

By: Hughes

S.B. No. 27

A BILL TO BE ENTITLED

AN ACT

relating to the creation of a specialty trial court to hear certain cases; authorizing fees.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle A, Title 2, Government Code, is amended by adding Chapter 24A to read as follows:

CHAPTER 24A. BUSINESS COURT

Sec. 24A.001. DEFINITIONS. In this chapter:

(1) "Controlling person" means a person who directly or indirectly controls a governing person, officer, or organization.

(2) "Governing documents" means the instruments, documents, or agreements adopted under an organization's governing law to govern the organization's formation and internal affairs.

The term includes:

(A) a certificate of formation, articles of incorporation, and articles of organization;

(B) bylaws;

(C) a partnership agreement;

(D) a company agreement or operating agreement;

(E) a shareholder agreement;

(F) a voting agreement or voting trust agreement;

and

(G) an agreement among owners restricting the

1 transfer of ownership interests.

2 (3) "Governing law" means the law governing the
3 formation and internal affairs of an organization.

4 (4) "Governing person" means a person who is entitled,
5 alone or as part of a group, to manage and direct an organization's
6 affairs under the organization's governing documents and governing
7 law. The term includes:

8 (A) a member of the board of directors of a
9 corporation or other organization;

10 (B) a general partner of a general or limited
11 partnership;

12 (C) a manager of a limited liability company that
13 is managed by its managers;

14 (D) a member of a limited liability company that
15 is managed by its members;

16 (E) a trust manager of a real estate investment
17 trust; and

18 (F) a trustee of a business trust.

19 (5) "Governmental entity" means:

20 (A) this state; or

21 (B) a political subdivision of this state,
22 including a municipality, a county, or any kind of district.

23 (6) "Internal affairs" means:

24 (A) the rights, powers, and duties of an
25 organization's governing persons, officers, owners, and members;
26 and

27 (B) matters relating to the organization's

1 membership or ownership interests.

2 (7) "Managerial official" means a governing person or
3 officer.

4 (8) "Officer" means a person elected, appointed, or
5 designated as an officer of an organization by the organization's
6 governing persons or governing documents.

7 (9) "Organization" means a foreign or domestic entity
8 or association, regardless of whether the organization is for
9 profit or nonprofit. The term includes:

- 10 (A) a corporation;
- 11 (B) a limited partnership;
- 12 (C) a general partnership;
- 13 (D) a limited liability partnership;
- 14 (E) a limited liability company;
- 15 (F) a business trust;
- 16 (G) a real estate investment trust;
- 17 (H) a joint venture;
- 18 (I) a joint stock company;
- 19 (J) a cooperative;
- 20 (K) a bank;
- 21 (L) a credit union;
- 22 (M) a savings and loan association;
- 23 (N) an insurance company; and
- 24 (O) a series of a limited liability company or of
25 another entity.

26 (10) "Owner" means an owner of an organization. The
27 term includes:

1 (A) a shareholder or stockholder of a corporation
2 or other organization;

3 (B) a general or limited partner of a partnership
4 or an assignee of a partnership interest in a partnership;

5 (C) a member of, or an assignee of a membership
6 interest in, a limited liability company; and

7 (D) a member of a nonprofit organization.

8 (11) "Ownership interest" means an owner's interest in
9 an organization, including an owner's economic, voting, and
10 management rights.

11 (12) "Qualified transaction" has the meaning assigned
12 by Section 271.001, Business & Commerce Code.

13 Sec. 24A.002. BUSINESS COURT JUDICIAL DISTRICT. The
14 Business Court Judicial District is composed of all counties in
15 this state.

16 Sec. 24A.003. JURISDICTION AND POWERS. (a) Subject to
17 Subsections (b) and (c), the business court for the Business Court
18 Judicial District has the jurisdiction provided to a district court
19 by Section 8, Article V, Texas Constitution, and the jurisdiction
20 and powers provided to district courts by Chapter 24, including the
21 power to:

22 (1) issue writs of injunction, mandamus,
23 sequestration, attachment, garnishment, and supersedeas; and

24 (2) grant any relief that may be granted by a district
25 court.

26 (b) The business court has within its district civil
27 jurisdiction concurrent with district courts in:

- 1 (1) a derivative action on behalf of an organization;
2 (2) an action arising out of or relating to a qualified
3 transaction in which the amount in controversy exceeds \$10 million,
4 excluding interest, statutory damages, exemplary damages,
5 penalties, attorney's fees, and costs;
6 (3) an action regarding the governance or internal
7 affairs of an organization;
8 (4) an action in which a claim under a state or federal
9 securities or trade regulation law is asserted against:
10 (A) an organization;
11 (B) a governing or controlling person or officer
12 of an organization for an act or omission by the organization or by
13 the person in the person's capacity as a governing person; or
14 (C) an underwriter of securities issued by the
15 organization or the auditor of an organization;
16 (5) an action by an organization, or an owner or a
17 member of an organization, if the action:
18 (A) is brought against an owner, managerial
19 official, or controlling person of the organization; and
20 (B) alleges an act or omission by the person in
21 the person's capacity as an owner, managerial official, or
22 controlling person of the organization;
23 (6) an action alleging that an owner, managerial
24 official, or controlling person breached a duty by reason of the
25 person's status as an owner, managerial official, or controlling
26 person, including the duty of care, loyalty, or good faith;
27 (7) an action seeking to hold an owner, member, or

1 governing person of an organization liable for an obligation of the
2 organization, other than on account of a written contract signed by
3 the person to be held liable in a capacity other than as an owner,
4 member, or governing person;

5 (8) an action in which the amount in controversy
6 exceeds \$10 million, excluding interest, statutory damages,
7 exemplary damages, penalties, attorney's fees, and costs, that:

8 (A) arises against, between, or among
9 organizations, governing authorities, governing persons, members,
10 or owners, relating to a contract transaction for business,
11 commercial, investment, agricultural, or similar purposes; or

12 (B) involves violations of the Finance Code or
13 Business & Commerce Code;

14 (9) an action seeking a declaratory judgment or
15 injunctive relief brought under Chapter 37, Civil Practice and
16 Remedies Code, involving:

17 (A) the Business Organizations Code;

18 (B) an organization's governing documents; or

19 (C) a dispute based on claims that fall within
20 the provisions of this subsection; and

21 (10) an action arising out of the Business
22 Organizations Code.

23 (c) The business court does not have jurisdiction of:

24 (1) a civil action brought by or against a
25 governmental entity, unless the governmental entity invokes or
26 consents to the jurisdiction of the business court; or

27 (2) any claim in which a party seeks recovery of

1 monetary damages for personal injury or death or any claim arising
2 under Chapter 17, Business & Commerce Code, the Estates Code, the
3 Family Code, or Title 9, Property Code, unless all parties and a
4 judge of the business court agree that the claim may proceed in the
5 business court.

6 Sec. 24A.004. JUDICIAL AUTHORITY. A judge of the business
7 court has all powers, duties, immunities, and privileges of a
8 district judge.

9 Sec. 24A.005. INITIAL FILING; REMOVAL AND REMAND; TRANSFER
10 AND DISMISSAL. (a) An action in the jurisdiction of the business
11 court may be filed in the business court. If the business court
12 does not have subject matter jurisdiction of the action, or part of
13 the action, the court shall, at the option of the party filing the
14 action:

15 (1) transfer the action or part of the action to an
16 appropriate district court; or

17 (2) dismiss the action or part of the action without
18 prejudice to the party's rights.

19 (b) If an action or part of an action is to be transferred
20 under Subsection (a)(1), and the action or part of the action could
21 have been filed in more than one county, the party filing the action
22 may select the county to which the action or part of the action is
23 transferred.

24 (c) A party to an action filed in a district court or county
25 court at law that is in the subject matter jurisdiction of the
26 business court may remove the action to the business court. If the
27 business court does not have jurisdiction of the action or part of

1 the action, the business court shall remand the action, or the part
2 in which the business court does not have jurisdiction, to the court
3 from which the action was removed.

4 (d) Removal of a case to the business court is not subject to
5 the statutes or rules governing the due order of pleading.

6 (e) Removal of a case does not waive a defect in venue or
7 constitute an appearance to determine personal jurisdiction.

8 Sec. 24A.006. APPEALS. (a) Notwithstanding any other law
9 and except as provided by Subsection (b) and in instances when the
10 supreme court has concurrent or exclusive jurisdiction, the
11 Fifteenth Court of Appeals has exclusive jurisdiction over an
12 appeal from an order or judgment of the business court or an
13 original proceeding related to an action or order of the business
14 court.

15 (b) If the Fifteenth Court of Appeals is not created, an
16 appeal from an order or judgment of the business court or an
17 original proceeding related to an action or order of the business
18 court shall be filed in the intermediate court of appeals with
19 jurisdiction of the appeal under Section 22.220.

20 (c) The procedure governing an appeal or original
21 proceeding from the business court is the same as the procedure for
22 an appeal or original proceeding from a district court.

23 Sec. 24A.007. QUALIFICATIONS OF JUDGE. A judge of the
24 business court must be:

25 (1) at least 35 years of age;

26 (2) a United States citizen;

27 (3) a resident of this state for at least two years

1 before appointment; and

2 (4) a licensed attorney in this state and have 10 or
3 more years of experience in:

4 (A) practicing complex civil business
5 litigation;

6 (B) practicing business transaction law;

7 (C) teaching courses in complex civil business
8 litigation or complex business transaction law at an accredited law
9 school in this state;

10 (D) serving as a judge of a court in this state
11 with civil jurisdiction; or

12 (E) any combination of experience described by
13 Paragraphs (A)-(D).

14 Sec. 24A.008. COMPOSITION OF COURT. (a) The governor, with
15 the advice and consent of the senate, shall appoint seven judges to
16 serve the business court.

17 (b) A judge of the business court may be reappointed.

18 (c) The governor may not appoint more than three judges who
19 reside in the same county.

20 Sec. 24A.009. TERMS OF OFFICE. A judge of the business
21 court serves a two-year term.

22 Sec. 24A.010. VACANCY. If a vacancy occurs on the business
23 court, the governor, with the advice and consent of the senate,
24 shall appoint, in the same manner as the original appointment,
25 another person to serve for the remainder of the unexpired term.

26 Sec. 24A.011. JUDGE'S SALARY. (a) A judge of the business
27 court shall be paid a total annual salary from the state that is the

1 sum of:

2 (1) the salary paid to a district judge by the state
3 under Section 659.012; and

4 (2) the maximum amount of county contributions and
5 supplements allowed by law to be paid to a district judge under
6 Section 659.012.

7 (b) The salary shall be paid in equal monthly installments.

8 Sec. 24A.012. REMOVAL; DISQUALIFICATION AND RECUSAL. (a)

9 A judge of the business court may be removed from office in the same
10 manner and for the same reasons as a district judge.

11 (b) A judge of the business court is disqualified and
12 subject to mandatory recusal for the same reasons a district judge
13 is subject to disqualification or recusal in a pending case.
14 Disqualification or recusal of a judge of the business court shall
15 be governed by the same procedure as disqualification or recusal of
16 a district judge.

17 Sec. 24A.013. PRIVATE PRACTICE OF LAW. A judge of the
18 business court shall diligently discharge the duties of the office
19 on a full-time basis and may not engage in the private practice of
20 law.

21 Sec. 24A.014. VISITING JUDGE. (a) A retired or former
22 judge or justice may be assigned as a visiting judge of the business
23 court by the chief justice of the supreme court. A visiting judge
24 of the business court is subject to objection, disqualification, or
25 recusal in the same manner as a retired or former judge or justice
26 is subject to objection, disqualification, or recusal if appointed
27 as a visiting district judge.

1 (b) Before accepting an assignment as a visiting judge of
2 the business court, a retired or former judge or justice shall take
3 the constitutional oath of office required of appointed officers of
4 this state and file the oath with the supreme court.

5 Sec. 24A.015. JURY PRACTICE AND PROCEDURE. (a) A party in
6 an action pending in the business court has the right to a trial by
7 jury when required by the constitution.

8 (b) A jury trial shall be held in a county in which venue
9 would be found under Section 15.002, Civil Practice and Remedies
10 Code.

11 (c) Subject to Subsection (b), a jury trial in a case
12 removed to the business court shall be held in the county in which
13 the action was originally filed.

14 (d) Subject to Subsection (b), a jury trial in a case filed
15 initially in the business court shall be held in any county in which
16 it could have been filed under Section 15.002, Civil Practice and
17 Remedies Code, as chosen by the plaintiff.

18 (e) The parties and the judge of the business court may
19 agree to hold the jury trial in any other county. A party may not be
20 required to agree to hold the jury trial in a different county.

21 (f) The drawing of jury panels, selection of jurors, and
22 other jury-related practice and procedure in the business court
23 shall be the same as for the district court in the county in which
24 the trial is held.

25 (g) Practice, procedure, rules of evidence, issuance of
26 process and writs, and all other matters pertaining to the conduct
27 of trials, hearings, and other business in the business court are

1 governed by the laws and rules prescribed for district courts,
2 unless otherwise provided by this chapter.

3 Sec. 24A.016. WRITTEN OPINIONS. To facilitate the
4 establishment of a coherent body of law, a judge of the business
5 court shall issue a written opinion when deciding issues of law by
6 order or judgment, unless:

7 (1) the court has a well-developed body of law on the
8 issue;

9 (2) the court is applying the court's precedent on the
10 issue; and

11 (3) another opinion on the issue will not
12 significantly contribute to the development of the law.

13 Sec. 24A.017. COURT LOCATION; STAFFING. (a) The business
14 court shall have a clerk, whose office shall be located in Travis
15 County in facilities provided by this state. The clerk shall:

16 (1) receive all filings in the business court; and

17 (2) fulfill the legal and administrative functions of
18 a district clerk and an appellate court clerk.

19 (b) Each judge of the business court shall maintain chambers
20 in the county seat of the judge's county of residence in facilities
21 provided by this state.

22 (c) Subject to Section 24A.015, the business court, or any
23 judge of the business court, may hold court at any location in this
24 state, as the court determines is necessary or convenient for a
25 particular civil action.

26 (d) The business court shall use the most advanced
27 technology feasible when necessary and appropriate to facilitate

1 expeditious proceedings in matters brought before the court. As
2 determined by the business court, counsel and parties may appear
3 before the business court by means of Internet-based or other
4 technological devices rather than in person.

5 (e) In a county in which the business court sits, the
6 sheriff shall in person or by deputy attend the business court as
7 required by the court. The sheriff or deputy is entitled to be
8 reimbursed by the state for the cost of attending court.

9 (f) Subject to any limitations provided by the General
10 Appropriations Act, the business court may appoint personnel
11 necessary for the operation of the court, including:

- 12 (1) the clerk of the court;
13 (2) staff attorneys for the court;
14 (3) staff attorneys for each judge of the business
15 court;
16 (4) court coordinators; and
17 (5) administrative assistants.

18 (g) The court officials shall perform the duties and
19 responsibilities of their offices and are entitled to the
20 compensation, fees, and allowances prescribed by law for the
21 offices.

22 Sec. 24A.018. FEES. The business court shall provide rates
23 for fees associated with filings and actions in the business court.
24 The fees shall be set at a sufficient amount to cover the costs of
25 administering the provisions of this chapter, taking into account
26 fee waivers in the interest of justice.

27 Sec. 24A.019. SEAL. The seal of the business court is the

1 same as that provided by law for a district court except that the
2 seal must contain the name "The Business Court of Texas."

3 Sec. 24A.020. RULES. (a) The supreme court shall
4 promulgate rules of civil procedure as the court determines
5 necessary, including rules providing for:

6 (1) the timely and efficient removal and remand of
7 cases to and from the business court; and

8 (2) the assignment of cases to judges of the business
9 court.

10 (b) The business court may adopt rules of practice and
11 procedure, subject to any approval required by the supreme court or
12 statute.

13 SECTION 2. Except as otherwise provided by this Act, the
14 business court for the Business Court Judicial District is created
15 January 1, 2025.

16 SECTION 3. As soon as practicable after the effective date
17 of this Act, the governor shall appoint judges to the business court
18 for the Business Court Judicial District, as required by Section
19 24A.008, Government Code, as added by this Act.

20 SECTION 4. (a) Notwithstanding Chapter 24A, Government
21 Code, as added by this Act, the business court for the Business
22 Court Judicial District is not created unless the legislature makes
23 a specific appropriation of money for that purpose. For purposes of
24 this subsection, a specific appropriation is an appropriation
25 identifying the business court or an Act of the 88th Legislature,
26 Regular Session, 2023, relating to the creation of a specialty
27 trial court to hear certain cases or of the business court.

1 (b) Notwithstanding Section 24A.006(a), Government Code, as
2 added by this Act, a court of appeals retains the jurisdiction the
3 court had on December 31, 2024, if the business court for the
4 Business Court Judicial District is not created as a result of
5 Subsection (a) of this section.

6 SECTION 5. The changes in law made by this Act apply to
7 civil actions commenced on or after January 1, 2025.

8 SECTION 6. This Act takes effect September 1, 2023.