Circuit, pursuant to the provisions of a recent act of Congress, approved February 11, 1902, which requires such cases to be heard "before not less than three and not more than five Circuit Judges of the circuit where the suit is brought when the Attorney General files with the clerk of the court wherein the case is pending a certificate that it is one of 'general public importance.'"

From admissions made by the plaintiffs as well as from oral testimony we reach the following conclusions as to the facts of the case:

Two of the defendants, namely, the Northern Pacific Railway Company and the Great Northern Railway Company, are the owners respectively of lines of railroad which extend from the cities of Duluth, St. Paul and Minneapolis, in the State of Minnesota, thence across the continent to Puget Sound.

These roads are in public estimation have ever been regarded as parallel and competing lines. For years at least the two roads have been in the hands of the same management, and in fact with each other actively for transcontinental and State traffic.

Northern Company not immediately concerned in the organization of the Securities Company by the advice, procurement and persuasion of these stockholders of the Great Northern Company without having been instrumental in organizing the Securities Company and exchanging their own stock for stock in that company shortly after its organization.

At the present time the Securities Company is the owner of about 85 per cent of all the stock of the Northern Pacific Company and the owner of about 75 per cent of all the stock of the Great Northern Company.

The scheme which was thus devised and consummated led inevitably to the following results: First, it placed the control of the two roads in the hands of a single person, to-wit, the Securities Company, by virtue of its ownership of a large majority of the stock of both companies; second, it destroyed every motive for competition between two roads engaged in interstate traffic which were natural competitors for business.

The general question of law arising from this state of facts is whether such a combination of interests as that above described falls within the inhibition of the anti-trust act or beyond its reach.

Learned counsel on both sides have commented on the general language of the act, doing so of course for a different purpose, and the generality of the language employed is, in our judgment, of great significance. It indicates, we think, that Congress, being unable to foresee and describe all the plans that might be formed and all the expedients that might be resorted to, to place restraints on interstate trade or commerce, deliberately employed words of such general import as in its wisdom would comprehend every scheme that might be devised to accomplish that.

What is commonly termed a "trust" was a species of combination organized by individuals or corporations for the purpose of monopolizing the manufacture, or of traffic in various articles and commodities, which was well known and fully understood when the anti-trust act was approved.

Moreover, in cases arising under the act, it has been held by the highest judicial authority in the nation, and its opinion has been reiterated in the present case, that the act applies to interstate carriers of freight and passengers as well as to all other persons, natural or artificial; that the words "in restraint of trade or commerce" do not mean in unreasonable or partial restraint of trade or commerce, but any direct restraint thereof; that an agreement between competing railroads which requires them to act in concert in fixing the rate for the carriage of passengers or freight over their respective lines is a contract in direct restraint of interstate commerce, and that it tends to prevent competition; that it matters not whether, while acting under such a contract, the rate fixed is reasonable or unreasonable, the vice of such a contract is in its nature, and it is the purpose of the act to establish unreasonable rates and directly restrains commerce by placing obstacles in the way of free and unrestricted competition between carriers who are natural rivals for patronage; and finally that Congress has the power to grant authority contained in the Federal Constitution to regulate commerce to say that no contract or combination shall be legal which shall restrain interstate trade or commerce by placing obstacles in the way of free and unrestricted competition. (United States vs. Trans-Missouri Freight Association, 160 U. S. 230; United States vs. Joint Traffic Association, 171 U. S. 502; Addyston Pipe & Steel Company vs. United States, 175 U. S. 213.)

Taking the foregoing propositions for granted because they have been decided by a court whose authority is controlling, it is almost too plain for argument that the defendants would have violated the anti-trust act if they had done, through the agency of natural persons, what they have accomplished through an artificial person of their own creation.

stock; indeed, one of the favorite methods in these days, and about the only method, of obtaining control of a corporation is to purchase the greater part of its stock. It was the method pursued by the Northern Pacific and Great Northern companies to obtain control of the Chicago, Burlington & Quincy Railroad; and so long as directors are chosen by stockholders the latter will necessarily dominate the former and in a real sense determine all important corporate acts.

The fact that the ownership of a majority of the capital stock of a corporation gives one the mastery and control of the corporation was distinctly recognized and declared in Pearsall vs. Great Northern Railway, 161 U. S. 646-671. The same fact has been recognized and declared by other courts. (Pennsylvania Railway Company vs. Commonwealth, 7 A. 11 (Pa.); Farmers Loan & Trust Company vs. New York & Northern Railway Company, 180 N. Y. 418-425; People ex rel. vs. Chicago Gas Trust Company, 130 Ill. 268, 32 N. E. Rep. 798-802.)

In opposition to this view certain Pacific Pullman Car Company vs. Missouri Pacific Company (113 Mo. 567, 594), and in that case the meaning of the word "controlled" as used in a private contract was the point under consideration and what was said on the subject can not be held applicable to cases arising under the anti-trust act when the point involved is whether the ownership of all the stock of the two competing and parallel roads vests the owner thereof with the power to suppress competition between such roads.

We entertain no doubt that it does; indeed, we regard suppression of competition, and to that extent a restraint of commerce, as the natural and inevitable result of such ownership. It has been done through the organization of the Securities Company accomplished the object which Congress has denounced as illegal more effectively, perhaps, than such a combination as is last supposed. That is to say by what has been done the defendant has acquired (and provision made for maintaining it) to suppress competition between two interstate carriers who own and operate competing and parallel lines of railroad, and competition, we think, would not be effected as effectively as it now is under and by force of the existing arrangement if the two railroad companies were consolidated under a single charter.

It is manifest, therefore, that the New Jersey charter is about the only shield which the defendant can oppose between themselves and the law. The reasoning which led to the acquisition of that charter would seem to have been that while as individuals the promoters could not by agreement between themselves place the majority of the stock of the two competing and parallel roads in the hands of a single person, or a few persons, giving him or them the power to operate the roads in harmony and stifle competition, yet that same person might create a purely fictitious person, trust or corporation, which could neither think nor act, except as they directed, and by placing the same stock in the name of such artificial being accomplish the same purpose.

Presumably, at least, no charter granted by a state is intended by the state to have that effect or to be used for such a purpose, and in the present instance it is clear that the State of New Jersey has no such intention. The charter under cover of which an object denounced by Congress as unlawful, namely, a combination conferring the power to restrain interstate commerce, might be formed and maintained, because the act under which the Securities Company was organized expressly declares that three or more persons may avail themselves of the provisions of the act and "become a corporation for any lawful purpose." (Laws of New Jersey, 1893, p. 473.)

This language is not merely perfunctory; it means, obviously, that whatever powers the incorporators saw fit to assume they must hold and exercise for the accomplishment of lawful objects. The words in question operate, therefore, as a limitation upon all the powers enumerated in the articles of association which were filed by the promoters of the Securities Company; that however extensive and comprehensive the powers may be, they shall not exercise them so as to act in defiance any statute lawfully enacted by the Congress of the United States or any statute lawfully enacted by any state wherein you see fit to exercise your powers.

But aside from this view of the situation, if the State of New Jersey had undertaken to invest the incorporators of the Securities Company with the power to do acts in the corporate name which would operate to restrain interstate commerce and for that reason could not be done by them acting as an association of individuals then we have no doubt that such a grant would have been void under the plea of the anti-trust act; at least that the charter could not be permitted to stand in the way of the enforcement of that act.

strains on interstate trade or commerce. (United States vs. Trans-Missouri Freight Association, 160 U. S. 230; United States vs. Joint Traffic Association, 171 U. S. 502; Addyston Pipe & Steel Company vs. United States, 175 U. S. 213.)

It is urged, however, that such a combination of adverse interests as was formed and has been heretofore described was lawful and not prohibited by the Anti-Trust act because such restraint upon interstate trade or commerce, if any, as it imposes, is indirect, collateral and remote, and hence that the combination is not one of that character, which the Congress of the United States has lawfully prohibited. The following cases are relied upon to sustain the contention: United States vs. E. C. Knight Company, 156 U. S. 1; Hopkins vs. United States, 151 U. S. 376; Anderson vs. U. S., 171 U. S. 504.

It is pertinent, therefore, to inquire in what way the existing combination that has been formed does affect interstate commerce. It affects it, we think, by giving to a single corporate entity, or, more accurately, to a few men acting in concert with it, the power to control all the means of transportation that are owned by two competing and parallel railroads engaged in interstate commerce; in other words, the power to determine every rate and to operate directly the two companies may, to compel them to act in harmony in establishing interstate rates for the carriage of freight and passengers, and generally to prescribe the policy which they shall pursue.

It matters not, we think, through how many hands the orders come or through what channels; the power was not only acquired by the combination, but it is factually exercised by it, and operates directly on interstate commerce, notwithstanding the manner of its exercise, by controlling the means of transportation, to-wit, the cars, engines and railroads by which persons and commodities are carried, as well as by fixing the price to be charged for such carriage.

The cases above cited, and on which reliance is placed to sustain the view that the restraint imposed is merely indirect, remote, incidental or collateral, are not relevant, for as already explained the combination of the Securities Company, of E. C. Knight Company, 243, one of these cases (U. S. vs. E. C. Knight Company) dealt only with a combination within a state to obtain a practical monopoly of the manufacture of articles of interstate commerce, and not to commerce among the states or with foreign nations; that the fact that an article was manufactured for export to another state did not make it interstate commerce, but the reason why transportation had been begun or necessarily subject to Federal control; and that the effect of the combination then under consideration, on interstate commerce, was at most only incidental and collateral.

But while commencing on its previous decision in U. S. vs. E. C. Knight Company, the Court took occasion to say, in Addyston Pipe & Steel Company vs. U. S. (175 U. S. 246), that when a contract is made for the sale and delivery of an article in another state, the transaction is one of interstate commerce, although the vendor has also agreed to manufacture the article sold; and that combinations to control and monopolize such transactions would be in restraint of interstate trade or commerce.

In the other cases (Hopkins vs. the U. S. and Anderson vs. the U. S.) it was held that the business of the members of the Kansas City Livestock Exchange, which was under consideration by the Government, was interstate commerce, and that the act did not affect them, and that, even if they were so affected, the particular agreement which was involved did not operate as a restraint of interstate commerce.

Again, it is urged tentatively that if the existing combination which the Government seeks to have dissolved is held to be one in violation of the Anti-Trust act and unlawful, then the act unduly restricts the right of the individual to make contracts, buy and sell property and is invalid for that reason. With reference to this contention it might be suggested (as it has been by the Government) that the Securities Company stock which the Securities Company has brought in the states of Wisconsin and Minnesota, which respectively chartered the Northern Pacific and Great Northern companies, and as the stock of each of these companies is in the hands of the same person, the consolidation of competing and parallel lines of road therein and has likewise prohibited the consolidation of the "stock and franchises" of such roads.

persons, but included among others a right to enter into certain classes of contracts for the purpose of enabling the citizen to carry on his business. But it has never been, and, in our opinion, ought not to be, held that the word included the right to enter into private contracts upon all subjects, no matter what their nature, and wholly irrespective of other things, of the fact that they would be performed, result in the regulation of interstate commerce and in violation of an act of Congress upon that subject.

The provision of the Constitution does not, as we believe, exclude Congress from legislating with regard to contracts of the above nature while in the exercise of its Constitutional right to regulate commerce among the states. The provision regarding the liberty of the citizen is to some extent limited by the commerce clause of the Constitution and the power of Congress to regulate interstate commerce comprises the right to enact a law prohibiting the citizen from entering into those private contracts which directly and substantially affect interstate commerce, either remotely, incidentally and collaterally, regulate to a greater or less degree commerce among the states.

We cannot so enlarge the scope of the language of the Constitution regarding the liberty of the citizen as to hold that it includes or that it was intended to include a right to make a contract which, in fact, restrains and regulates interstate commerce, notwithstanding Congress, proceeding under the Constitutional provision giving to it the power to regulate that commerce, had prohibited such contracts.

These observations, as a matter of course, preclude further controversy over the power of Congress to limit to some extent the right to make contracts when enacting laws for the regulation of commerce between the states.

Learned counsel for the defendants further contented as follows: That the Anti-Trust act was not intended to include or prohibit combinations looking to the virtual consolidation of parallel and competing lines of railroads, although such a combination operates to stifle competition; that no relief can be granted to the government in this instance, because the combination or conspiracy which it complains has accomplished its purpose, to-wit, the organization of the Securities Company and the lodgment of the majority of the stock of the two railroads in its hands before the bill was filed, and finally that the combination proven was one "formed in a state which is not to be regarded as interstate commerce." In other words that it was formed to enlarge the volume of interstate traffic and thus benefit the public.

The Court cannot assent to either of these propositions. The first, we think, is clearly untenable for the reasons already stated and fully disclosed in the decisions heretofore cited. Concerning the second contention, we observe that it would be a novel, not to say absurd, interpretation of the anti-trust act to hold that after an unlawful combination is formed and has acquired the power which it had no right to acquire, namely, to restrain commerce by suppressing competition, and is proceeding to use it and execute the purpose for which the combination was formed, it must be held to be in violation of the power that it has acquired with full freedom to exercise it.

Obviously the act when fairly interpreted, will bear no such construction, as it is confessedly aimed to destroy the power to place any direct restraint on interstate trade or commerce, whether by any combination or conspiracy formed by either natural or artificial persons, such a power has been acquired; and the Government may intervene and demand relief as well after the combination is fully formed, as while it is in the process of formation. In this instance, as we have already said, the Securities Company made itself a party to a combination in restraint of interstate commerce that ante-dated its organization, and it is not possible to see how, so of course under the direction of the very individuals who promoted it.

Relative to the third contention, which has been pressed with great zeal and ability, this may be said: It is clearly impossible for the virtual consolidation of parallel and competing lines of railroad as has been effected, taking a broad view of the situation, is beneficial to the public rather than harmful. It may be that the motives which inspired the combination, and which this act was accomplished were wholly laudable and unselfish; that the combination was formed by the individual defendants to protect great interests which had been committed to their charge; or it may be that the combination was formed for the purpose of the accomplishment of great designs which, if carried out as they were conceived, would prove to be of incalculable value to the communities in which they would serve and to the country at large.

While walking toward her home on Eighth street last night at 8:30 o'clock, Eva Pollett was held up by a masked highwayman. He had a revolver, which he displayed, though he did not level it at the frightened woman. He searched her jacket pockets, but failing to find any coin, walked away leisurely, leaving his victim to do as she pleased. The affair was promptly reported to the police. No arrests have been made.

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ATTORNEY-GENERAL KNOX



WHO FOUGHT THE MERGER

the acts of the said companies or either of them by virtue of its holding such stock; enjoining the Northern Pacific and Great Northern companies respectively, their officers, directors and agents from permitting such stock to be voted by the Northern Securities Company or any agents or attorneys on its behalf at any corporate election for directors, officers or agents of said companies, and likewise enjoining them from paying any dividends to the Securities Company on account of said stock or permitting or suffering the Securities Company to exercise any control whatever over the corporate acts of said companies or to direct the policy of either; and, finally, permitting the Securities Company to return and transfer to the stockholders of the Northern Pacific and Great Northern companies any and all shares of stock of those companies which may have received from such stockholders in exchange for its own stock, or to make such transfer and assignment to such person or persons as are now the holders and owners of its own stock originally issued in exchange for the stock of said companies.

RESOLUTIONS OF RESPECT.

In memory of the late Rosa F. Burrell, the Ladies' Relief Society of Portland has adopted the following: In the passing away of Mrs. Rosa F. Burrell the Ladies' Relief Society has sustained an irreparable loss. To many of us she was a life-long friend and co-worker; to all she was endeared by her beautiful life of unostentatious charity and benevolence, and example of the best and truest womanhood. She was a power and a factor in all good works where rose judgment, tact, wisdom, unselfishness and practical advice and assistance were exercised. All too soon she has left vacant a place in our midst which cannot be filled. Deeply as we mourn her, dearly as we shall cherish her memory, we can find no words of praise or eulogy to add to the lustre of her beautiful life. It speaks for itself, and is her most enduring monument, but as friends and co-workers we do express our grief and sense of personal loss, our appreciation of her beautiful character and work among us.

Origin of the Song. The origin of the song is not easy to trace. The well-kept Welsh chronicles of the Elsteddovd furnish a clue to the genealogy of most of the old songs of England and Scotland as well as those of Wales. But the beginning of the melodies are lost in the haze of tradition that merge into folk-lore. Antiquarians are of the opinion that at first the tune was a "keen"—the hereditary funeral song of one of the royal houses. Long before the days of Cromwell, certain it is that it was a song of the camp when James made his hopeless stand. But the words are lost and it is not until 1745 that it is found linked with stanzas that begin: The pikies must be together When the moon is on the green—

When the moon is on the green— The present words—the present song. In fact—may, however, be accredited to Dion Boucicault. The words are his written to the ancient melody and introduced by him nearly 40 years ago in the very play that Andrew Mack is now playing. Almost Caused a Riot. It was on the evening of March 22, 1864, that "The Wearing of the Green" in its present form was first sung. The play was after going through terrible storm of indignation in London, and Boucicault's English associates and admirers advised him not to sing it at all. He would and did, and it almost raised a riot.

It resulted in the cabinet ministers of the late Queen issuing an edict prohibiting singing of the song in the British dominions, and for years, although it thrilled the heart of every Irishman, it was never heard in public. If Boucicault could have lived until the Queen made her last visit to the Emerald Isle, when she consented to the wearing of the shamrock, he would have seen, as the royal party landed from the Albert Victoria, her majesty's yacht, at the dock, the Dragons, Fusiliers, and Lanciers drawn up in full uniform to salute their ruler; a sprig of shamrock worn on every breast, and the Queen wearing by this same old song, "The Wearing of the Green."

Very Obliging. Two years ago a wealthy Greek merchant married a beautiful young widow at Smyrna. A little while ago the lady fell in love with a young clerk in her husband's employ. She confessed her love to her husband, who, after vainly endeavoring to separate the young couple, determined to be magnanimous. He forthwith divorced his wife, gave her a dowry of \$10,000 and acted as best man at her subsequent marriage—London Express.

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OREGON IN THE LEAD.

In a letter to W. E. Coman, general passenger and freight agent of the Southern Pacific, G. M. McKinney of Chicago, general immigration agent of the Harriman lines, says that Oregon is far outstripping all its neighbors in the number of inquiries for literature regarding the resources of the state. Mr. McKinney says he has found the publication, "Resources of Oregon," to be one of the most popular pieces of literature he has ever had in stock, and has been a splendid advertisement of the 1905 Fair. He asks for 100,000 more copies, and if possible he would like to have 300,000 copies.

LICENSES SYSTEMATIZED.

The license department of the City Auditor's office was placed under the charge of Deputy City Auditor W. S. Lotan this morning. Mr. Lotan will assign the officers to districts as occasion requires, and each morning a list will be given the officer of the work to which he is expected to attend. This will embrace the name, address and business of the person subject to the license ordinance, and the amount which he is a delinquent, the number of quarters for which he is in arrears.

WOMAN WAS HELD UP.

While walking toward her home on Eighth street last night at 8:30 o'clock, Eva Pollett was held up by a masked highwayman. He had a revolver, which he displayed, though he did not level it at the frightened woman. He searched her jacket pockets, but failing to find any coin, walked away leisurely, leaving his victim to do as she pleased. The affair was promptly reported to the police. No arrests have been made.

SNAKES IN MAN'S STOMACH.

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SUN NEVER SETS ON U. S.

The sun never sets on the English flag has been the boast of the Briton for many years. The citizens of the United States can make the same boast today. A few statistics show that the meridian dividing east and west territories of United States territory passes through the Hawaiian Islands very near Honolulu.