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

Greenland Asset Management Corporation v. MicroCloud Hologram, Inc.

Greenland Asset Mgt. Corp., 2025 NY Slip Op 06901 (Supreme Court of the State of New York Appellate Division First Department 2025) · No. Index No. 651701/23; Appeal No. 5348; Case No. 2024-05167 · Decided December 11, 2025

SUMMARY

The Appellate Division, First Department unanimously affirmed an order denying MicroCloud Hologram, Inc.'s motion to dismiss claims for breach of contract and breach of the implied covenant of good faith and fair dealing. The court held that the contract provided objective standards for the company's registration-related obligations and that the allegations sufficiently supported a claim that the company acted in bad faith in denying the plaintiff's requests.

CASE DETAILS

COURT	Supreme Court of the State of New York, Appellate Division, First Department
WRITING FOR THE COURT	Manzanet-Daniels, J.P.; Gesmer, J.; González, J.; Shulman, J.; O'Neill Levy, J.
JURISDICTION	Supreme Court of the State of New York, Appellate Division, First Department
DECIDED	December 11, 2025
DOCKET	Index No. 651701/23; Appeal No. 5348; Case No. 2024-05167
DISPOSITION	affirmed
PROCEDURAL POSTURE	Defendant appealed from an order denying its motion to dismiss causes of action for breach of contract and breach of the implied covenant of good faith and fair dealing.
STANDARD OF REVIEW	The opinion does not expressly identify the standard of review; it reviewed the denial of a motion to dismiss for failure to state a cause of action.
PRECEDENTIAL VALUE	Published opinion

PARTIES	MicroCloud Hologram, Inc., formerly known as and as successor-in-interest to Golden Path Acquisition Corporation v. Greenland Asset Management Corporation

TOPICS

breach of contract · implied covenant of good faith · contract interpretation · commercial litigation · appellate procedure

PRACTICE AREAS

Contracts · Securities · Commercial litigation · Appellate procedure

QUESTIONS PRESENTED

1. Whether the complaint stated a cause of action for breach of contract based on MicroCloud's alleged failure to file a registration statement and take related actions required by the contract.
2. Whether the contract supplied sufficiently objective criteria to measure MicroCloud's performance of its best-efforts and registration obligations.
3. Whether the complaint stated a cause of action for breach of the implied covenant of good faith and fair dealing based on MicroCloud's alleged bad-faith refusal to honor Greenland's requests.
4. Whether MicroCloud had sole discretion to decide whether to remove restrictive legends from Greenland's securities.

HOLDINGS

1. The complaint stated a cause of action for breach of contract by alleging that MicroCloud failed, among other things, to file a registration statement with the SEC despite Greenland's multiple written demands under the contract.
2. The contract provided sufficiently objective criteria to measure MicroCloud's performance because it incorporated the Securities Act and SEC regulations and specified timing guidance, including a maximum 30-day deferral.
3. The complaint stated a cause of action for breach of the implied covenant by alleging that MicroCloud denied Greenland's requests because its principal sought to sell his own shares without competing with Greenland.
4. MicroCloud did not possess sole discretion to decide whether to remove restrictive legends because the contract stated that MicroCloud shall take action to enable Greenland to sell its shares under the Securities Act.

KEY QUOTATIONS

> *“The contract's definitions, in turn, expressly refer to the filing of registration statements, amendments, and supplements in compliance with the Securities Act and SEC regulations, therefore incorporating the Act and*

> *the regulations into the contract's terms and providing objective standards for judging the adequacy of defendant's efforts"* ([*1])

> *"even an explicitly discretionary contract right may not be exercised in bad faith so as to frustrate the other party's right to the benefit under the agreement"* ([*1])

> *"Disputes about the removal of legends are governed by state law or contractual agreements"* ([*1])

FACTUAL BACKGROUND

Greenland alleged that MicroCloud failed to file a registration statement with the Securities and Exchange Commission despite Greenland's multiple written demands under the parties' contract. The contract required MicroCloud to use its best efforts to prepare and file a registration statement as expeditiously as possible, subject to a provision permitting a deferral of up to 30 days, and to take action enabling Greenland to sell its securities. Greenland also alleged that MicroCloud denied its requests because MicroCloud's principal wanted to sell his own shares without competing with Greenland.

PROCEDURAL HISTORY

Supreme Court, New York County, entered an order on July 25, 2024 denying, to the extent appealed from, MicroCloud Hologram's motion to dismiss the first and third causes of action. The Appellate Division, First Department, unanimously affirmed the order with costs.

DISPOSITION

affirmed

CASES CITED

- Wilder v. World of Boxing LLC, 310 F. Supp. 3d 426, 441 (S.D.N.Y. 2018), aff'd, 777 F. App'x 531 (2d Cir. 2019)
- Legend Autorama, Ltd. v. Audi of Am., Inc., 100 A.D.3d 714, 716 (2d Dep't 2012)
- Richbell Info. Servs. v. Jupiter Partners, 309 A.D.2d 288, 302 (1st Dep't 2003)

OPINION

Greenland Asset Mgt. Corp. v. MicroCloud Hologram, Inc. 2025 NY Slip Op 06901
PER CURIAM.
Greenland Asset Mgt. Corp. v MicroCloud Hologram, Inc. (2025 NY Slip Op 06901) Greenland Asset Mgt. Corp. v MicroCloud Hologram, Inc. 2025 NY Slip Op 06901 Decided on December 11, 2025 Appellate Division, First Department Published by New York State Law Reporting Bureau pursuant to Judiciary Law § 431. This opinion is uncorrected and subject to revision before publication in the Official Reports. Decided and Entered: December 11, 2025 Before: Manzanet-Daniels, J.P., Gesmer, González, Shulman, O'Neill Levy, JJ. Index No. 651701/23|Appeal No. 5348|Case No. 2024-05167| [*1]Greenland Asset Management Corporation, Plaintiff-Respondent,

v MicroCloud Hologram, Inc., Formerly Known as and as Successor-in-Interest to Golden Path Acquisition Corporation, Defendant-Appellant, Wei Peng et al., Defendants. Morrow Ni, LLP, New York (Lawrence Yichu Yuan of counsel), for appellant. Thompson & Skrabanek, PLLC, New York (Mastewal Taddese Terefe of counsel), for respondent. Order, Supreme Court, New York County (Gerald Lebovits, J.), entered July 25, 2024, which, to the extent appealed from as limited by the briefs, denied defendant MicroCloud Hologram, Inc.'s motion to dismiss the cause of action for breach of contract (the first cause of action) and breach of the implied covenant of good faith and fair dealing (the third cause of action), unanimously affirmed, with costs. Plaintiff stated a cause of action for breach of contract by alleging that defendant failed, among other things, to file a registration statement with the Securities and Exchange Commission, despite plaintiff's multiple written demands that it do so under the terms of the parties' contract. Furthermore, contrary to defendant's contention, the contract sufficiently provided objective criteria by which to measure defendant's performance of its obligation. Under the terms of the contract, once plaintiff submitted a demand for registration, defendant was required to use its "best efforts" to prepare and file a registration statement with the SEC "as expeditiously as possible," to cause the registration statement to become effective, and to keep it effective until defendant sold its securities. The contract's definitions, in turn, expressly refer to the filing of registration statements, amendments, and supplements in compliance with the Securities Act and SEC regulations, therefore incorporating the Act and the regulations into the contract's terms and providing objective standards for judging the adequacy of defendant's efforts (see Wilder v World of Boxing LLC , 310 F Supp 3d 426, 441 [SD NY 2018], affd 777 F Appx 531 [2d Cir 2019]). Similarly, the requirement to file "as expeditiously as possible" is modified by a proviso allowing defendant to "defer any Demand Registration for up to thirty (30) days," thus providing additional guidance as to the timing of defendant's obligation to file a registration statement. Plaintiff also stated a cause of action for breach of the implied covenant of good faith and fair dealing by alleging that defendant denied its requests because its principal sought to sell his own shares on the open market without having to compete with plaintiff. Even assuming that defendant had some discretion under the contract to refuse plaintiff's request as unreasonable, "even an explicitly discretionary contract right may not be exercised in bad faith so as to frustrate the other party's right to the benefit under the agreement" (Legend Autorama, Ltd. v Audi of Am., Inc. , 100 AD3d 714, 716 [2d Dept 2012], quoting Richbell Info. Servs. v Jupiter Partners , 309 AD2d 288, 302 [1st Dept 2003]). We reject defendant's contention that it possessed the sole discretion to decide whether to remove a restrictive legend on the securities, as the contract stated that defendant "shall" take action to enable plaintiff to sell its shares under the Securities Act. Nor is plaintiff's action foreclosed by the SEC's comment that "the removal of a legend is a matter solely in the discretion of the issuer of the securities" under Rule 144 72 Fed Reg 71546, 71550 n 65 [2007], codified at 17 CFR 230.144 and 230.145. On the contrary, the SEC also recognizes that "[d]isputes about the removal of legends are governed by state law or contractual agreements" (id.), and the parties' contract requires defendant to remove any obstacles to plaintiff's selling of its shares on the market, including by removing restrictive legends. We have considered defendant's remaining contentions and find them unavailing.THIS CONSTITUTES THE DECISION AND ORDER OF THE SUPREME COURT, APPELLATE DIVISION, FIRST DEPARTMENT. ENTERED: December 11, 2025

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alleging that defendant denied its requests because its principal sought to sell his own shares on the open market without having to compete with plaintiff. Even assuming that defendant had some discretion under the contract to refuse plaintiff's request as unreasonable, "even an explicitly discretionary contract right may not be exercised in bad faith so as to frustrate the other party's right to the benefit under the agreement" (Legend Autorama, Ltd. v Audi of Am., Inc. , 100 AD3d 714, 716 [2d Dept 2012], quoting Richbell Info. Servs. v Jupiter Partners , 309 AD2d 288, 302 [1st Dept 2003]). We reject defendant's contention that it possessed the sole discretion to decide whether to remove a restrictive legend on the securities, as the contract stated that defendant "shall" take action to enable plaintiff to sell its shares under the Securities Act. Nor is plaintiff's action foreclosed by the SEC's comment that "the removal of a legend is a matter solely in the discretion of the issuer of the securities" under Rule 144 72 Fed Reg 71546, 71550 n 65 [2007], codified at 17 CFR 230.144 and 230.145. On the contrary, the SEC also recognizes that "[d]isputes about the removal of legends are governed by state law or contractual agreements" (id.), and the parties' contract requires defendant to remove any obstacles to plaintiff's selling of its shares on the market, including by removing restrictive legends. We have considered defendant's remaining contentions and find them unavailing. THIS CONSTITUTES THE DECISION AND ORDER OF THE SUPREME COURT, APPELLATE DIVISION, FIRST DEPARTMENT. ENTERED: December 11, 2025
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