

House Engrossed Senate Bill

litigation; financing; consumer protection; enforcement

State of Arizona
Senate
Fifty-seventh Legislature
First Regular Session
2025

CHAPTER 226

SENATE BILL 1215

AN ACT

AMENDING TITLE 12, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 28;
RELATING TO LITIGATION FINANCING.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 12, Arizona Revised Statutes, is amended by adding
3 chapter 28, to read:

4 CHAPTER 28

5 LITIGATION FINANCING

6 ARTICLE 1. GENERAL PROVISIONS

7 12-3451. Definitions

8 IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

9 1. "ACTION" MEANS A CIVIL ACTION, ADMINISTRATIVE PROCEEDING, CLAIM
10 OR OTHER CAUSE OF ACTION.

11 2. "FOREIGN COUNTRY OF CONCERN" INCLUDES THE FOLLOWING:

12 (a) A FOREIGN GOVERNMENT LISTED IN 15 CODE OF FEDERAL REGULATIONS
13 SECTION 791.4.

14 (b) A COUNTRY DESIGNATED AS A THREAT TO CRITICAL INFRASTRUCTURE BY
15 THE FEDERAL GOVERNMENT OR THE GOVERNOR.

16 3. "FOREIGN ENTITY OF CONCERN" MEANS A PARTNERSHIP, ASSOCIATION,
17 CORPORATION, ORGANIZATION OR OTHER COMBINATION OF PERSONS THAT MEETS ANY
18 OF THE FOLLOWING:

19 (a) IS ORGANIZED OR INCORPORATED IN A FOREIGN COUNTRY OF CONCERN.

20 (b) IS OWNED OR CONTROLLED BY THE GOVERNMENT, A POLITICAL
21 SUBDIVISION OR A POLITICAL PARTY OF A FOREIGN COUNTRY OF CONCERN.

22 (c) HAS A PRINCIPAL PLACE OF BUSINESS IN A FOREIGN COUNTRY OF
23 CONCERN.

24 (d) IS OWNED, ORGANIZED OR CONTROLLED BY OR AFFILIATED WITH A
25 FOREIGN ORGANIZATION THAT HAS EITHER BEEN:

26 (i) PLACED ON THE FEDERAL OFFICE OF FOREIGN ASSETS CONTROL
27 SPECIALLY DESIGNATED NATIONALS AND BLOCKED PERSONS LIST.

28 (ii) DESIGNATED BY THE UNITED STATES SECRETARY OF STATE AS A
29 FOREIGN TERRORIST ORGANIZATION.

30 4. "LICENSED HEALTH CARE PROVIDER" HAS THE SAME MEANING PRESCRIBED
31 IN SECTION 12-561.

32 5. "LITIGATION FINANCIER" MEANS A PERSON THAT HAS ENTERED INTO A
33 LITIGATION FINANCING AGREEMENT WITH A PARTY TO AN ACTION OR COUNSEL OF
34 RECORD FOR A PARTY TO AN ACTION.

35 6. "LITIGATION FINANCING AGREEMENT" OR "LITIGATION FINANCING" MEANS
36 ANY AGREEMENT CREATING A RIGHT TO RECEIVE PAYMENT BY ANYONE WHICH IS
37 CONTINGENT IN ANY RESPECT ON THE OUTCOME OF AN ACTION OR ON THE OUTCOME OF
38 ANY MATTER WITHIN A PORTFOLIO THAT INCLUDES THE ACTION AND THAT INVOLVES
39 THE SAME COUNSEL OR AFFILIATED COUNSEL, BUT EXCLUDING THE FOLLOWING:

40 (a) A NAMED PARTY TO THE ACTION IF PAYMENTS MADE TO THE NAMED PARTY
41 ARE PROVIDED EXCLUSIVELY FOR PERSONAL AND FAMILY USE AND ARE PROVIDED ON
42 CONDITION THAT THEY ARE NOT TO BE USED FOR LEGAL FILINGS, LEGAL DOCUMENT
43 PREPARATION AND DRAFTING, APPEALS, CREATION OF A LITIGATION STRATEGY,
44 DRAFTING TESTIMONY OR OTHER EXPENSES DIRECTLY RELATED TO LITIGATION.

1 (b) A COUNSEL OF RECORD, A LAW FIRM OF RECORD OR ANY REFERRING
2 COUNSEL FOR LEGAL SERVICES OR ADVANCEMENT OF LEGAL COSTS PROVIDED BY
3 COUNSEL OF RECORD, WHERE THE SERVICES OR COSTS ARE PROVIDED BY A LEGAL
4 COUNSEL OF RECORD IN ACCORDANCE WITH THE RULES OF PROFESSIONAL CONDUCT
5 ADOPTED BY THE SUPREME COURT.

6 (c) A PERSON WITH A PREEXISTING CONTRACTUAL OBLIGATION TO INDEMNIFY
7 OR DEFEND A PARTY TO THE ACTION OR A HEALTH INSURER WHO HAS PAID OR IS
8 OBLIGATED TO PAY ANY SUMS FOR HEALTH CARE SERVICES RENDERED TO AN INJURED
9 PERSON UNDER THE TERMS OF A HEALTH INSURANCE POLICY, PLAN OR AGREEMENT.

10 (d) A FINANCIAL INSTITUTION, AS DEFINED IN SECTION 6-101, FOR
11 REPAYMENT OF LOANS MADE DIRECTLY TO A PARTY OR A PARTY'S COUNSEL WHEN
12 REPAYMENT OF THE LOAN IS NOT CONTINGENT ON THE OUTCOME OF AN ACTION BY
13 SETTLEMENT, JUDGMENT OR OTHERWISE OR ON THE OUTCOME OF ANY MATTER WITHIN A
14 PORTFOLIO THAT INCLUDES THE ACTION AND INVOLVES THE SAME COUNSEL OR
15 AFFILIATED COUNSEL.

16 (e) FUNDING THAT IS PROVIDED TO A NONPROFIT ORGANIZATION, WHETHER
17 AS A PARTY OR ON BEHALF OF A CLIENT OR MEMBER OF THE ORGANIZATION, AND
18 IRRESPECTIVE OF WHETHER THE NONPROFIT ORGANIZATION SEEKS AN AWARD OF COSTS
19 OR ATTORNEY FEES IN PROVIDING PRO BONO REPRESENTATION.

20 (f) FUNDING PROVIDED BY A NONPROFIT ORGANIZATION THAT IS EXEMPT
21 FROM TAXATION UNDER 501(c)(3) OF THE UNITED STATES INTERNAL REVENUE CODE,
22 BY GRANT OR OTHERWISE, TO SUPPORT THE PURSUIT OF LITIGATION.

23 (g) A PERSON PROVIDING FUNDING TO A MEDICAL PRACTICE OR FACILITY
24 SOLELY FOR ITS RECEIVABLES.

25 (h) WHERE THERE IS NO RIGHT TO PAYMENT IN EXCESS OF THE FUNDING
26 ACTUALLY PROVIDED.

27 12-3452. Preserving consumer control and recoveries

28 A. A LITIGATION FINANCIER MAY NOT DIRECT OR MAKE ANY DECISIONS WITH
29 RESPECT TO THE COURSE OF ANY ACTION THAT IS SUBJECT TO A LITIGATION
30 FINANCING AGREEMENT OR ANY SETTLEMENT OR OTHER DISPOSITION THEREOF,
31 INCLUDING DECISIONS CONCERNING APPOINTING OR CHANGING COUNSEL, CHOICE OF
32 OR USE OF EXPERT WITNESSES AND LITIGATION STRATEGY. THE NAMED PARTY AND
33 COUNSEL OF RECORD SHALL RETAIN ALL RIGHTS TO CONTROL AND DECISION-MAKING
34 WITH REGARD TO THE ACTION.

35 B. IF THERE HAS BEEN A PRIOR DISCLOSURE OF THE EXISTENCE OF
36 LITIGATION FINANCING IN A CLASS ACTION LITIGATION, THE COURT SHALL
37 CONSIDER THE EXISTENCE OF LITIGATION FINANCING AND ANY RELATED CONFLICTS
38 OF INTEREST WHEN DETERMINING WHETHER A CLASS REPRESENTATIVE OR CLASS
39 COUNSEL WOULD ADEQUATELY AND FAIRLY REPRESENT THE INTERESTS OF THE CLASS.

40 C. IF THERE HAS BEEN A PRIOR DISCLOSURE OF THE EXISTENCE OF
41 LITIGATION FINANCING IN MULTIDISTRICT LITIGATION, THE COURT SHALL CONSIDER
42 THE EXISTENCE OF LITIGATION FINANCING AND ANY RELATED CONFLICTS OF
43 INTEREST WHEN APPROVING OR APPOINTING COUNSEL TO LEADERSHIP
44 POSITIONS. FOR THE PURPOSES OF THIS SUBSECTION, "LEADERSHIP POSITIONS"
45 MEANS ANY LEAD COUNSEL, COLEAD COUNSEL, COMMON BENEFIT COUNSEL, STEERING

1 COMMITTEE MEMBERSHIP, EXECUTIVE COMMITTEE MEMBERSHIP AND OTHER SIMILAR
2 POSITIONS OR ROLES.

3 12-3453. Prohibited conduct; applicability

4 A. A LITIGATION FINANCIER MAY NOT PAY OR OFFER TO PAY A COMMISSION,
5 REFERRAL FEE OR OTHER CONSIDERATION TO LEGAL COUNSEL, A LAW FIRM OR A
6 LICENSED HEALTH CARE PROVIDER, FOR REFERRING A PERSON TO THE LITIGATION
7 FINANCIER WITHOUT DISCLOSING IN WRITING TO THE POTENTIAL BORROWER. THE
8 DISCLOSURE MUST BE MADE BEFORE ENTERING INTO THE LITIGATION FINANCING
9 AGREEMENT AND MUST BE SEPARATELY ACKNOWLEDGED AND AGREED TO BY THE
10 POTENTIAL BORROWER, INCLUDING THE AMOUNT OF THE COMMISSION, REFERRAL FEE
11 OR OTHER CONSIDERATION TO BE PAID FOR THE REFERRAL ON BEHALF OF THE
12 BORROWER.

13 B. A LITIGATION FINANCIER MAY NOT PROVIDE FUNDING TO OR IN
14 CONNECTION WITH A LITIGATION FINANCING AGREEMENT THAT IS DIRECTLY OR
15 INDIRECTLY FINANCED BY A FOREIGN ENTITY OF CONCERN.

16 C. THIS SECTION APPLIES TO CLASS ACTIONS AND MULTIDISTRICT
17 LITIGATION. THE ACKNOWLEDGEMENT REQUIRED BY SUBSECTION A OF THIS SECTION
18 SHALL BE MADE BY THE CLASS REPRESENTATIVE OR THE NAMED PLAINTIFFS.

19 12-3454. Violations; enforcement

20 A. A LITIGATION FINANCING AGREEMENT THAT IS ENTERED INTO IN
21 VIOLATION OF THIS CHAPTER IS VOIDABLE.

22 B. A LITIGATION FINANCIER WHO KNOWINGLY VIOLATES SECTION 12-3452 OR
23 12-3453 COMMITS AN UNLAWFUL PRACTICE UNDER SECTION 44-1522.

24 C. ONLY THE ATTORNEY GENERAL OR PARTIES TO THE LITIGATION FOR WHICH
25 LITIGATION FINANCING HAS BEEN PROVIDED MAY CHALLENGE THE LITIGATION
26 FINANCING AGREEMENT AS UNLAWFUL UNDER SECTION 44-1522.

27 Sec. 2. Applicability

28 This act applies to any civil action, administrative proceeding,
29 claim or cause of action that is commenced on or after the effective date
30 of this act.

31 Sec. 3. Effective date

32 This act is effective from and after December 31, 2025.

APPROVED BY THE GOVERNOR JUNE 27, 2025.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 27, 2025.