

By: Miller of Comal

H.B. No. 1855

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 22.018 to read as follows:

Sec. 22.018. DISCLOSURE OF THIRD-PARTY LITIGATION FINANCING. (a) In this section:

(1) "Financing" means the provision of monetary or in-kind support for a party's filing and prosecution of a civil action, including the payment of an attorney to represent the party, the payment of any fees for any witnesses for the party, the payment of any fees for any experts for the party, or the payment of any costs of the civil action.

(2) "Third-party litigation financing" means the provision of financing to a person or group of persons that is or may become a party to a civil action, or an attorney for the person or group, with repayment of the financing being conditioned on and sourced from the person's proceeds from the civil action by judgment, settlement, or otherwise. The term does not include:

(A) any extension of credit from any person to any attorney licensed by the supreme court to practice law where the obligation of the attorney to repay all or part of the extension of credit, including any interest on the extended credit, is not

1 contingent on the outcome of a specified civil action or portfolio
2 of civil actions in which the attorney is representing a person
3 other than the attorney, whether or not the credit agreement
4 provides the creditor a security interest in any proceeds of any
5 civil action in which the attorney is representing a person other
6 than the attorney; or

7 (B) any contingent fee arrangement entered into
8 by an attorney licensed by the supreme court to practice law.

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

13 SECTION 2. The Supreme Court of Texas shall adopt rules
14 under Section 22.018, Government Code, as added by this Act, not
15 later than December 31, 2013. The rules apply only to a civil
16 action commenced on or after the effective date of the rules.

17 SECTION 3. This Act takes effect September 1, 2013.