
HOUSE BILL 2255

State of Washington

69th Legislature

2026 Regular Session

By Representatives Walen, Walsh, and Nance

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1 AN ACT Relating to litigation finance; adding a new chapter to
2 Title 19 RCW; and providing an effective date.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The definitions in this section apply
5 throughout this chapter unless the context clearly requires
6 otherwise.

7 (1) "Attorney" means an attorney, group of attorneys, or law firm
8 that represents a party in any legal action.

9 (2) "Claimant" means any individual who is or may become a
10 plaintiff, claimant, or complainant in a legal action in this state.

11 (3) "Foreign country of concern" includes the following:

12 (a) A foreign government listed in 15 C.F.R. Sec. 791.4; and

13 (b) A country designated as a threat to critical infrastructure
14 by the federal government or the governor.

15 (4) "Foreign entity of concern" means a partnership, association,
16 corporation, organization, or other combination of persons that:

17 (a) Is organized or incorporated in a foreign country of concern;

18 (b) Is owned or controlled by the government, a political
19 subdivision, or a political party of a foreign country of concern;

20 (c) Has a principal place of business in a foreign country of
21 concern; or

1 (d) Is owned, organized or controlled by, or affiliated with a
2 foreign organization that has been:

3 (i) Placed on the federal office of foreign assets control
4 specially designated nationals and blocked persons list; or

5 (ii) Designated by the United States secretary of state as a
6 foreign terrorist organization.

7 (5) "Legal action" means any legal claim, civil action,
8 administrative proceeding, or cause of action.

9 (6) "Litigation expenses" means any typical fees, costs,
10 expenditures, or other expenses incurred to pursue a legal action
11 including, but not limited to, court costs, filing fees, attorneys'
12 fees, expert witness fees, travel expenses, discovery costs, expenses
13 related to identifying or soliciting potential claimants to
14 participate in a legal action, or expenses related to collecting a
15 judgment. "Litigation expenses" does not include funds intended for
16 use by a party for personal or familial expenses such as food, rent,
17 mortgage payments, car payments, or medical bills.

18 (7) "Litigation financing" means the financing, funding,
19 advancing, or lending of money to pay for litigation expenses for a
20 legal action or a group of legal actions, or an agreement to pay
21 litigation expenses related to pursuing a legal action or group of
22 legal actions, regardless of whether the financing is tied to a
23 specific case, if the financing, funding, advancing, or lending of
24 money is provided by a person who is not:

25 (a) A party to the legal action;

26 (b) An attorney engaged directly or indirectly through another
27 legal representative to represent a party in the legal action; or

28 (c) An entity or insurer with a preexisting contractual
29 obligation to indemnify or defend a party to the legal action.

30 (8) "Litigation financing agreement" means a transaction that
31 provides litigation financing to a claimant, a claimant's attorney,
32 or a person affiliated with a claimant or a claimant's attorney, in
33 return for assigning the third-party litigation funder a right to
34 receive any amount including the payment of all or part of a monetary
35 award or settlement, interest, fees, or any other consideration
36 contingent on the outcome of the legal action or a group of legal
37 actions. "Litigation financing agreement" does not include:

38 (a) Legal services provided to a party by an attorney on a
39 contingency fee basis or legal costs advanced by an attorney when the
40 services or costs are provided to or on behalf of a party by an

1 attorney in the dispute and in accordance with the rules of
2 professional conduct;

3 (b) Bills, receivables, or liens held by a health care provider
4 or their assignee;

5 (c) Loans made directly to a party or a party's attorney when
6 repayment of the loan is not contingent upon the judgment, award,
7 settlement, or verdict in a claim or action; or

8 (d) Funding provided by a nonprofit organization exempt from
9 federal income taxation under section 501(c)(3) of the federal
10 internal revenue code of 1986.

11 (9) "National security interest" means interests relating to the
12 national defense, foreign intelligence and counterintelligence,
13 international and domestic security, and foreign relations.

14 (10) "Party" means a person or entity in a legal action.

15 (11) "Proprietary information" means information developed,
16 created, or discovered by a person, or that became known by or was
17 conveyed to the person, that has a commercial value in the person's
18 business and includes domain names, trade secrets, copyrights, ideas,
19 techniques, inventions, and other information relating to designs,
20 configurations, documentation, recorded data, schematics, circuits,
21 mask works, layouts, source code, object code, master works, master
22 databases, algorithms, flow charts, formulas, works of authorship,
23 mechanisms, research, manufacture, improvements, assembly,
24 installation, intellectual property including patents and patent
25 applications, and information concerning a person's actual or
26 anticipated business, research, or development.

27 (12) "Third-party litigation funder" means a person or entity
28 that provides litigation financing to a party or attorney in a legal
29 action and has the contractual right to receive or make a payment
30 that is contingent on the outcome of an identified legal action by
31 settlement, judgment, or otherwise on the outcome of a matter within
32 a portfolio that includes the legal action. This term does not apply
33 to:

34 (a) The named parties or attorneys who provide funding for
35 litigation expenses related to the legal action;

36 (b) A person or entity providing funding solely intended to pay
37 costs of living or other personal or familial expenses during the
38 pendency of the legal action;

1 (c) The named parties or attorneys who provide funding, including
2 on a contingency fee basis or to advance the named parties' legal
3 expenses related to the legal action;

4 (d) A health insurer, medical provider, or assignee that has
5 paid, is obligated to pay, or is owed money for health care services
6 rendered to an injured person who is a party to the legal action
7 pursuant to the terms of a health insurance plan or other agreement;

8 (e) A financial institution providing loans made directly to a
9 party or attorney when repayment of the loan is not contingent upon
10 the outcome of the legal action or on the outcome of a matter within
11 a portfolio that includes the legal action and involves the same
12 attorney; or

13 (f) A nonprofit legal organization exempt from federal income
14 taxation under section 501(c)(3) of the federal internal revenue code
15 of 1986, or a person providing funding to a nonprofit legal
16 organization that represents clients on a pro bono basis.

17 NEW SECTION. **Sec. 2.** (1) The requirements and limitations this
18 chapter places on third-party litigation funders apply to any third-
19 party litigation funder that enters into a litigation financing
20 agreement:

21 (a) In Washington;

22 (b) Subject to Washington law;

23 (c) That provides litigation financing for a legal action in
24 Washington; or

25 (d) That provides litigation financing to a party who resides in
26 or conducts business in Washington, or such parties' attorney.

27 (2) A litigation financing agreement that does not comply with
28 the requirements and limitations of this chapter is void.

29 (3) This chapter does not affect the award of costs or attorney
30 fees to a nonprofit legal organization or related attorney.

31 NEW SECTION. **Sec. 3.** (1) A claimant or claimant's attorney who
32 is a party to a litigation financing agreement shall: (a) Disclose
33 and certify in writing to all named parties to the underlying legal
34 action and their attorneys the name, address, and citizenship or
35 country of incorporation or registration, of any person or entity
36 that, pursuant to the litigation financing agreement, has a financial
37 stake in the outcome of the legal action or portfolio that includes
38 the legal action; and (b) produce to all named parties to the

1 underlying legal action an unredacted and complete copy of the
2 litigation financing agreement creating the contingent right to
3 receive payment.

4 (2) An attorney who enters into, arranges, or is a beneficiary of
5 a litigation financing agreement in connection with representing a
6 claimant in a legal action shall disclose in writing to the claimant
7 the existence of the litigation financing agreement, the identity of
8 the third-party litigation funder, any rights of the third-party
9 litigation funder under the agreement that may affect the claimant's
10 interests, including any rights relating to settlement, litigation
11 strategy, or recovery, and any compensation, fee, commission, or
12 other benefit the attorney or the attorney's firm may receive in
13 connection with the litigation financing agreement.

14 (3) The disclosure, certification, and production required by
15 subsection (1) of this section must be made upon filing the legal
16 action or, if the legal action is filed prior to the execution of a
17 litigation financing agreement, within 35 days after the execution of
18 the litigation financing agreement.

19 (4) The disclosure, certification, and production required by
20 subsection (1) of this section shall be made under penalty of perjury
21 based on actual knowledge of the declarant formed after reasonable
22 inquiry. The claimant or claimant's attorney shall provide the
23 disclosure, certification, and production required by subsection (1)
24 of this section to all named parties to the underlying legal action,
25 and such recipients shall maintain the disclosure, certification, and
26 production to preserve the confidentiality of the parties and
27 attorneys, and terms of the litigation financing agreement.

28 (5) If, after submitting the disclosure, certification, and
29 production required by subsection (1) of this section, the third-
30 party litigation funder learns that the information or documents
31 disclosed are incomplete or inaccurate, the third-party litigation
32 funder must supplement or correct the incomplete or inaccurate
33 disclosure, certification, and production within 35 days after
34 learning of the incomplete or inaccurate information or documents.

35 (6) The existence and terms of a litigation financing agreement
36 are subject to discovery in the legal action to which the litigation
37 financing agreement pertains.

38 NEW SECTION. **Sec. 4.** (1) A third-party litigation funder may
39 not:

1 (a) Decide, influence, or direct an attorney with respect to the
2 conduct of the underlying legal action or any settlement or
3 resolution of the underlying legal action including, but not limited
4 to, decisions concerning appointing or changing legal counsel, choice
5 or use of lay or expert witnesses, discovery, motions, arguments, and
6 litigation strategy. The right to decide, influence, or direct
7 matters related to a legal action belongs solely to the parties and
8 attorneys;

9 (b) Be assigned rights to profits other than the right to receive
10 a share of the proceeds obtained in the legal action, or an agreed
11 payment of fees or interest, contingent on the outcome of the legal
12 action, as outlined in the litigation financing agreement;

13 (c) Share with anyone who is not a party to the underlying legal
14 action, or attorney to such party, any proprietary information or
15 information affecting national security interests obtained as a
16 result of the litigation financing agreement for the legal action;

17 (d) Provide funding to or in connection with a litigation
18 financing agreement that is directly or indirectly financed by a
19 foreign country of concern or foreign entity of concern;

20 (e) Pay or offer commissions, referral fees, rebates, or other
21 forms of consideration to any person in exchange for referring a
22 claimant to a third-party litigation funder;

23 (f) Accept any commissions, referral fees, rebates, or other
24 forms of consideration from any person providing any goods or
25 rendering any services to a claimant;

26 (g) Charge a rate of interest that exceeds the rate of interest
27 allowed under RCW 19.52.020;

28 (h) Receive or recover any payment that exceeds 25 percent of the
29 amount of any judgment, award, settlement, verdict, or other form of
30 monetary relief obtained in the legal action that is the subject of
31 the litigation financing agreement;

32 (i) Advertise false or misleading information regarding its
33 products or services;

34 (j) Refer or require a claimant to hire or engage any person
35 providing any goods or rendering any services to the claimant;

36 (k) Fail to promptly deliver a fully completed and signed
37 litigation financing agreement to all parties to the agreement and
38 their legal representatives;

39 (l) Attempt to secure a remedy or obtain a waiver of any remedy
40 including, but not limited to, compensatory, statutory, or punitive

1 damages, a party to the litigation financing agreement may or may not
2 be entitled to pursue or recover otherwise;

3 (m) Offer or provide legal advice to a claimant;

4 (n) Assign, including securitizing, a litigation financing
5 agreement in whole or in part;

6 (o) Report a party to the litigation financing agreement to a
7 credit reporting agency.

8 (2) A person who provides any goods or renders any services to a
9 claimant is prohibited from having a financial interest in litigation
10 financing and may not receive any commissions, referral fees,
11 rebates, or other forms of consideration from any third-party
12 litigation funder or its employees, owners, or affiliates.

13 NEW SECTION. **Sec. 5.** (1) The legislature finds that the
14 practices covered by this chapter are matters vitally affecting the
15 public interest for the purpose of applying the consumer protection
16 act, chapter 19.86 RCW. A violation of this chapter is not reasonable
17 in relation to the development and preservation of business and is an
18 unfair or deceptive act in trade or commerce and an unfair method of
19 competition for purposes of applying the consumer protection act,
20 chapter 19.86 RCW.

21 (2) In any suit brought to enforce this chapter, in addition to
22 all relief available under chapter 19.86 RCW, the plaintiff may seek
23 any or all of the following remedies: (a) Statutory damages equal to
24 \$10,000 per violation; (b) disgorgement of any funds paid or received
25 pursuant to the litigation financing agreement; and (c) any other
26 equitable relief deemed appropriate by the court.

27 NEW SECTION. **Sec. 6.** Sections 1 through 5, 7, and 8 of this act
28 constitute a new chapter in Title 19 RCW.

29 NEW SECTION. **Sec. 7.** This act takes effect July 1, 2026.

30 NEW SECTION. **Sec. 8.** This act applies prospectively only and
31 not retroactively. It applies to litigation financing agreements
32 entered into on or after the effective date of this section.

33 NEW SECTION. **Sec. 9.** If any provision of this act or its
34 application to any person or circumstance is held invalid, the

1 remainder of the act or the application of the provision to other
2 persons or circumstances is not affected.

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