

HB 3205 -- FUNDING OF LEGAL ACTIONS

SPONSOR: Casteel

COMMITTEE ACTION: Voted "Do Pass" by the Standing Committee on Legislative Review by a vote of 6 to 0.

This bill provides that no foreign principal or an agent of a foreign principal, as defined in the bill, will engage in litigation funding in this state. Additionally, no foreign principal or agent will invest in, finance, fund, or loan money to a Missouri litigation funder, as defined in the bill. A person engaged in litigation funding may not become affiliated with or maintain an affiliation with a foreign principal or an agent thereof. Additionally, such person may not allow a foreign principal or agent to invest in, maintain an ownership interest in, or exercise any control over a litigation funding agreement or litigation funded through such an agreement. Any person who willfully and knowingly violates these provisions is guilty of a class E felony.

Additionally, this bill provides that a litigation funder will have a fiduciary duty to a party in a civil action if it has provided litigation funding for that civil action and may not engage in any act, practice, or course of business that is inconsistent with the fiduciary duty. A litigation funder will be jointly liable for any award or order imposing costs or monetary sanctions against a funded party or the attorney thereof arising from or relating to the funded civil action.

Furthermore, a violation of these provisions will be deemed an unlawful merchandising practice and subject to the penalties, remedies, and procedures under the Missouri Merchandising Practices Act. The Attorney General may institute legal action to prohibit a person who violates the provisions in this bill from providing litigation funding in Missouri. A litigation funding agreement entered into in violation of the provisions of this bill will be void and unenforceable.

This bill is similar to SB 881 (2026).

PROPOSERS: Supporters say that this bill provides transparency and control within the civil justice system, as lawsuits can be secretly funded as a business investment by foreign actors. The source of outside funding has changed the nature of what civil litigation is, and the bill's fiduciary requirement is important.

This bill addresses concerns about the misuse of litigation to obtain proprietary information.

Testifying in person for the bill were Representative Casteel; NFIB (National Federation Of Independent Business); National Association Of Mutual Insurance Companies (NAMIC); Missouri Insurance Coalition; Associated Industries Of Missouri; and Missouri State Medical Association.

OPPONENTS: There was no opposition voiced to the committee.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.