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UNITED STATES DISTRICT COURT,
SOUTHERN DISTRICT OF NEW YORK

-----X

GENE CODES FORENSICS, INC.,

Plaintiff,

-against-

THE CITY OF NEW YORK,

Defendant.

-----X

ECF CASE

10 Civ. 1641 (NRB)

JURY TRIAL DEMANDED

DEFENDANT’S ANSWER TO COMPLAINT

Defendant, the City of New York (“Defendant” or the “City”), by its attorney, Michael A. Cardozo, Esq., Corporation Counsel of the City of New York, as and for its Answer to the Complaint dated March 1, 2010 (the “Complaint”), filed by Plaintiff Gene Codes Forensics, Inc. (“Plaintiff” or “GCF”), respectfully alleges as follows:

1. Denies the allegations contained in paragraph 1 of the Complaint.
2. Denies knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 2 of the Complaint.

3. Admits the allegations contained in paragraph 3 of the Complaint, except denies that the Office of the Chief Medical Examiner (“OCME”) is a subdivision of the City of New York.

4. Admits the allegations contained in paragraph 4 of the Complaint.

5. Admits the allegations contained in paragraph 5 of the Complaint.

6. Admits the allegations contained in paragraph 6 of the Complaint.

7. Admits the allegations contained in paragraph 7 of the Complaint.

8. Admits the allegations contained in paragraph 8 of the Complaint.

9. Admits the allegations contained in paragraph 9 of the Complaint.

10. Denies knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 10 of the Complaint, except admits that OCME had a license from GCF to use “Sequencher” and that GCF developed a new and different software program at the request of the City, which it named “M-FISys.”

11. Admits the allegations contained in paragraph 11 of the Complaint.

12. Admits the allegations contained in paragraph 12 of the Complaint.

13. Admits the allegations contained in paragraph 13 of the Complaint, except denies that GCF continued to provide updates and enhancements to M-FISys between 2004 and 2009.

14. Admits the allegations contained in paragraph 14 of the Complaint.

15. Admits the allegations contained in paragraph 15 of the Complaint, excepts denies knowledge or information sufficient to form a belief as to the truth or falsity of the allegation that by October 8, 2001, almost all engineering work at GCF had been converted from the development of GCF’s commercial products to analyzing the issues with respect to the data being generated by the World Trade Center disaster and denies that the City lacked any

mechanism at that time for GCF to be compensated and denies that a verbal request was made by OCME to have GCF take over data management of DNA profile data belonging to OCME.

16. Denies knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 16 of the Complaint, except admits that the first version of M-FISys was launched on December 13, 2001 and that the number of DNA matches of WTC victims increased dramatically.

17. Admits the allegations contained in paragraph 17 of the Complaint.

18. Admits the allegations contained in paragraph 18 of the Complaint.

19. Admits the allegations contained in paragraph 19 of the Complaint, except denies that GCF took on additional duties not contemplated by the GCF Contract.

20. Denies the allegations contained in paragraph 20 of the Complaint, and begs leave to refer to the GCF contract for proof of its terms.

21. Denies knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 21 of the Complaint.

22. Admits the allegations contained in paragraph 22 of the Complaint.

23. Admits the allegations contained in paragraph 23 of the Complaint.

24. Denies knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 24 of the Complaint.

25. Admits the allegations contained in paragraph 25 of the Complaint, except denies the ability to integrate STR and mitochondrial DNA testing is a distinctive feature of M-FISys.

26. Denies knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 26 of the Complaint.

27. Denies knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 27 of the Complaint.

28. Denies the allegations contained in paragraph 28 of the Complaint.

29. Denies the allegations contained in paragraph 29 of the Complaint.

30. Denies the allegations contained in paragraph 30 of the Complaint.

31. Denies the allegations contained in paragraph 31 of the Complaint.

32. Admits the allegations contained in paragraph 32 of the Complaint, except denies knowledge or information sufficient to form a belief as to the truth or falsity of the allegation that Venkataram engaged in a pattern of misappropriation and unlawful usage of proprietary software and denies that Venkataram's alleged unlawful acts were performed with the knowledge of senior officials of OCME.

33. Denies knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 33 of the Complaint, and denies that any such alleged acts were performed with the knowledge of senior officials of OCME.

34. Denies knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 34 of the Complaint, and denies that any such alleged acts were performed with the knowledge of senior officials of OCME.

35. Admits the allegations contained in paragraph 35 of the Complaint, except denies knowledge or information sufficient to form a belief as to the truth or falsity of the allegation that Venkataram unlawfully copied the VIP software and denies that any such alleged acts were performed with the knowledge of senior management at OCME.

36. Denies the allegations contained in paragraph 36 of the Complaint.

37. In response to the allegations incorporated by reference in paragraph 37 of the Complaint, repeats and re-alleges paragraphs 1 through 36 hereof as if set forth at length herein.

38. Admits the allegations contained in paragraph 38 of the Complaint and begs leave to refer to such contract for proof of its terms.

39. Denies the allegations contained in paragraph 39 of the Complaint.

40. Denies the allegations contained in paragraph 40 of the Complaint.

41. Denies the allegations contained in paragraph 41 of the Complaint.

42. In response to the allegations incorporated by reference in paragraph 42 of the Complaint, repeats and re-alleges paragraphs 1 through 41 hereof as if set forth at length herein.

43. Denies the allegations contained in paragraph 43 of the Complaint.

44. Denies the allegations contained in paragraph 44 of the Complaint.

45. Denies the allegations contained in paragraph 45 of the Complaint.

46. In response to the allegations incorporated by reference in paragraph 46 of the Complaint, repeats and re-alleges paragraphs 1 through 45 hereof as if set forth at length herein.

47. Denies the allegations contained in paragraph 47 of the Complaint.

48. Denies the allegations contained in paragraph 48 of the Complaint.

49. Denies the allegations contained in paragraph 49 of the Complaint.

50. In response to the allegations incorporated by reference in paragraph 50 of the Complaint, repeats and re-alleges paragraphs 1 through 49 hereof as if set forth at length herein.

51. Denies the allegations contained in paragraph 51 of the Complaint.

52. Denies the allegations contained in paragraph 52 of the Complaint.

53. Denies the allegations contained in paragraph 53 of the Complaint.

FIRST AFFIRMATIVE DEFENSE

54. The Complaint, and each part thereof, fails to state a claim upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

55. The Complaint, and each claim therein, is barred by the applicable statute of limitations.

THIRD AFFIRMATIVE DEFENSE

56. Each of the claims alleged in the Complaint is barred by the doctrines of waiver and estoppel.

FOURTH AFFIRMATIVE DEFENSE

57. Each of the claims alleged in the Complaint is barred by the terms of a release and covenant not to sue signed by GCF.

COUNTERCLAIMS

Preliminary Statement

58. GCF's claims in this action are based on a fundamental misunderstanding and misinterpretation on its part regarding its contractual obligations under an emergency agreement between the parties pursuant to which the City commissioned and paid GCF in excess of \$13 million to develop a DNA matching and identification software program according to specifications provided by OCME, later named "M-FISys" (an acronym for Mass Fatality Identification System, pronounced "Emphasis"), which program was intended for use in the identification of 9/11 victims as well as in the identification of victim in other cases. GCF

materially breached the agreement and, by way of counterclaim, the City now seeks damages in a sum of not less than \$10 million.

PARTIES

59. GCF is a corporation organized and existing under the laws of the State of Michigan with its principal place of business located in the State of Michigan.

60. The City is a municipal corporation organized under the laws of the State of New York with its principal place of business located in the State of New York.

JURISDICTION and VENUE

61. This Court has subject matter jurisdiction over the counterclaims based on diversity and supplemental jurisdiction under 28 U.S.C. §§ 1332(a)(1) and 1367 in that this action is between citizens of different states and the amount in controversy exceeds the sum of \$75,000, exclusive of interest and costs.

62. Venue is proper in this district under 28 U.S.C. § 1391(a) in that the City resides in this district and a substantial part of the events giving rise to the action occurred in this district. In addition, the parties contractually agreed to venue in this district.

FACTUAL BACKGROUND

63. On or about September 29, 2001, Howard Cash, the president of GCF, approached senior officials at OCME with an offer to provide GCF's resources and expertise to the City at a substantially reduced cost in connection with the development of new software to aid in the identification of victims of the September 11, 2001 attack on the World Trade Center.

64. At the time of the initial discussions, the City had been using several licensed copies of GCF's software program called "Sequencher," which matches nuclear DNA from human remains at crime scenes with nuclear DNA exemplars from families in order to establish

an identity, and it was proposed by GCF that “Sequencher” could be modified to work with mitochondrial DNA technology and that completely new software, referred to as middleware, could be developed to work with new technologies that were being simultaneously developed.

65. The City paid millions of dollars to other vendors under other emergency agreements in order to extract DNA samples and generate DNA profiles, which were later loaded into M-FISys for comparison with other victim and kinship data, resulting in a database referred to herein as the “WTC Database.”

66. The WTC Database is the exclusive property of the City and may not be used for any purpose without the City’s express permission.

67. The WTC Database is a unique database that cannot be replicated or simulated.

68. GCF used the WTC Database as a validation tool to develop and test enhancements to M-FISys.

69. On or about March 1, 2002, the parties entered into a written agreement pertaining to the creation and development of the M-FISys program. A true copy of the agreement is annexed to GCF’s Complaint in this action as Exhibit A.

70. The agreement had a term of three years, commencing as of September 12, 2001 and terminating on September 11, 2004.

71. The agreement contained a cap on the amount of payments that could be made under the agreement in the sum of \$10 million.

72. The agreement was later amended to increase the cap on allowable payments to \$13 million and extend the term to September 30, 2004.

73. In or about May 2003, approximately 20 months into the term of the agreement, Howard Cash told a reporter that he expected the total billings under the agreement to be closer to \$4 million. See <http://www.msnbc.msn.com/id/3077137/>.

74. GCF submitted invoices and was paid a total of \$13 million under the agreement as amended.

75. Under the agreement, the City bargained for and obtained a perpetual, royalty-free license to use the M-FISys software for non-commercial purposes in exchange for allowing GCF to claim copyright ownership of the software and commercially exploit the program.

76. The creation and development of M-FISys represented a collaborative effort under which OCME provided constant input and feedback to GCF and OCME specified the desired functionalities that were to be incorporated in the program, such that OCME could have claimed joint authorship of the work for copyright purposes or exclusive copyright ownership as a specially commissioned work-for-hire.

77. As the contract language made clear, under such circumstances, the City normally would have insisted on retaining copyright ownership of the M-FISys program, as a specially commissioned work-for-hire, but it agreed in this particular instance to allow GCF to register the copyright in its own name because of, among other things, GCF's agreement to commit most of its resources to the project and work at a reduced rate of compensation for its services.

78. It was contemplated, understood and agreed that the City would be entitled to receive, without additional charge, all upgrades, revisions and enhancements for M-FISys that GCF would develop during and after the end of the term of the contract and, toward that end, GCF signed a perpetual, automatically renewing agreement that requires GCF to deposit the source code for M-FISys, including all updates and revisions, into escrow for the City's benefit.

79. GCF delivered the first version of M-FISys to OCME in or about December 2001 and thereafter provided new versions of M-FISys to OCME on a frequent basis, which versions included features and functionalities that were developed by GCF in direct response to constant input and requests by OCME for specific improvements.

80. During the term of the agreement, GCF provided OCME with more than 70 revisions to M-FISys, incorporating functionalities changes and improvements requested by OCME.

81. The last version delivered to OCME by GCF was version 7.11, which was released by GCF on or about September 9, 2004.

82. The last version of M-FISys for which source code was reported as being deposited in escrow by the escrow agent was version 8.03 on April 13, 2006.

83. GCF has continued to develop, release and market new versions of M-FISys incorporating added functionalities, some of which were specifically requested by OCME, but GCF has not provided all such upgrades, enhancements and versions to OCME.

FIRST COUNTERCLAIM
(Breach of Contract)

84. The City repeats and re-alleges the allegations contained in paragraphs 58 through 83 as if set forth at length herein.

85. GCF materially breached its obligations to the City under the agreement by, among things, (1) failing to train and instruct OCME personnel on how to directly upload DNA profiles into M-FISys; (2) failing to train and instruct OCME personnel on how to create new M-FISys databases for events other than the 9/11 WTC victim identification work; (3) failing to provide OCME with proper and complete documentation pertaining to the operation of M-FISys;

(4) failing to provide upgrades and revisions to M-FISys to OCME after September of 2004, although GCF has continued to issue new releases and upgrades to third parties; (5) failing to provide OCME with a version of M-FISys that was capable of generating data in a CODIS format, although such functionality was specifically requested by OCME and later incorporated in a newer version of M-FISys; (6) failing to design M-FISys in a manner that easily links to CODIS and other applications and provides portability; (7) improperly using the City's WTC Database as a validation tool to develop and test upgrades and enhancements to M-FISys which GCF did not make available to the City as required under the City's perpetual, royalty-free license; and (8) making statements on its website and in marketing materials without the prior authorization of OCME regarding M-FISys and the confidential work that GCF performed for the City under the agreement..

86. Upon information and belief, GCF also overbilled the City for services under the agreement.

87. The City duly and fully performed all terms and conditions on its part to be performed under the agreement.

88. By reason of GCF's material breaches of the agreement, the City has been denied the fruits and benefits of the agreement in that the M-FISys software in the City's possession has become outdated and has severely limited utility and is of little value to the City in ongoing identification work with respect to 9/11 fatalities and has no value whatsoever to OCME as a forensic tool for DNA identification in other cases, making the City's perpetual royalty-free licensee illusory.

89. Based on the foregoing, the City is entitled to recover damages in an amount to be determined at trial, but not less than the sum of TEN MILLION DOLLARS (\$10,000,000.00)

and/or in the alternative, an order directing GCF to specifically perform its obligations under the agreement, including providing the City with all updates, revisions and enhancements to M-FISys that GCF has released to date or may release in the future.

SECOND COUNTERCLAIM
(Unjust Enrichment)

90. The City repeats and re-alleges the allegations contained in paragraphs 58 through 89 as if set forth at length herein.

91. GCF improperly used the WTC Database to validate and test new upgrades and enhancements to M-FISys, which GCF has commercially exploited for its own benefit and not provided to OCME.

92. GCF also improperly used confidential information that it obtained from OCME's forensic biologists concerning desired enhancements and improvements to M-FISys, which OCME provided to GCF solely for the purpose of the agreement.

93. GCF used such information to design improvements and add certain functionalities to M-FISys, which it has exploited for its own benefit and not shared with OCME.

94. GCF has been unjustly enriched by using the City's property and know-how without just compensation.

95. By reason of the foregoing, the City is entitled to an award in an amount to be determined at trial, but not less than the sum of \$10 million.

THIRD COUNTERCLAIM
(Breach of Release and Covenant Not to Sue)

96. The City repeats and re-alleges the allegations contained in paragraphs 58 through 95 as if set forth at length herein.

97. On or about November 21, 2006, GCF executed and delivered a written release and covenant not to file claims against the City for perceived and/or actual intellectual property violations arising from the use and distribution of information as defined as provided therein (hereafter referred to as the "Release"). A true copy of the Release is annexed hereto as Exhibit "A."

98. The filing of this action and the assertion of each of the claims alleged in the Complaint herein constitutes a breach of the Release.

99. The City has duly performed all conditions on its part to be performed under the Release.

100. By reason of the foregoing, the City is entitled to recover the costs and expenses of defending this action, including experts fees and an award of reasonable attorneys fees.

WHEREFORE, the City respectfully requests judgment dismissing the Complaint and awarding relief to the City as follows:

- (1) Dismissing each of the claims alleged in the Complaint with prejudice and without costs;
- (2) Awarding the City compensatory damages in an amount to be determined at trial, but not less than Ten Million Dollars (\$10,000,000.00), together with pre-judgment and post-judgment interest at the highest rate provided by law;
- (3) Additionally and/or alternatively, ordering GCF to specifically perform its obligations under the agreement between the parties by, among other things, providing the City with all updates, revisions and enhancements to M-FISys that GCF has released to date as well as all updates, revisions and enhancements that may be issued by GCF in the future, without cost and on a royalty-free basis;

(4) Awarding the City the costs and expenses of this action, including reasonable attorneys' and expert fees; and

(4) Granting the City such other and further relief as the Court may deem just and proper.

Dated: New York, New York
April 26, 2010

MICHAEL A. CARDOZO
Corporation Counsel of the
City of New York
Attorney for Plaintiff
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New York, New York 10007
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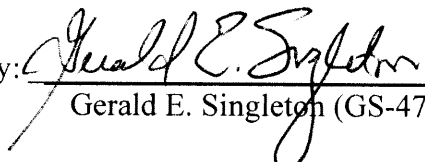
By: 
Gerald E. Singleton (GS-4750)

EXHIBIT A

RELEASE

WHEREAS, Gene Codes Forensics Inc., 775 Technology Drive, Ann Arbor, Michigan 48108, (hereinafter "Gene Codes") and the Office of Chief Medical Examiner, 520 First Avenue, New York, New York 10016, (hereinafter "OCME") entered into an emergency contract, as amended, to cover the period from September 11, 2001 through September 30, 2004.

WHEREAS, this contract provided among other things that "all middleware, new software, and modifications of Sequencher shall be the intellectual property of the vendor, although the vendor shall grant to the OCME a non-exclusive, royalty free, perpetual license to use the middleware and software so created for non-commercial purposes." (See, Page 12, Section VII (D)).

NOW THEREFORE, and in consideration of the mutual agreements, the parties agree as follows:

1. I, Howard Cash, President of Gene Codes hereby acknowledge that I have read the letter dated October 19, 2006 which is attached to this Release. I have also read the letter, dated July 20, 2006 that was written by the OCME Counsel and addressed to Gene Codes' attorney, J. Michael Huget.
2. OCME and Gene Codes entered into a contract, as amended, covered the period of September 11, 2001-September 30, 2004 ("contract"). This contract provided among other things, that "all middleware, new software, and modifications of Sequencher shall be the intellectual property of the vendor, although the vendor shall grant to the OCME a non-exclusive, royalty free, perpetual license to use the middleware and software so created for non-commercial purposes." (See, Page 12, Section VII (D)).
3. All of the data sent to Gene Codes by the OCME and any of the information that Gene Codes created for the OCME is the exclusive property of the OCME. Any information created by the OCME using the M-FISys software is the exclusive property of the OCME (the information and data described in this Section 3, collectively "Information").
4. Neither Gene Codes nor I will file any claims or disputes against the City of New York or the OCME as it relates to any perceived and/or actual intellectual property violations arising out of the use and/or distribution of the information by OCME.
5. Gene Codes and I waive any and all claims or disputes that Gene Codes or I believe exist as it relates to any perceived and/or actual intellectual property violations arising out of the Information, including but not limited to the creation, use and/or distribution of the Information under the contract.
6. Gene Codes, for and on behalf of itself and its successors, and assigns, hereby releases, acquits, and forever discharges the City of New York and OCME, and their respective officers, agents, servants, employees, representatives, attorneys and all of the heirs, executors, administrators, representatives, successors and assigns, from any and all claims, claims for relief, action, causes of action, suits, debts, liens, contracts, obligations, agreements, promises, representations, liabilities, demands, losses, costs, and expenses (including attorney's fees) of every kind or nature, whether known or unknown, joint or several, fixed or contingent, relating to or arising out of the creation, use and/or distribution of the Information by OCME, which Gene Codes may have had, may now have, may claim to have, or may hereafter have or claim to have against the City or OCME at any time in the past down to the date of this Release.

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Release

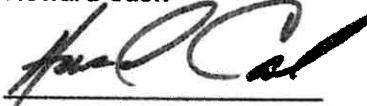
- 7. Gene Codes and OCME and their undersigned representatives, respectfully warrant that the undersigned representatives have full and complete authority to execute this document on their behalf and to bind them to each of the agreements, acknowledgments, and stipulations contained herein.
- 8. This Release shall be construed and enforced in all respects according to the laws of the State of New York.
- 9. Each party agrees that the delivery of this Release by facsimile shall have the same force and effect as delivery of original signatures and that each party may use such facsimile signatures as evidence of the execution and delivery of this Release by all parties to the same extent that an original signature could be used.

IN WITNESS WHEREOF, the parties have caused this Release to be executed by their duly authorized representative as of the ____ day of November 2006.

Gene Codes Forensics, Inc.

Howard Cash

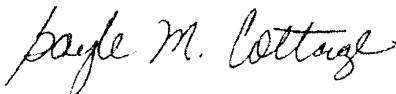
By: 
 Printed name: Howard Cash
 Title: President



STATE OF MI, COUNTY OF Washtenaw, ss: ^{Acting in}

On the 21st day of November in the year 2006 before me, the undersigned, a Notary Public in and for said state, personally appeared Howard Cash, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Signature of Notary Public



GAYLE M. COTTAGE
 NOTARY PUBLIC LIVINGSTON CO., MI
 MY COMMISSION EXPIRES Jul 23, 2007