

By: Fallon

S.B. No. 1567

A BILL TO BE ENTITLED

AN ACT

relating to mandatory disclosure of third-party litigation financing agreements.

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

SECTION 1. Subchapter A, Chapter 22, Government Code, is amended by adding Section 22.021 to read as follows:

Sec. 22.021. DISCLOSURE OF THIRD-PARTY LITIGATION FINANCING. (a) In this section:

(1) "Financing" means the provision of monetary or in-kind support to a person or group of persons who have or will file or prosecute a civil action, including a payment to an attorney who represents the person or group, a payment to a fact or expert witness, a payment of the costs of the civil action, or the provision of funds or credit to be used in the future to support the civil action. The term includes the provision of monetary or in-kind support, regardless of whether the support is called a loan, an advance, a purchase, or another term.

(2) "Third-party litigation financing" means the provision of financing with repayment being conditioned on and sourced from the person's or group's proceeds from the civil action, regardless of whether the proceeds are obtained through collection of a judgment, payment of a settlement, or otherwise. The term does not include:

(A) an extension of credit to any attorney or law

1 firm when the obligation of the attorney or law firm to repay the
2 loan is required by the loan agreement and is not contingent on the
3 outcome of a specified civil action or portfolio of civil actions;
4 or

5 (B) a contingent fee arrangement between an
6 attorney or law firm and a client.

7 (b) The supreme court shall adopt rules to provide for the
8 mandatory disclosure of third-party litigation financing
9 agreements to the parties in a civil action in connection with which
10 third-party litigation financing is provided.

11 SECTION 2. The Supreme Court of Texas shall adopt rules
12 under Section 22.021, Government Code, as added by this Act, not
13 later than December 31, 2019. The rules apply only to a civil
14 action commenced on or after the effective date of the rules.

15 SECTION 3. This Act takes effect September 1, 2019.