

SENATE, No. 2357

STATE OF NEW JERSEY 222nd LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2026 SESSION

Sponsored by:

Senator JOHN F. MCKEON

District 27 (Essex and Passaic)

Senator JOSEPH A. LAGANA

District 38 (Bergen)

Co-Sponsored by:

Senators Singleton and McKnight

SYNOPSIS

Requires disclosure of third-party litigation funding agreements and establishes certain responsibilities for litigation funders.

CURRENT VERSION OF TEXT

As reported by the Senate Commerce Committee with technical review.



(Sponsorship Updated As Of: 2/24/2026)

1 AN ACT concerning third-party litigation funding agreements and
2 supplementing Title 2A of the Revised Statutes.

3
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

6
7 1. As used in this act:

8 “Administrative action” means any administrative proceeding
9 brought before an executive branch agency or administrative tribunal
10 of this State, except for workers’ compensation claims.

11 “Court” means the Superior Court of New Jersey in which a civil
12 action is brought.

13 “Civil action” means any action where a complaint is filed in the
14 Civil Part of the Law Division of the Superior Court of this State,
15 except for workers’ compensation claims.

16 “Litigation expenses” means costs incurred to pursue a civil or
17 administrative action, including, but not limited to, court, executive
18 branch agency, or tribunal costs, filing fees, attorneys’ fees, expert
19 witness fees, travel expenses, and expenses related to identifying or
20 soliciting potential clients to participate in the litigation before, during,
21 or after filing or resolving the civil or administrative action.

22 “Litigation funder” means a person or entity that enters a litigation
23 funding agreement or any person or entity who has a direct or indirect
24 right to receive compensation from the agreement. A litigation funder
25 shall not include:

26 a. a parent, sibling, spouse, grandparent, grandchild, or child
27 related by blood, adoption, or marriage of the party being funded;

28 b. an attorney who, at the time money is provided to or on behalf
29 of a client under a litigation funding agreement, has an attorney-client
30 relationship with the party concerning the party’s civil or
31 administrative action;

32 c. a licensed or registered financial institution that does not
33 receive, in consideration for loaning money to any person, a right to
34 receive payment from the value of any proceeds or other consideration
35 realized from any judgment, award, settlement, verdict, or other form
36 of monetary relief any person may receive or recover in relation to any
37 civil or administrative action;

38 d. a nonprofit entity that provides pro bono legal services to the
39 party with no right to receive payment from the amount of any
40 judgment, award, settlement, verdict, or other form of monetary
41 compensation obtained in the civil or administrative action. Awards of
42 costs or attorney fees ordered by a court, executive branch agency, or a
43 tribunal to nonprofit legal organizations shall not be affected by this
44 section; or

45 e. a person or entity that provides money to a party to litigation
46 solely for purposes other than funding litigation expenses.

1 “Litigation funding agreement” means, with respect to any civil or
2 administrative action or group of civil or administrative actions, any
3 written agreement:

4 a. whereby a third party agrees to provide funds to one of the
5 named parties, or any law firm affiliated with the action or group of
6 civil or administrative actions; and

7 b. which creates a direct or collateralized interest in the proceeds
8 of a civil or administrative action or group of civil or administrative
9 actions, by settlement, verdict, judgment or otherwise, and whose
10 interest is based, in whole or in part, on a funding-based obligation to
11 the action or group of actions or the appearing counsel or any
12 contractual co-counsel or the law firms of the counsel or co-counsel
13 executed with:

14 (1) any attorney representing a party;

15 (2) any co-counsel in the litigation with a contingent fee interest in
16 the representation of that party; or

17 (3) any third-party who has a collateral-based interest in the
18 contingency fees of the counsel or co-counsel firm related in whole or
19 part to the fees derived from representing that party.

20 “Pre-settlement funding” means funding solely intended to pay
21 costs of living or other personal or familial expenses during the
22 pendency of a civil action where those funds are not used to defray
23 litigation expenses.
24

25 2. a. In any civil or administrative action, except as otherwise
26 stipulated by the parties or ordered by a court, executive branch
27 agency, or a tribunal upon a motion, a party or party’s attorney shall,
28 without awaiting a discovery request, provide all parties with any
29 litigation funding agreement with respect to the action.

30 b. Disclosure of a litigation funding agreement required by
31 subsection a. of this section shall include all correspondence,
32 documents, or other statements that comprise the agreement and shall
33 be made at the time of the filing of an initial pleading or at the time of
34 the agreement, if the agreement occurs after the initial pleading. Any
35 amendment to a litigation funding agreement disclosed pursuant to
36 subsection a. of this section shall be provided to all parties at the time
37 the amendment is made.

38 c. In addition to the disclosures required by this section, the
39 participants or parties to any litigation funding agreement and the
40 nature of that investment or arrangement shall be permissible subjects
41 for discovery in any civil or administrative action.

42 d. Upon motion of a party, the court, executive branch agency, or
43 a tribunal shall determine sanctions for any party that fails to make the
44 disclosures required by this section. An evasive or incomplete
45 disclosure shall be treated as failure to make the disclosure.

46 e. This section shall not require disclosure of a contingent fee
47 agreement entered into by a party and the party’s legal representative
48 in a civil or administrative action.

1 3. a. A litigation funder shall have a fiduciary duty to a party in a
2 civil or administrative action if it has provided litigation funding to
3 that civil or administrative action.

4 b. A litigation funder shall not engage in any act, practice, or
5 course of business that is inconsistent with the funder's fiduciary duty
6 pursuant to subsection a. of this section.

7 c. A litigation funder shall agree as a condition of providing
8 funding to be jointly liable for any award or order imposing or
9 assessing costs or monetary sanctions against the party whose civil or
10 administrative claim is subject to the funding agreement or the party's
11 attorney arising from or relating to the funded civil or administrative
12 action.

13
14 4. It shall be prohibited for a litigation funder to engage in the
15 following conduct:

16 a. influence, make, or overturn a decision relating to the
17 initiation, conduct, settlement, or resolution of the underlying civil or
18 administrative action, the power of which shall remain solely with the
19 party and attorney handling the action for the party;

20 b. offer to provide or provide legal advice to a party or party's
21 attorney, or identify, recommend, or select a party's attorney;

22 c. attempt to secure a remedy or obtain a waiver of any remedy,
23 including but not limited to compensatory, statutory, or punitive
24 damages, that a party to a civil or administrative action may or may
25 not be entitled to pursue or otherwise recover;

26 d. receive or recover any payment that exceeds 25 percent of the
27 amount of any settlement, judgment, award, or other monetary relief
28 obtained as a result of the civil or administrative action that is the
29 subject of the litigation funding agreement. Absent express consent of
30 the party whose civil or administrative action is subject to the funding
31 agreement, the combined payment to the litigation funder and fee to
32 the attorney of that party shall not exceed 50 percent of the monetary
33 relief obtained as a result of the civil or administrative action; or

34 e. assign, including securitizing, a litigation funding agreement in
35 whole or in part.

36
37 5. a. A litigation funding agreement shall be unenforceable by
38 the litigation funder or any successor-in-interest to the litigation
39 funding agreement if the funder has engaged in conduct that violates
40 sections 3 or 4 of this act.

41 b. A court, executive branch agency, or a tribunal may, upon a
42 motion of a party to litigation funded through a litigation funding
43 agreement or sua sponte, find that a litigation funding agreement, or a
44 provision thereof, violates this act and is unenforceable.

45 c. A violation of sections 3 or 4 of this act shall constitute an
46 unfair or deceptive act or practice and shall be a violation of P.L.1960,
47 c.39 (C.56:8-1 et seq.).

1 d. A court, executive branch agency, or a tribunal may impose
2 sanctions, in addition to any remedy otherwise available, for
3 noncompliance with any provision of this act.

4
5 6. Nothing in this act shall apply to pre-settlement funding
6 obtained by an individual who is a party to a civil or administrative
7 action.

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9 7. This act shall take effect on the 90th day next following
10 enactment and shall apply to litigation funding agreements entered
11 into on or after that date.