

Federal Court



Cour fédérale

Date: 20230316

Docket: T-1057-21

Citation: 2023 FC 354

Ottawa, Ontario, March 16, 2023

PRESENT: Mr. Justice Pentney

BETWEEN:

WISEAU STUDIO, LLC

Plaintiff

and

**RICHARD HARPER, FERNANDO FORERO MCGRATH, MARTIN RACICOT
d.b.a. ROCKHAVEN PICTURES, ROOM FULL OF SPOONS INC., PARKTOWN
STUDIOS INC., RICHARD STEWART TOWNS**

Defendants

JUDGMENT AND REASONS

[1] The Plaintiff appeals the Order of Associate Judge Horne, which struck out its claim against the Defendants on the basis that it was barred as *res judicata*; specifically, under the “cause of action estoppel” doctrine.

I. Background

[2] The history of this matter is set out at length in the decision under appeal, and it is not necessary to repeat it all here. For the purposes of this decision, all that is needed are the essentials, which include the following. Tommy Wiseau made a movie called “The Room”, and he asserts that he assigned copyright in that film to the Plaintiff corporation. The Defendants made a documentary about that film, and about Mr. Wiseau, called “Room Full of Spoons.” The documentary contains footage from the Plaintiff’s movie.

[3] Based on the Defendants’ use of this footage, the Plaintiff brought an earlier lawsuit against the Defendants in the Superior Court of Ontario, alleging that its movie infringed the Plaintiff’s copyright and breached its moral rights, contrary to sections 27, 14.1, and 28.1 of the *Copyright Act*, RSC 1985, c C-42 [the *Act*]. That earlier action was dismissed in its entirety, and the Plaintiff’s appeals did not succeed.

[4] The Plaintiff then launched two further actions – one in the Ontario Court, and the present one in this Court. The Ontario action alleged that the Defendants had engaged in misrepresentations that misled the court in the prior proceeding. The action in this Court alleged that the Defendants had breached section 41.1 of the *Act* by circumventing the technological protection measures (sometimes referred to as “digital locks”) that were installed on the Blu-ray discs containing the Plaintiff’s film. The core of the current claim is that the Defendants obtained the footage from “The Room” used in their documentary by circumventing the protection measures and downloading it from one of the Blu-ray discs.

[5] The second Ontario action was dismissed as an abuse of process. The judge dealing with that matter declined to rule on the action before this Court.

[6] The Defendants then brought a motion before Associate Judge Horne, asking that the action in this Court be dismissed or permanently stayed on the ground of cause of action estoppel.

II. The Decision Under Appeal

[7] The Defendants' motion was successful. In a decision reported as *Wiseau Studio, LLC v Harper*, 2022 FC 568, Associate Judge Horne found that the doctrinal elements of cause of action estoppel, as set out in the leading authority of *Grandview v Doering*, 1975 CanLII 16 (SCC), [1976] 2 SCR 621 [*Grandview*] were met:

- the earlier proceeding was finally determined (once the Supreme Court of Canada denied leave);
- the two matters involved the same parties;
- the cause of action in the prior action was not separate and distinct from the current action; and

- the basis of the current action was argued or could have been argued in the prior action.

[8] As will become clear from the discussion below, the key portion of the reasoning relates to the question of whether the two causes of action are separate and distinct. Associate Judge Horne's reasoning on this point is set out as follows:

[33] In this case, the Ontario Claim included allegations of copyright infringement, relying on sections 27 and 14.1/28.1. This action is also for copyright infringement, relying on section 41.1. Both proceedings involve the same original works and the same documentary that is alleged to have infringed the original works. Both actions seek an order for delivery up of the same works.

[34] To accept the plaintiff's argument that different sections of the Copyright Act are separate and distinct causes of action that can justify separate proceedings involving the same works is directly contrary to the approach in *Grandview*, where all matters relating to the actions of the municipality relating to a dam and a river as they impacted a farmer's land were expected to be advanced in one proceeding. All of the plaintiff's causes of action have a common source: the Copyright Act. The plaintiff's multiple filings for the same general cause of action (copyright infringement) based on the same works is precisely the kind of mischief that cause of action estoppel was designed to prevent.

[9] The Plaintiff appeals, arguing that Associate Judge Horne erred in finding that the cause of action giving rise to this action is the same as the one that supported the earlier claim.

III. Issues and Standard of Review

[10] The main question before the Court is whether the finding that the Plaintiff's action is *res judicata* because of cause of action estoppel amounts to a palpable and overriding error. A

preliminary matter was raised concerning whether to grant the Plaintiff a retroactive extension of time.

[11] The preliminary matter can be disposed of quickly. The Plaintiff seeks a retroactive extension of time to bring the current proceeding, to which the Defendants consent. In the circumstances, I will grant the extension of time, *nunc pro tunc*.

[12] Turning to the substance of the appeal, the determination regarding whether the same cause of action animates both proceedings is a question of mixed fact and law. The standard of review that applies to discretionary determinations of mixed fact and law by Associate Judges is the “palpable and overriding” standard: *Feeney v Canada*, 2022 FCA 190 at para 4; *Hospira Healthcare Corp v Kennedy Institute of Rheumatology*, 2016 FCA 215.

IV. Analysis

[13] The Plaintiff asserts that Associate Judge Horne made a palpable and overriding error when he found that the causes of action in the former action and the current matter are not separate and distinct. The Plaintiff submits that circumventing technical protection measures in contravention of sub-section 41.1(1) of the *Act* is a completely different wrong from the generally accepted concept of copyright infringement. Although the matter has not been discussed in the case-law, the Plaintiff notes that in one decision dealing with this new provision, *Nintendo of America Inc v King*, 2017 FC 246 [*Nintendo*], the company listed both copyright infringement and breach of technical protection measures as separate causes of action in its

Statement of Claim, and the court dealt with them that way in its assessment of remedies (paras 2 and 126).

[14] In addition, the Plaintiff notes that in the earlier Ontario case, Justice Shabas refused to deal with the argument about the breach of sub-section 41.1(1) of the *Act*, stating the following at para 166:

[166] In his closing submissions, counsel for the plaintiffs made an additional argument for infringement. He submitted that the defendants, in “ripping” clips from *The Room* from a Blu-ray disc, had circumvented a “technological protection measure” contrary to s. 41.1(1) of the *Copyright Act* and had thereby also infringed the plaintiffs’ copyright as provided in s. 41.1(2). This was not pleaded in the statement of claim and is, in my view, a distinct cause of action from copyright infringement. Although s. 41.1(2) provides that “[t]he owner of the copyright in a work” in respect of which a technological protection measure has been contravened is “entitled to all remedies...that are or may be conferred by law for the infringement of copyright,” this is a statutory measure introduced to address the use of digital locks, and is not simply another form of copyright infringement. It should have been pleaded so that the defendants could have had an opportunity to address it in the evidence, including whether a technological protection measure was circumvented, and to raise any defences to circumvention.

[15] The Plaintiff relies on the finding by Shabas J. that the breach of sub-sections 41.1(1) and (2) is a “distinct cause of action from copyright infringement.” He acknowledges, however, the finding of Shabas J. in the final sentence of the above-quoted paragraph that “(i)t should have been pleaded [in that proceeding]...”, which supports a finding that the fourth element of the *Grandview* test would apply to his case. Indeed, at the hearing, the Plaintiff conceded that the

claim he relies on here could have been pleaded in the earlier proceeding. He asserts, however, that this is not fatal to his claim, because it involves a separate and distinct cause of action.

[16] The Defendants claim that the Plaintiff should not be permitted to prolong this already onerous and lengthy litigation simply by coming up with a new basis to claim a breach of the *Act*. They assert that Justice Shabas' finding that the breach of technological protection measures should have been pleaded earlier should guide the analysis here. That finding rests, in part, on the answer given by Mr. Harper on cross-examination on his affidavit conducted on August 23, 2019 (i.e. long before the trial). The transcript of that cross-examination contains the following exchange about the source of the footage from *The Room* that was used in the Defendants' documentary:

Q. Where did you get that content from?

A. We ripped that from Blu-Ray.

Q. When you say you ripped it from the Blu-ray, can you just elaborate on that?

A. Yes. We extracted the film from a Blu-ray onto our computer and then edited it into the film...

[17] The Defendants argue that this testimony provided all of the information the Plaintiff needed to amend his pleadings to assert a breach of sub-section 41.1(1) of the *Act*, given the Plaintiff's evidence that all of the Blu-ray discs containing his movie were protected by technological protection measures. The Defendants claim that the Plaintiff's failure to take that step in the prior action is fatal to the Plaintiff's attempt to advance this claim before the Court.

[18] As I noted during the hearing, although both parties seem to agree that a key issue in this case is whether the two actions involve the same or separate and distinct causes of action, neither of them provided a definition of the concept in their submissions.

[19] The core question before me is whether Associate Judge Horne made a palpable and overriding error in finding that the two causes of action are not separate and distinct. The parties agree that he made no error in finding that the other elements of the *Grandview* test were met. It is worthwhile, therefore, to begin the analysis by reviewing the analysis of this question in his decision.

[20] Associate Judge Horne begins this part of the decision by reviewing the dissent and majority decisions in *Grandview*, before applying the doctrine to the facts of this case. The crux of his reasoning is that although the two cases involve different provisions of the *Act*, “(b)oth proceedings involve the same original works and the same documentary that is alleged to have infringed the original works.” He also notes that both actions seek an order for “delivery up” of copies of the documentary. Associate Judge Horne then finds that “(t)he plaintiff’s multiple filings for the same general cause of action (copyright infringement) based on the same works is precisely the kind of mischief that cause of action estoppel was designed to prevent.”

[21] I am not persuaded that this finding is marred by any error, let alone any error that rises to the level of “palpable and overriding” as that term is understood in the case-law: see *Canada v South Yukon Forest Corporation*, 2012 FCA 165 at para 46; *Mahjoub v Canada (Citizenship and Immigration)*, 2017 FCA 157 , [2018] 2 FCR 344 at paras 62, 64-65.

[22] This case turns on the notoriously slippery concept of a “cause of action.” Like the term “jurisdiction”, the term "cause of action" is sometimes used in an inexact manner. No doubt, I have done this from time to time. It may be helpful to distinguish between the common usage of it, as a legal basis for a claim, and the more exact definition set out in the case-law. For example, in *Danyluk v Ainsworth Technologies Inc.*, 2001 SCC 44 (CanLII), [2001] 2 SCR 460 [*Danyluk*], a leading case on issue estoppel (the other branch of *res judicata*), Justice Binnie provided the following definition of “cause of action” at paragraph 54:

A cause of action has traditionally been defined as comprising every fact which it would be necessary for the plaintiff to prove, if disputed, in order to support his or her right to the judgment of the court: *Poucher v. Wilkins* (1915), 1915 CanLII 514 (ON CA), 33 O.L.R. 125 (C.A.). Establishing each such fact (sometimes referred to as material facts) constitutes a precondition to success. It is apparent that different causes of action may have one or more material facts in common. In this case, for example, the existence of an employment contract is a material fact common to both the ESA proceeding and to the appellant’s wrongful dismissal claim in court. Issue estoppel simply means that once a material fact such as a valid employment contract is found to exist (or not to exist) by a court or tribunal of competent jurisdiction, whether on the basis of evidence or admissions, the same issue cannot be relitigated in subsequent proceedings between the same parties. The estoppel, in other words, extends to the issues of fact, law, and mixed fact and law that are necessarily bound up with the determination of that “issue” in the prior proceeding.

[23] To a similar effect, *Black’s Law Dictionary*, 8th ed., defines a cause of action as: “[a] group of operative facts giving rise to one or more bases for suing; a factual situation that entitles one person to obtain a remedy in court from another person...” Under the same heading, *Black’s Law Dictionary* also defines “new cause of action” as: “[a] claim not arising out of or relating to

the conduct, occurrence, or transaction contained in the original pleading...” (see *Shoolestani v Ichikawa*, 2017 BCSC 139, at para 18).

[24] In *The Doctrine of Res Judicata* (5th ed), in Chapter 3, Part 3, the authors state “(a) cause of action is the facts which give a person a right to judicial relief against another person.” The text continues:

A new legal theory in a second action, such as tort rather than contract, marshalling the combination of facts from the first action in a different way, will not create a separate and distinct cause of action.

The question to ask is: “Are the facts upon which the defendant was found liable to the plaintiff in the first action substantially the same and in issue in the second action?” If the answer to this question is yes, then cause of action estoppel applies to the second action...

(citations omitted)

[25] In oral submissions, the Plaintiff raised a hypothetical, which he said describes the reason why breaking technological protection measures and the usual activity associated with copyright infringement must be seen as a separate and distinct cause of action. He asserted that it was analogous to the situation where someone had a very valuable painting locked in a safe in their store. The person who breaks into the safe and leaves it open, but does not take the painting, commits a separate wrong from the thief who later enters the store and steals the painting from the open safe.

[26] I find the Plaintiff’s analogy to be apt, but only by way of contrast, because that is not what he is alleging the Defendants did here. His current action is not based on the discovery that

the Defendants broke the lock protecting his movie on the Blu-ray discs, thereby making it available to the world. Instead, what the Plaintiff is complaining about in the present action is exactly the same underlying wrong he says the Defendants committed in the earlier action – namely, capturing footage from “The Room” and including it in their documentary. The essence of the current action is that the Plaintiff has found a new legal theory arising from exactly the same facts, and for which it seeks to obtain a remedy.

[27] I agree with Associate Judge Horne’s finding that the current action involves the same parties, the same wrongdoing, and the same harm to the Plaintiff. The Plaintiff is not complaining that its movie, which was hitherto “locked”, has made available to the world by defeating the digital lock, contrary to sub-section 41.1(1) of the *Act*. Rather, it argues that the Defendants have breached its copyright by “ripping” portions of The Room from the Blu-ray disc and including those in their documentary. The Plaintiff’s claim underlying both actions is based on “substantially the same facts” and I am unable to find any error in Associate Judge Horne’s conclusion that the doctrine of cause of action estoppel applies to bar the Plaintiff’s action before this Court.

[28] For these reasons, the Plaintiff’s appeal is dismissed.

[29] Costs normally follow the result, and there is no basis to depart from that approach here. The Defendants claimed their costs “on the highest scale” but I find no basis to make such an award. Although the Defendants may be understandably vexed by the Plaintiff’s behaviour, the

litigation was conducted without needless delay or expense, and the mere fact that the Plaintiff's claim has been found to be *res judicata* is not, in itself, grounds to make a higher costs award.

[30] Taking into consideration the nature and complexity of the appeal, the fact that it proceeded without undue delay or needless procedural wrangling, and considering the other factors set out to guide the exercise of my discretion pursuant to Rule 400 of the *Federal Courts Rules*, SOR/98-106, the Defendants are awarded all-inclusive lump sum costs in the amount of \$1,500.

JUDGMENT in T-1057-21

THIS COURT’S JUDGMENT is that:

1. The Plaintiff’s request for an extension of time to bring the within appeal is granted, *nunc pro tunc*.
2. The Plaintiff’s appeal is dismissed.
3. The Plaintiff shall pay to the Defendants all-inclusive, lump sum costs in the amount of \$1,500.

“William F. Pentney”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1057-21

STYLE OF CAUSE: WISEAU STUDIO, LLC v RICHARD HARPER,
FERNANDO FORERO MCGRATH, MARTIN
RACICOT, d.b.a. ROCKHAVEN PICTURES, ROOM
FULL OF SPOONS INC., PARKTOWN, STUDIOS
INC., RICHARD STEWART TOWNS

PLACE OF HEARING: BY VIDEOCONFERENCE

DATE OF HEARING: FEBRUARY 21, 2023

JUDGMENT AND REASONS: PENTNEY J.

DATED: MARCH 16, 2023

APPEARANCES:

Daniel Brinza

FOR THE APPLICANT

Matthew Diskin
Kristin Aucoin

FOR THE RESPONDENT

SOLICITORS OF RECORD:

Brinza Law Professional
Corporation
Oakville, Ontario

FOR THE APPLICANT

Dentons Canada LLP
Toronto, Ontario

FOR THE RESPONDENT