SUPREME COURT OF THE STATE OF NEW YORK, APPELLATE DIVISION, FIRST DEPARTMENT

Blue River Gems Inc. v. Gross

2026 NY Slip Op 03224 · No. Index No. 150883/20; Appeal No. 6710; Case No. 2025-02029 · Decided May 21, 2026

SUMMARY

The Appellate Division, First Department reversed an order that had entered a $50,946 judgment against Michael Gross under Debtor and Creditor Law § 276. The court held that the evidence supported piercing the corporate veil because Gross dominated Michael Gross Diamonds Inc. and used that domination to cause the corporation to become judgment-proof after converting a necklace. The court permitted recovery against Gross of the entirety of the judgment previously entered against the corporation and did not reach the interest-calculation issue.

CASE DETAILS

COURT	Supreme Court of the State of New York, Appellate Division, First Department
WRITING FOR THE COURT	Moulton, J.P.; González, J.; O'Neill Levy, J.; Chan, J.
JURISDICTION	Supreme Court of the State of New York, Appellate Division, First Department
DECIDED	May 21, 2026
DOCKET	Index No. 150883/20; Appeal No. 6710; Case No. 2025-02029
DISPOSITION	reversed
PROCEDURAL POSTURE	Plaintiff appealed from an order entered after a CPLR 3212(c) evidentiary hearing that imposed personal liability on Michael Gross under Debtor and Creditor Law § 276. The Appellate Division reversed and permitted plaintiff to recover against Gross under a corporate-veil-piercing theory.
STANDARD OF REVIEW	Fair interpretation of the evidence, because Supreme Court held an evidentiary hearing pursuant to CPLR 3212(c).
PRECEDENTIAL VALUE	Published
PARTIES	Blue River Gems Inc. v. Michael Gross, Michael Gross Diamonds Inc.

TOPICS

corporate veil piercing · corporate law · commercial litigation · remedies · appellate procedure

PRACTICE AREAS

corporate law · commercial litigation · remedies · appellate procedure

QUESTIONS PRESENTED

1. Whether the evidence established the domination and fraud-or-wrong elements required to pierce the corporate veil and hold Michael Gross personally liable for the judgment against Michael Gross Diamonds Inc.
2. Whether the court properly calculated interest under Debtor and Creditor Law § 276.

HOLDINGS

1. The evidence satisfied both requirements for piercing the corporate veil: Gross completely dominated the corporation with respect to the transaction at issue, and he used that domination to commit a wrong or inequity against plaintiff by causing the corporation to become judgment-proof. Plaintiff was therefore permitted to recover against Gross the entirety of the judgment entered against Michael Gross Diamonds Inc.
2. The court did not reach the interest-calculation issue because reversal on the corporate-veil-piercing theory resolved the appeal.

KEY QUOTATIONS

> *“"To pierce the corporate veil and hold . . . individual defendants liable for a corporation's actions, [a] plaintiff[was] required to show that (1) the individual owner[] exercised complete domination over the corporation with respect to the transaction attacked, and (2) that such domination was used to commit a fraud or wrong against the plaintiff, resulting in the plaintiff's injury"”* ([*1])

FACTUAL BACKGROUND

Michael Gross was the sole shareholder and officer of Michael Gross Diamonds Inc. and exercised sole discretion in causing the corporation to convert the necklace underlying plaintiff's judgment. Trial evidence showed that Gross controlled the corporation's bank accounts, took personal loans, paid personal and family expenses, made contributions that generated a kickback, and withdrew approximately $550,000 between 2013 and 2018. His conflicting financial testimony, inconsistent bookkeeping, and personal transfers after notice of the judgment left the corporation judgment-proof and prevented plaintiff from collecting its judgment.

PROCEDURAL HISTORY

A judgment was entered on January 16, 2019, in favor of Blue River Gems Inc. against Michael Gross Diamonds Inc. Plaintiff was unable to collect that judgment. After a trial pursuant to CPLR 3212(c), Supreme Court, New York County, directed entry of judgment against Michael Gross for $50,946 plus statutory interest under Debtor and Creditor Law § 276. The First Department unanimously reversed, holding that Gross could instead be held liable for the entirety of the prior judgment under a veil-piercing theory.

DISPOSITION

reversed

REMAND INSTRUCTIONS

The order was reversed, and plaintiff was permitted to recover against Michael Gross under its corporate-veil-piercing theory the entirety of the judgment entered in plaintiff's favor against Michael Gross Diamonds Inc.

CASES CITED

- BML Props. Ltd. v. China Constr. Am., Inc., 237 AD3d 461, 462 [1st Dept 2015]
- Kahan Jewelry Corp. v. Coin Dealer of 47th St. Inc., 173 AD3d 568, 568 [1st Dept 2019]
- Blue Riv. Gems Inc. v. S.V. & V. Diamond Corp., 190 AD3d 581, 581 [1st Dept 2021]
- Rich v. J.A. Madison, LLC, 246 AD3d 1, 8 [1st Dept 2025], appeal dismissed, 45 NY3d 954 [2026]
