

Issue Overview

What is Third-Party Litigation Funding (TPLF)?

- **Definition:** Third-party litigation funding (TPLF) involves hedge funds and other financiers providing capital to plaintiffs in exchange for a share of the lawsuit's proceeds.
- **Lack of Transparency:** Many funding agreements are not disclosed to courts or opposing parties, raising concerns about the integrity of the legal process.
- **Influence on Legal Strategy:** Funders may exert control over litigation decisions, potentially compromising attorney-client privilege and the autonomy of plaintiffs.
- **Prolonged Litigation:** To maximize returns, funders may encourage extended legal battles and increased settlement demands.
- **Economic Impact:** The monetization of litigation as an asset class can drive up costs for businesses and consumers, benefiting a select group of investors, with many considered as “dark money” investors due to lack of disclosure.
- **Security Threat:** TPLF can impact national security by creating opportunities for foreign adversaries to exploit the U.S. legal system to advance their interests.

Scale of the Issue

- **Industry Growth:** The TPLF industry was estimated at \$15.2 billion in 2024 and is projected to reach \$18.9 billion by year-end 2025, with potential growth to over \$67 billion annually by 2037, according to the Washington Legal Foundation.
- **Market Participants:** Approximately 33 commercial litigation funders are currently operating in the United States, according to *National Law Review*.
- **High Success Rates:** 85%-90% of funded cases succeed, reflecting the selectivity of funders, who accept only 5%-20% of submitted commercial cases

Recent Legislative Developments

Federal Initiatives

- **Tackling Predatory Litigation Funding Act ([S. 1821/H.R. 3512](#)):** Sponsored by Sen. Thom Tillis (R-N.C.) and Rep. Kevin Hern (R-Okla.), this bill proposed a new tax on profits earned by third-party entities financing civil litigation, aiming to curb predatory practices in the litigation funding. The bill did not move forward after being excluded from the federal budget reconciliation bill signed into law on July 4, 2025. However, Tillis recently announced he plans to reintroduce the legislation.
- **Protecting Our Courts from Foreign Manipulation Act ([H.R. 2675](#)):** Sponsored by Rep. Ben Cline (R-Va.), this bill seeks to prohibit third-party funding by foreign governments and sovereign wealth funds, and to require full disclosure of any foreign funding in lawsuits. The bill was referred to the House Committee on the Judiciary in April 2025 but has not advanced.
- **Litigation Transparency Act ([H.R. 1109](#)):** Introduced by Rep. Darrell Issa, this legislation mandates disclosure of TPLF agreements in all federal civil cases to ensure transparency and prevent hidden agendas. The bill was referred to the House Committee on the Judiciary in February 2025 but has not advanced.

State-Level Reforms

Several states enacted or passed new legislation in 2025 to regulate TPLF:

- **Arizona:** Mandates disclosure and prohibits litigation funders from receiving more of an award than the parties to the litigation.
- **California:** Enacted a law restricting attorneys from sharing contingency fees with out-of-state alternative business structures involving non-lawyers.
- **Colorado:** Adopted rules that include requiring foreign financiers to provide information to the state Attorney General, such as funding agreements.
- **Georgia:** Requires financiers to register with the state, bans foreign adversaries from funding and makes them jointly and severally liable for costs in frivolous litigation.
- **Kansas:** Enacted a law requiring the disclosure of litigation funding agreements within 30 days of a legal action.
- **Montana:** Mandated the disclosure of TPLF agreements in all civil cases and made funders jointly and severally liable for litigation expenses.
- **Oklahoma:** Passed legislation requiring the disclosure of funding agreements upon request.

Why TPLF Legislation is Necessary

The rapid growth of TPLF investments raises concerns about the monetization of the U.S. judicial system, potentially driving up costs for businesses and consumers.

Federal legislation is needed to:

- Close tax loopholes that favor foreign litigation funders.
- Enhance transparency in the U.S. legal system.
- Protect national security interests.
- Create a fairer legal environment for American businesses and consumers.

State lawmakers should continue to enact and enforce regulations that promote transparency and prevent foreign influence in litigation funding throughout all judicial systems.

Triple-I TPLF Member Resources

- [What is TPLF and How Does it Affect Insurance Affordability & Availability](#)
- [Legal System Abuse and Attorney Advertising for Mass Litigation: State of the Risk](#)
- [A Consumer Guide: How Legal System Abuse Impacts You](#)

Triple-I Contact:

Mark Friedlander
Senior Director, Media Relations
Markf@iii.org

Revised Oct. 29, 2025