



House Bill 1274

Position: Favorable

Committee: Economic Matters

Date: March 4, 2025

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 7,000 members and federated partners working to develop and promote strong public policy that ensures sustained economic health and growth for Maryland businesses, employees, and families.

House Bill 1274 (HB 1274) reforms third-party litigation financing (TPLF) to facilitate transparency in litigation and limit the damage the unregulated world of TPLF has on the fair and efficient administration of justice. Specifically, HB 1274 requires common-sense guardrails around the use of TPLF, including mandatory disclosure of TPLF agreements, increased discoverability of those arrangements in lawsuits, and state-level regulation of funders.

Third-party litigation financing is a growing and extremely concerning trend in our judicial system. TPLF occurs when an investor helps to finance a lawsuit in which the investor has no personal stake, utilizing outside resources instead of the litigant's own funds. In practice, third parties ensure high rates of return for their investment, turning lawsuits into profit centers.

TPLF is typically structured as a non-recourse investment by a funder in a lawsuit or arbitration. The funding is in exchange for an agreed-upon payment by the litigant to the funder from the proceeds of the legal proceeding – at an exorbitantly high interest rate or as a significant portion of the proceeds from the legal proceeding. Litigation should be controlled by the parties with a substantive interest in the outcome of a case and their lawyers, not by funders whose only interest is in securing a high rate of return on their investment. For these reasons, the Maryland Chamber of Commerce respectfully requests a **favorable report** on **HB 1274**.