Bit Intelligence, LTC v Maranda
2026 NY Slip Op 31509(U)
April 13, 2026
Supreme Court, Schenectady County
Docket Number: Index No. 2022-749
Judge: Michael R. Cuevas

PRESENT: HON. MICHAEL R. CUEVAS, J.S.C.

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF SCHENECTADY

BIT INTELLIGENCE, LTC and
BIT INTELLIGENCE, LTD,

Plaintiffs,

DECISION AND ORDER
(INQUEST)
Index No.: 2022-749

-against-

MICHAEL MARANDA and
MICHAEL MARANDA LLC,

Defendants.

NOTICE:

PURSUANT TO ARTICLE 55 OF THE CIVIL PRACTICE LAW AND RULES, AN APPEAL FROM THIS JUDGMENT MUST BE TAKEN WITHIN 30 DAYS AFTER SERVICE BY A PARTY UPON THE APPELLANT OF A COPY OF THE JUDGMENT WITH PROOF OF ENTRY EXCEPT THAT WHERE SERVICE OF THE JUDGMENT IS BY MAIL PURSUANT TO RULE 2103 (B)(2) OR 2103 (B)(6), THE ADDITIONAL DAYS PROVIDED SHALL APPLY, REGARDLESS OF WHICH PARTY SERVES THE JUDGMENT WITH NOTICE OF ENTRY.

APPEARANCES:

Andrew K. Staulcup, Esq., Andrew K. Staulcup PC, Attorneys for Plaintiffs

Michael P. Kushner, Esq., Kushner Law Group, PLLC, Attorneys for Defendants

MICHAEL R. CUEVAS, J.

On May 10, 2022, Plaintiffs Bit Intelligence, LLC and Bit Intelligence LTD (collectively, "Plaintiffs") instituted this action by filing a Complaint against Michael Maranda ("Maranda") and Michael Maranda LLC (collectively, "Defendants"). The Complaint pleads causes of action in breach of contract, replevin, conversion, and for piercing the corporate veil. After the parties had filed fifteen motions, Defendants filed an Answer on April 20, 2023. The Answer asserts typical affirmative defenses: failure to state a claim, failure to mitigate damages, laches, waiver, estoppel, unclean hands,

action barred by arbitration clause, damages limited to contract, acts of plaintiff caused their injury, and force majeure.

On July 23, 2024, this Court entered an Order (NYSCEF Doc. 435) on Plaintiffs' Motion No. 9, striking Michael Maranda, LLC's Answer and Affirmative Defenses following Michael Maranda, LLC's failure to comply with this Court's April 5, 2024, Order (NYSCEF Doc. 394) to provide discovery. Thereafter, on February 19, 2025, this Court entered an Order for Plaintiffs, striking Maranda's Answer and affirmative defenses for the failure to comply with the Court's discovery order dated January 13, 2025 (NYSCEF Doc. 455). Both Orders granted an inquest for damages on default. The inquest was held on April 29, 2025. At inquest, Plaintiffs presented the owner of Bit Intelligence, Hong Peng ("Peng") and accountant Bojie Zhang ("Zhang") for testimony. *22 N.Y.C.R.R. 202.46.* Plaintiffs introduced and identified four exhibits that were received into evidence:

Plaintiffs' Exhibit No. 1 - Excel document for record of shipment of all 7, 468 miners;
Plaintiffs' Exhibit No. 2 - Miner Invoices;
Plaintiffs' Exhibit No. 3 - Miner Bills of Lading for Shipment; and
Plaintiffs' Exhibit No. 4 - Excel sheet demonstrating calculations for consumption loss.

Maranda did not offer any witness testimony or exhibits. After hearing, closing statements were received by Plaintiffs and Defendants on May 6, 2025.

Peng testified that he shipped 7,468 bitcoin mining machines to Michael Maranda and Michael Maranda, LLC (Exhibit 2). Plaintiffs' total cost for the 7,426 bitcoin machines was $7,566,254. The shipping information is identified on the Bills of Lading (Exhibit 3). Each of the bitcoin mining machines have their own serial number, and Plaintiffs maintained a list of the serial numbers. At some point after shipment to Defendants informed Plaintiffs that 2,500 bitcoin mining machines were stolen. After this, Plaintiffs began collecting their mining machines from Defendants. Of the 7,426 machines originally shipped to Defendants, 3,689 machines were missing (Exhibit 1). Plaintiffs were able to recover an additional 329 machines that did not have recognizable serial numbers. Accordingly, Plaintiffs are seeking compensation for the 3,360 missing bitcoin mining machines. Of the 3,360 missing machines, Plaintiffs have computed the model types as follows: 624 are S19j Pro ($8,000.00

each); 5 are S19 Pro ($8,000.00); 809 are S19 ($7, 000.00); 1, 075 are M31S+ ($6, 500.00 each); and 847 are M30S ($7,000.00 each). The value of the total loss of equipment is $23,611,500.00. Peng testified that they do not have any insurance to cover the cost of the equipment loss. Andrew Staulcup, Esq, Attorney for Plaintiffs, noted in his closing statement dated May 6, 2025, that the insurance was to be provided by Defendants under the contract, and that such insurance was not provided. While neither party introduced the underlying contracts at the hearing, the Mining Hosting Agreements' terms were addressed in detail in the Complaint. Plaintiffs also seek 2% interest from December 20, 2021 (the date of the delivery of the miners) to April 2025 for the value of the stolen miners. In total, they seek $25, 181.996.30 for the value of the stolen miners plus interest.

Plaintiffs also offered the testimony of Bojie Zhang. Zhang is an accountant but is not yet a licensed Accountant. She has passed all the required exams and needs three more education credits to fulfill the education requirement. At the time of her testimony, she was taking a forensic accounting class to meet that requirement. Once that class is finished, she will submit her transcript and obtain her license. Zhang has been working in the accounting field for more than eleven years as a senior accountant at a public accountant firm, and specifically in the bitcoin mining field for three years. She has run profit and loss statements each month for the bitcoin mining field for more than forty companies for many years. In this case, she reviewed the manufacturer's information for each lost miner and the contract between the parties. Zhang explained that the revenue is recognized when the bitcoin is mined, based on the accrual method.

Defendants objected to any testimony that Zhang may offer as an expert on the basis that she is not a licensed accountant, she's never been approved as an expert witness in any prior court proceedings, and that her experience in bitcoin profit and loss statements don't appear sufficient to qualify her as an expert. In determining the admissibility of expert testimony, the court should consider the purpose for which the expert testimony is offered. *People v Brown*, 97 NY2d 500 (2002). The guiding principle is that the expert testimony should be received "when it would help clarify an issue calling for professional or technical knowledge, possessed by the expert and beyond the ken" of the trier

of fact. DeLong v. Erie, 60 NY2d 296 (1998). Before considering the opinion of an expert, the court must make a preliminary determination as to whether the person is an expert in the field in which the person is rendering an opinion. In determining if a person is an expert, the court must determine if the person has the requisite skill, training, education, knowledge and/or experience so that the opinion of the expert can be considered reliable. *Matott v. Ward,* 48 N.Y.2d 455 (1979); and *Miele v. American Tobacco Co.,* 2 A.D.3d 799 (2d Dept. 2003). The qualifications of an expert are not necessarily dependent upon formal training or the attainment of an academic degree and may be demonstrated by showing practical experience in the field. Here, Zhang has nearly attained her accountant's license and has demonstrated significant practical experience in the specialized area of accounting for cryptocurrency businesses. Zhang testified that she is a senior accountant at a public accounting firm, that she has been an accountant for more than eleven years, that she has worked in bitcoin accounting for three years for over 40 companies, and that she is one class shy of her license, for which she has passed all necessary exams. This Court finds that Zhang is qualified and will consider her testimony accordingly. A determination by the Court to consider an individual an expert will not be disturbed in the absence of serious mistake, an error of law or abuse of discretion. *Werner v. Sun Oil Co.*, 65 N.Y.2d 839, 840 (1985); *Aylesworth v. Evans*, 225 A.D. 2d 850 (3d Dept. 1996).

Zhang testified that the total loss of profit to Bit Intelligence for the stolen miners is $32,936, 118.14 (*Exhibit 4*). The opportunity cost represents the potential Bitcoin mining income from the lost miners. To calculate that loss profit, she first calculated the daily bitcoin potentially mined from each lost miner based on the manufacturer's information for each of the missing miners. Then she calculated the daily cost of the hosting service fee according to the contract. She then deducted the hosting service fee from the value of the bitcoin that would have been mined. The resulting number is the daily net mining profit. The daily amount of bitcoin mined is calculated based upon the hashrate of each miner. The hashrate is the unit that measures how many bitcoins are mined. It is the total number of miners multiplied by the average hashrate. Zhang obtained the hashrate of each lost miner based upon the manufacturer's information (Exhibit 4, tab 2). Then she computed the hashrate for all 3,360 stolen

miners. She estimated that about 5% of the miners would be under repair or maintenance, leaving only 95% or 3,192 miners operating simultaneously. She then multiplied the average hashrate by 3,192 to get the total online hashrate. The total online hashrate was then multiplied by the daily bitcoin revenue per hashrate. She then considered the costs such as the hosting fees (the electricity consumed when miners were mining). The contract provides for a cost of 4.5 cents per kilowatt-hour. She estimates about 5% of the electricity will be lost during the transmission and the delivery. The effective electricity cost is multiplied by 1.05. The average power consumption per miner is then multiplied by 3,192 online miners and then by 24 hours, and 1.05. Then you multiple that by the rate of 4.5 cents per kilowatt hour to get the electricity cost in US Dollars. The dollar cost is converted to bitcoin using the average daily conversion rate.

Zhang calculated the daily net bitcoin profit by deducting the daily hosting cost and fee from the bitcoin mined daily. The contract provides for profit-sharing. Michael Maranda LLC is entitled to 18% of the net bitcoin mined. The remaining 82% is the net mining profit for Plaintiffs. The calculation is then repeated for the three-year contract period, or 1,097 days. If the mined bitcoin is held as inventory, it would accumulate 352.83 bitcoins by the end of the contract. When converting the bitcoin at the end of the contract period, the net profit in US Dollars is $32,936,118.00. This is the opportunity cost and does not account for actual sales of Bitcoins as of the date of the mining. Plaintiffs also seek interest from January 1, 2025 (the end of the contract date) through April 29, 2025 (the date of the hearing), for a total amount of lost profits of $33,100,798.70. Thus, the total amount of damages sought is $58,282, 795 plus interest from the date of the entry of decision on inquest.

In his closing statement of May 6, 2025, Michael Kushner, Esq., on behalf of Defendants, asserts that Plaintiffs are not entitled to recover lost profits or opportunity cost in connection with their claims as the three contracts at issue each have a limitation of liability clause that expressly precludes indirect damages such as lost profits. Neither Plaintiffs nor Defendants introduced the hosting agreement contracts into evidence at the hearing. Instead, Defendants attempt to rely upon the uploading of these private contracts by Plaintiffs to their initial Order to Show Cause to recover the lost miners filed on

June 1, 2022. Specifically, the agreements were adduced to the affidavit of Corey Dozhier, Plaintiffs' Director of Data Center Operations as exhibits A, B, and C (NYSCEF 7, 8, 9).

The procedure in proving damages on a default is substantially the same as on a trial. *8B Carmody-Wait 2d § 63:207*; *Glove City Amusement Co. v. Smalley Chain Theatres, 167 Misc. 603, 4 N.Y.S.2d 397 (Sup 1938)*. A defendant may attend the hearing and is afforded the opportunity to cross-examine witnesses, give testimony, and *offer proof* in mitigation of damages (not liability). *Gise* v. *Brooklyn Soc. for Prevention of Cruelty to Children*, 236 A.D. 852, 260 N.Y.S. 787 (2d Dept. 1932); *Rawlings* v. *Gillert*, 104 A.D.3d 929, 962 N.Y.S.2d 325 (2d Dept. 2013).

In *84 Lumber*, third-party defendants who defaulted on claims for fraud in the inducement and violations of the *General Business Law* were not precluded from offering an agreement to limit the amount of damages due in the event of a breach of contract as proof in mitigation at an inquest on damages; although the striking of the answer resulted in the third-party defendants' admission to the traversable allegations in the complaint, the damages claimed were not traversable allegations. *84 Lumber Co., L.P.* v. *Barringer*, 110 A.D.3d 1224 (3d Dept. 2013). The issue in this case is that Defendants never offered any of the contractual agreements into evidence at the inquest. Rather, they merely cited to a purported contractual agreement in the closing statement letter with references to where the purported agreements were previously uploaded in support of an order to show cause filed by Plaintiffs. The agreements were not offered at the inquest hearing, were not authenticated, and Plaintiffs were not provided the opportunity to object on any basis, including hearsay or incomplete document, this court has not had the opportunity to determine whether such agreements are admissible for consideration. Further, Defendants asserted an affirmative defense that Plaintiffs' claims were barred by the language of the Hosting Agreements. However, by this Court's Order of February 19, 2025, such affirmative defense was stricken, along with Defendants' Answer, and cannot now be asserted as Defendants' liability is conclusively established by the default. *Rokina Optical Co., Inc. v. Cameral King, Inc.*, 63 NY2d 728, 730 (1984). Defendants are limited to cross-examining Plaintiffs' inquest witnesses and to presenting evidence in opposition to Plaintiffs' evidence in mitigation of damages.

Defendants further argue, in closing with without proof, that Plaintiff cannot recover the amount of lost profits that it seeks because the measurement of damages is speculative. *See, Kenford Co. v. County of Erie*, 67 N.Y. 2d 257, 261 (1986). That "[w]here there are a 'multitude of assumptions required to establish projections of profitability' which themselves require speculation, then the lost profits damages sought are not reasonably certain and cannot be recovered." *Anchor Glass Container Corp. v. Pabst Brewing Co.*, LLC, 69 Misc. 3d 1207 (A) (Sup. Ct. N.Y. Co. 2022). Further, they argue that bitcoin mining is a "new business" where the burden of determining lost profit damages is even greater. *See, Bersin Props., LLC, v. Nomura Credit & Capital, Inc.*, 159 N.Y.S. 3d 828 (Sup. Ct. N.Y. Co. 2022). Here, Plaintiffs offered expert witness testimony from an accountant with years of experience in accounting and specifically, in determining valuation in bitcoin mining. Defendants, on the other hand, provided no expert witness rebuttal testimony demonstrating that her calculations were unfounded or based on inappropriate assumptions. Defendants argue, without record proof, that Plaintiffs are not established businesses, but rather fledgling or start-up businesses. Defendants did not elicit any such testimony from Hong Peng, the owner of BIT Intelligence, despite the opportunity to cross-examine him during the inquest. To the contrary, the Complaint asserts "Plaintiffs are established Bitcoin mining companies that own Bitcoin mining equipment ("Miners"). NYCEF Doc. No. 2, Complaint. ¶2.

The damages that are recoverable on a cause of action for conversion include the value of the property (the replacement cost) at the time and place of the taking. *See, Fantis Foods, Inc. v. Standard Importing Co., Inc.*, 49 N.Y.2d 317 (1980). That is, unless special circumstances require adoption of a different measure of damages, such as marketable securities with a fluctuating value. *See, Wallingford v. Kaiser*, 191 N.Y. 392 (1908). In addition to the value of the property, plaintiff may also obtain interest on the value from the time of the conversion. *See, CPLR 5001, Lawyers' Fund for Client Protection of State of N.Y. v. Bank Leumi Trust. Co., of New York*, 94 N.Y. 2d 398 (2000). Lost profits may also be recoverable if they may be reasonably expected to flow from the conversion. *See, Fantis, supra*, 49 N.Y. 2d, at 317. Plaintiffs may also obtain an award for attorneys' fees and/or punitive damages, which they did not seek here. *See, Hynes v. Patterson*, 95 NY 1 (1884); *W.J.V. Transport Corp. v. Santiago*, 173

A.D. 2d 537 (2d Dept. 1991).

Now, following the April 29, 2025 inquest and the testimony and exhibits introduced therein, it is hereby

FOUND AND DETERMINED that the Inquest Scheduling Order (NYSCEF Doc. No. 461) required the attorneys to meet and confer to exchange witness lists and exhibit lists and to determine which exhibits would be admitted on consent; defendants counsel did not submit any witness or exhibit list, filed to meet and confer with plaintiffs' counsel on Plaintiffs' exhibit list or to comment on same prior to trial. Defendant was properly deemed to have waived objections to the proposed exhibits.

FOUND AND DETERMINED that the total cost of the lost equipment (miners) entrusted to Defendants and not returned is $23,611,500.00 as established by Plaintiffs' Exhibit 1 and the testimony of Plaintiffs' witness Hong Peng; and it is further

FOUND AND DETERMINED that Defendants are entitled to interest at the rate of 2% per annum on the value of the lost equipment from December 20, 2021, to April 2025; and it is further

FOUND AND DETERMINED that Plaintiffs' witness Bojie Zhang, as an accountant experienced in calculating profit and loss in the bitcoin or cryptocurrency industry was competent to give expert testimony on the loss of profit/opportunity cost in this case; and it is further

FOUND AND DETERMINED that Ms. Zheng's methodology established as usual and customary in the industry as she has been doing so for 40 companies for several years; and it is further

FOUND AND DETERMINED that Ms. Zheng clearly and convincing testified, in detail, about the application of her methodology to the facts of this case; and it is further

FOUND AND DETERMINED that Plaintiffs established by clear and convincing evidence that the loss of profit/opportunity cost to Plaintiffs was $32,936,118.00; and it is further

FOUND AND DETERMINED that Plaintiffs are entitled to interest on their lost profits/opportunity cost at the rate of two (2%) percent per annum

ORDERED, that Plaintiffs shall have judgment against Defendants as follows:

a. For past economic loss in the amount of $23, 611.500.00, with 2% interest per annum, from December 20, 2021, to April 2025, for a total of $25,181.996.30;

b. For lost profits in the amount of $32,936,118.00, with interest at the rate of 2% per annum from January 1, 2025, through April 29, 2025, of $164,680.56, for a total amount of lost profits of $33,100,798.70.

c. There is no award for attorney's fees.

d. There is no award for punitive damages.

and it is further

ORDERED, that the total amount of damages awarded is $58,282,795, plus interest, from the date of the entry of this decision on inquest; and it is further

ORDERED that Plaintiff may submit a judgment, on notice, consistent with this Decision and Order, together with the costs and disbursements of this action.

ENTER:

April 13, 2026
Schenectady, New York

Michael R. Cuevas
Supreme Court Justice