



Third Party Litigation Funding: The Case for Reform

Definition

Third Party Litigation Funding (TPLF) is a practice where an outside investor (third party) finances a plaintiff or law firm's legal costs in exchange for a share of any settlement or judgment. It is estimated that TPLF is used in 30% of America's infringement cases, with nationwide investments totaling \$15.2 billion.

FAQS

The Problem

In Michigan and many states across the nation, TPLF operates with virtually no oversight. Today, a funder can finance a lawsuit without the knowledge of the judge, jury, defendant, or even the plaintiff. That funder can influence the outcome of the case and take a portion of the award, often without the plaintiff ever knowing.

Without clear guardrails, TPLF allows bad actors to turn our judicial system into a black-market Wall Street, funded by Michigan taxpayers. Foreign adversaries can use TPLF to weaponize our legal system against our own economy, fueling frivolous lawsuits that threaten jobs and our economy.

The Solution

By passing common sense guardrails in HB 5281, we can bring more integrity to our judicial system.

- Require funder disclosure and registration, ensuring transparency in TPLF cases.
- Prohibit funder influence on case outcomes so justice remains the guiding compass.
- Ban foreign adversaries from funding lawsuits, protecting national security interests.
- Cap funder earnings from awards, ensuring plaintiffs receive the compensation they deserve.

Voters overwhelmingly support these reforms: 69% support TPLF disclosure, and 82% support banning foreign governments from participating in TPLF in the U.S.

How does TPLF impact me when I'm not in a lawsuit?

TPLF fuels frivolous lawsuits, raising legal costs for small businesses—and ultimately for consumers. Its lack of transparency undermines the integrity of our legal system and can create opportunities for threats to our national security.

Isn't TPLF already disclosed in Michigan?

While Michigan's Eastern and Western federal district courts require automatic TPLF disclosures as of April 2023, state courts have no such requirement.

Will TPLF reform limit access to our legal system?

No. These reforms do not prevent anyone from filing a lawsuit, nor do they ban TPLF. The goal is not to block access to justice — it is to stop bad actors from abusing the system.