

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF WESTCHESTER

PRESENT: HON. LINDA S. JAMIESON

GUANG HUANG, individually and
derivatively on behalf of BBSHARES
CAPITAL MANAGEMENT LIMITED,

Index No. 61185/2022

DECISION AND ORDER

Plaintiff,

-against-

JINGJING ZHOU and HONGTAO (JASON) QIAO,
and BB MATRIX HOLDINGS PTE. LTD,

Defendants,

and

BBSHARES CAPITAL MANAGEMENT LIMITED,

Nominal Defendant.

The following papers numbered 1 to 5 were read on this
motion:

<u>Papers</u>	<u>Numbered</u>
Notice of Motion, Affirmation and Exhibits	1
Memorandum of Law	2
Memorandum of Law in Opposition	3
Affirmation and Exhibit in Reply	4
Memorandum of Law in Reply	5

Background

This action arises from a dispute concerning the parties' joint venture in connection with BBShares Capital Management Limited ("BBShares"). BBShares is a cryptocurrency asset management firm organized in the Cayman Islands. Plaintiff, who is a member of BBShares, commenced this action both in his individual capacity and derivatively on behalf of BBShares, naming as defendants JingJing Zhou ("Zhou") and Hongtao (Jason) Qiao ("Qiao") (together, the "individual defendants"), who are directors of BBShares, as well as BB Matrix Holdings Pte Ltd. ("BB Matrix"). BB Matrix is an entity run by Qiao, which plaintiff contends Qiao and Zhou "formed to carry out their scheme to divert value and opportunities away from BBShares."

There are eleven causes of action in the second amended complaint: (1) a first cause of action for breach of fiduciary duty under Cayman law against the individual defendants; (2) a second cause of action for "dishonest assistance" under Cayman law against the individual defendants, BBShares and BB Matrix; (3) a third cause of action for aiding and abetting breach of fiduciary duty under New York law against the individual defendants, BBShares and BB Matrix; (4) a fourth cause of action for breach of fiduciary duty under Cayman law against the individual defendants; (5) a fifth cause of action for

conspiracy under Cayman law against the individual defendants, BBShares and BB Matrix; (6) a sixth cause of action for breach of fiduciary duty under New York law against the individual defendants; (7) a seventh cause of action for fraud under New York law against the individual defendants; (8) an eighth cause of action for an accounting under New York law against the individual defendants; (9) a ninth cause of action for unjust enrichment under New York law against BB Matrix; (10) a tenth cause of action for conversion under New York law against BB Matrix; and (11) an eleventh cause of action for tortious interference with prospective business relations under New York law against BB Matrix.

Analysis

It is well-settled that "On a motion to dismiss pursuant to CPLR 3211(a)(7), the court must accept the facts alleged in the complaint as true, afford the plaintiff the benefit of every possible favorable inference, and determine only whether the alleged facts fit within any cognizable legal theory." *Kisla v. Jefferson*, 237 A.D.3d 1082, 1083, 233 N.Y.S.3d 327, 328 (2d Dept. 2025).

The Court begins with defendants' argument that plaintiff's fraud claim arising under New York law, the seventh cause of action, should be dismissed because it is duplicative of his

breach of fiduciary duty claims. *See Interventure 77 Hudson LLC v. Falcon Real Est. Inv. Co., LP*, 172 A.D.3d 481, 482, 101 N.Y.S.3d 326, 328 (1st Dept. 2019) (fraud claims dismissed where “plaintiffs’ fraud allegations are subsumed in the allegations of wrongdoing that constitute the alleged breach of fiduciary duty.”); *Weight v. Day*, 134 A.D.3d 806, 808–09, 20 N.Y.S.3d 640, 643 (2d Dept. 2015) (Court “properly directed the dismissal” of claim for fraud as duplicative of the breach of fiduciary duty claim because it “failed to state an independent cause of action.”). According to movants, this cause of action is simply “merely repackaged fiduciary duty claims: allegedly withholding information regarding conflicts of interest (*i.e.*, an alleged breach of the duty of loyalty) (SAC ¶ 215), allegedly engaging in other business opportunities (*i.e.*, an alleged usurpation of business opportunities claim) (*id.* ¶ 214), and allegedly not ‘devot[ing] their time and efforts’ to the business (*i.e.*, an alleged breach of the duty of care) (*id.* ¶ 213).” This is only one of several arguments raised by defendants to support their contention that the seventh cause of action should be dismissed.

In opposition to defendants’ motion, plaintiff addresses all of their arguments, contending that he pled the seventh cause of action adequately, with one notable exception. Plaintiff entirely ignores the issue of whether the fraud claim

is duplicative of the breach of fiduciary duty claim. This is likely because a review of the fraud claim shows that it is indeed duplicative of the breach of fiduciary duty claim. For example, in the breach of fiduciary duty claim (the sixth cause of action), plaintiff alleges that "Zhou and Qiao failed to disclose, and took steps to conceal and avoid disclosing, their involvement with Youbi Capital throughout the time Huang was working diligently, and full-time to build BBShares Capital." In the seventh cause of action, plaintiff alleges that "Zhou and Qiao deliberately withheld any information from Huang regarding conflicts of interest, including specifically their intent to participate in, launch, or own interests in a competing venture, Youbi Capital. . . . Meanwhile, in reliance on Zhou's and Qiao's representations, Huang did, in fact, forego other employment and entrepreneurial opportunities, and devoted significant time and effort to the operation and marketing of BBShares Capital." Although plaintiff uses different words, he is describing the exact same alleged wrong. The Court thus dismisses the seventh cause of action as duplicative.

The Court next examines the internal affairs doctrine, which is relevant to the motion to dismiss the eighth cause of action, arising under New York law. This claim seeks an accounting. As the Court of Appeals explained only last year,

"In cases sounding in tort, the relevant inquiry is which forum has the greatest policy interest in the outcome of the dispute in light of the parties' contacts with each forum. If the rule of tort law at issue regulates primary conduct, the law of the place of the tort's commission will typically govern. . . ."

However, "With respect to matters arising from the internal affairs of a corporation, as in this case, including the relationships between directors and shareholders, this Court has noted that the general approach is to apply the law of the state of incorporation. . . . [W]e clarify that the substantive law of a company's place of incorporation presumptively applies to causes of action arising from its internal affairs. Moreover, because of the important interests that the internal affairs doctrine represents, we decline to create any broad exceptions to that presumption. Rather, in order to overcome this presumption and establish the applicability of New York law, a party must demonstrate both that (1) the interest of the place of incorporation is minimal—i.e., that the company has virtually no contact with the place of incorporation other than the fact of its incorporation, and (2) New York has a dominant interest in applying its own substantive law." *Eccles v. Shamrock Cap. Advisors, LLC*, 42 N.Y.3d 321, 335–40 (2024). See also *Ezrasons, Inc. v. Rudd*, 217 A.D.3d 406, 406, 191 N.Y.S.3d 349, 350 (1st

Dept. 2023), *lv. to app. grant.*, 41 N.Y.3d 903 (2024), and *aff'd*, 2025 WL 1436000 (May 20, 2025) ("The internal affairs doctrine is a conflict of laws principle that provides that claims concerning the relationship between the corporation, its directors, and a shareholder are governed by the substantive law of the state or country of incorporation.").

In this action, it means that the tort claims are governed by New York law, and the claims that arise from the internal affairs of BBShares are governed by Cayman law. The claim for an accounting, expressly arising out of BBShares' internal affairs, must be governed by Cayman law. *Ezrasons, Inc. v. Rudd*, 2025 WL 1436000 at *4 (May 20, 2025). Indeed, in apparent recognition that the eighth cause of action, for an accounting under New York law, cannot lie in this case involving a Cayman company, plaintiff fails to address this cause of action in his opposition papers, let alone to try to overcome the presumption that Cayman law applies, as set forth above. The eighth cause of action is thus dismissed.

The Court next turns to the fifth cause of action, for conspiracy under Cayman law. Although it is well-settled that New York does not recognize such a claim, *see, e.g., Li v. Shih*, 207 A.D.3d 444, 447, 171 N.Y.S.3d 547, 550 (2d Dept. 2022) ("New York does not recognize independent causes of action for . . .

civil conspiracy"); *Wilson v. Dantas*, 128 A.D.3d 176, 188, 9 N.Y.S.3d 187, 198 (1st Dept. 2015), *aff'd*, 29 N.Y.3d 1051 (2017) ("the conspiracy to commit a fraud or tort is not, of itself, a cause of action"), Cayman law does. The problem for plaintiff is that this tort claim does not arise under Cayman law, as, as set forth above, tort claims arise under the site of the alleged tort.¹ A review of the fifth cause of action shows that it is a tort, and should have been pled under New York law because it does not allege actions occurring in the Cayman Islands, but events that occurred in New York.² The Court dismisses the fifth cause of action.

With respect to the remaining causes of action pled against the individual defendants (the first, for breach of fiduciary duty arising under Cayman law; the second, for dishonest

¹ Plaintiff criticizes defendants' citation to *Rose v. Arthur J. Gallagher & Co.*, 87 A.D.3d 733, 734, 928 N.Y.S.2d 783 (2d Dept. 2011). He asserts that although defendants state that "Here, the alleged tortious conduct occurred in New York, meaning New York law applies," "[t]his conclusory statement of the law is not supported by *Rose v. Arthur J. Gallagher & Co.*" Yet a review of that case shows that plaintiff is incorrect, as *Rose* plainly states that the "law of the place of the tort applies."

² In the complaint, plaintiff alleges that "at the time of the actions complained of herein, Zhou and Qiao resided in Westchester County, New York, and conducted the business of the Company and BB Matrix from Westchester County, New York. In addition, the Company and BB Matrix presently transact significant business in the State of New York, with the Company indicating on its website that '[a]t present, the core team members (10 people) of BBShares is mainly stationed in New York and Singapore. . . .'"

assistance against all defendants under Cayman law; the third, for aiding and abetting a breach of fiduciary duty against all defendants, under New York law; the fourth, for breach of fiduciary duty against the individual defendants, under Cayman law; and the sixth, for breach of fiduciary duty under New York law against the individual defendants - the ninth, tenth and eleventh claims are against BB Matrix alone), a review of the parties' arguments shows that these claims turn on factual questions that cannot be decided on a motion to dismiss. For example, the parties dispute whether plaintiff had a "special relationship" with defendants such that they owed him fiduciary duties. The parties also dispute whether New York law or Cayman law applies to some of the tort claims, with movants asserting that they are internal affairs (arising only under Cayman law, not New York) and plaintiff challenging that by arguing that the internal affairs doctrine "does not apply to claims against third parties whose duty to the plaintiff does not arise out of any relationship to the nominal corporate defendant in a derivative action." The parties also dispute whether any of the exceptions to the general rule that Cayman law does not allow for derivative actions against individual directors exists here. The Court finds that movants have not demonstrated at this juncture that the remaining claims should be dismissed. That is

not to say that these claims will be successful ultimately -
that is a determination for a later date.

The foregoing constitutes the decision and order of the
Court.³

Dated: White Plains, New York
October 7, 2025



HON. LINDA S. JAMIESON
Justice of the Supreme Court

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³ All other arguments raised on these three motions and all materials submitted by the parties in connection therewith have been considered by this Court, notwithstanding the specific absence of reference thereto.