The **Sherman Antitrust Act** (**Sherman Act**,[1] July 2, 1890, ch. 647, 26 Stat. 209, 15 U.S.C. §§ 1–7) is a landmark federal statute on United States competition law passed by Congress in 1890. It prohibits certain business activities that federal government regulators deem to be anticompetitive, and requires the federal government to investigate and pursue trusts, companies, and organizations suspected of being in violation. It was the first federal statute to limit cartels and monopolies, and today still forms the basis for most antitrust litigation by the United States federal government. However, for the most part, politicians were unwilling to refer to and enforce this law until Theodore Roosevelt's Presidency (1901–1909) and beyond.

The Sherman Antitrust Act is named after its author, Senator John Sherman, an Ohio Republican, the chairman of the Senate Finance Committee, who was also Rockefeller's colleague.[2] After being ratified in the Senate on April 8, 1890 by a vote of 51-1, the Sherman Act passed unanimously (242-0) in the House of Representatives on June 20, 1890, and was then signed into law by President Benjamin Harrison on July 2, 1890.[2]

Despite its name, the Act has fairly little to do with "trusts" in the ordinary sense of the term. Around the world, what U.S. lawmakers and attorneys call "antitrust" is more commonly known as "competition law." The purpose of the Act was, to quote Sherman:

"To protect the consumers by preventing arrangements designed, or which tend, to advance the cost of goods to the consumer."[3]

It has since, more broadly, been used to oppose the combination of entities that could *potentially* harm competition, such as monopolies or cartels.

According to its authors, it was not intended to impact market gains obtained by honest means, by benefiting the consumer more than the competitors. Senator George Hoar of Massachusetts, another author of the Sherman act, said the following:

"... [a person] who merely by superior skill and intelligence...got the whole business because nobody could do it as well as he could was not a monopolist..(but was if) it involved something like the use of means which made it impossible for other persons to engage in fair competition."[4]

Its reference to trusts today is anachronistic. At the time of its passage, the trust was synonymous with monopolistic practice, because the trust was a popular way for monopolists to hold their businesses, and a way for cartel participants to create enforceable agreements.[5]

In 1879, C. T. Dodd, an attorney for the Standard Oil Company of Ohio, devised a new type of trust agreement to overcome prohibitions in Ohio against corporations owning stock in other corporations. A trust is an otherwise neutral, centuries-old form of a contract whereby one party entrusts its property to a second party. The property is then used to benefit the first party.

The law attempts to prevent the artificial raising of prices by restriction of trade or supply.[6] In other words, innocent monopoly, or monopoly achieved solely by merit, is perfectly legal, but acts by a monopolist to artificially preserve his status, or nefarious dealings to create a monopoly, are not. Put another way, it has sometimes been said that the purpose of the Sherman Act is not to protect competitors, but rather to protect competition and the competitive landscape. As explained by the U.S. Supreme Court in *Spectrum Sports, Inc. v. McQuillan* 506 U.S. 447 (1993),

"The purpose of the [Sherman] Act is not to protect businesses from the working of the market; it is to protect the public from the failure of the market. The law directs itself not against conduct which is competitive, even severely so, but against conduct which unfairly tends to destroy competition itself.[7] This focus of U.S. competition law, on protection of competition rather than competitors, is not necessarily the only possible focus or purpose of competition law. For example, it has also been said that competition law in the European Union (EU) tends to protect the competitors in the marketplace, even at the expense of market efficiencies and consumers."[8]