

Federal Court



Cour fédérale

Date: 20220420

Docket: T-1057-21

Citation: 2022 FC 568

Toronto, Ontario, April 20, 2022

PRESENT: Case Management Judge Trent Horne

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 defendants have brought a motion to dismiss or permanently stay these proceedings on the grounds of cause of action estoppel and abuse of process. For the reasons that follow, the motion is granted.

I. Background

[2] Mr. Tommy Wiseau wrote, directed, and starred in the celebrated film *The Room*. The rights to that film are claimed to be owned by the plaintiff, Wiseau Studio, LLC.

[3] In this action, the plaintiff advances claims against a number of defendants for copyright infringement. Specifically, the statement of claim asserts that the defendants have infringed the plaintiff's rights under section 41.1(1) of the *Copyright Act*, RSC 1985, c. C-42. In general terms, this section prohibits a person from circumventing technological protection measures, sometimes referred to as "digital locks".

[4] The defendants are alleged to have made a documentary entitled *Room Full of Spoons*. The statement of claim alleges that *Room Full of Spoons* contains more than seven minutes of footage from *The Room*, as well as footage from *The Neighbors*, another work in which the plaintiff claims rights. The statement of claim describes communications between the parties that preceded the release of *Room Full of Spoons*, and asserts that the defendant Richard Harper gave undertakings and representations that he would portray Mr. Wiseau in a positive light, and that the documentary would be about fans of *The Room*. The statement of claim goes on to assert that the defendants concealed their intentions, and alleges that *Room Full of Spoons* mocks *The Room* and Mr. Wiseau, and makes unsubstantiated allegations about his private life.

[5] *Room Full of Spoons* was released in about 2016. The parties have been mired in litigation ever since.

II. The Plaintiff's Claims in the Ontario Superior Court of Justice

[6] Wiseau Studio, LLC and Tommy Wiseau commenced an action in the Ontario Superior Court of Justice (the Ontario Claim) against the same defendants in this proceeding on June 13, 2017. The statement of claim in that action (among other things) sought the following declaratory relief:

1 The Plaintiffs claim:

- (a) A declaration that the Defendants, jointly and severally, have and are:
 - (i) Infringing copyrights in the Plaintiffs' works, namely (a) the film *The Room* ("**The Room**"), (b) the script for *The Room*, (c) the soundtrack for *The Room*, (d) the image used as the DVD cover of *The Room* and in promotional materials for *The Room*; (e) the television series "The Neighbors"; (f) the television commercial "To Be Or Not To Be"; (g) the YouTube video "Shame On You"; (h) the television commercial "Underwear Commercial", and (i) the television commercial "Street Fashions Commercial", contrary to section 27 of the *Copyright Act*, RSC, 1985, c C-42;
 - (ii) Infringing Tommy Wiseau's moral rights in the Plaintiffs' works, contrary to sections 14.1 and 28.1 of the *Copyright Act*;

[7] After a full trial, Justice Schabas dismissed the plaintiffs' claims in their entirety, and granted the defendants' counterclaim. He awarded the defendants \$550,000 USD in compensatory damages (as damages for an improperly obtained *ex parte* injunction), \$200,000 CDN in punitive damages, \$25,488.36 USD in pre-judgment interest, and \$481,521.80 CDN in trial costs (*Wiseau Studio, LLC v Harper*, 2020 ONSC 2504).

[8] The plaintiffs brought a motion to vary the decision. It was dismissed with costs (*Wiseau Studio, LLC v Harper*, 2020 ONSC 3920).

[9] The plaintiffs appealed the trial decision to the Court of Appeal for Ontario.

[10] On a security for costs motion in the appeal, the Wiseau parties were ordered to post security for costs for the trial judgment, trial costs, and costs of the appeal (*Wiseau Studio, LLC v Harper*, 2021 ONCA 31).

[11] A further motion was brought by the Wiseau parties to set aside the security for costs decision. It was granted in part. The order requiring the appellants to post security for the amount of the judgment was set aside. The order for security for trial costs and costs of the appeal was affirmed. The Wiseau parties were required to post the required security by July 7, 2021 at 4:00 pm (*Wiseau Studio, LLC v Harper*, 2021 ONCA 396). The Wiseau parties filed a notice of application for leave to appeal this decision to the Supreme Court of Canada (docket number 39765).

[12] The Wiseau parties also brought a motion to stay the decision requiring security for costs pursuant to subsection 65.1(1) of the *Supreme Court Act*, RSC 1985, c S-26. Among other things, the Court of Appeal for Ontario found that the motion raised no serious issue, particularly in light of the discretionary nature of the order that was heavily predicated on fact-finding (*Wiseau Studio, LLC v Harper*, 2021 ONCA 504 at paras 1 and 7).

[13] The Wiseau parties failed to post security for costs by the required deadline. The respondents requested, and were granted, an order dismissing the appeal with costs (unreported decision in Court of Appeal file no. C68580 dated July 23, 2021).

[14] When this motion was heard, no decision had been made in the Supreme Court leave application. The decision was released on April 14, 2022; the leave application was dismissed with costs.

[15] Undeterred by the above series of almost entirely unsuccessful motions and adverse costs awards in the Ontario courts, the Wiseau parties commenced a second action in the Ontario Superior Court of Justice on August 13, 2021 (Court file no. CV-21-00667074-0000). This action advanced claims for fraudulent misrepresentation and intentional infliction of mental suffering. In general, the claims were based on the defendants' alleged conduct in the proceedings in the first Ontario action.

[16] It is noteworthy, for the purposes of this motion, that the declaratory relief sought in the second Ontario proceeding included “an order for the delivery up by the defendants to the plaintiff, or to destroy under oath, all copies, including the master copy of the defendants' *Room Full of Spoons* documentary in the defendants' power, possession or control”; the same request for declaratory relief was made in the Ontario Claim.

[17] The defendants brought an “anti suit” motion in the second Ontario proceeding for an order enjoining Wiseau Studio, LLC and Tommy Wiseau from commencing and continuing

proceedings relating to the defendants' creation, production, distribution, marketing, and exploitation of the documentary or any dealings (contractual, verbal or otherwise) with Wiseau in respect of their creation of *Room Full of Spoons*. This motion targeted the second Ontario claim, and this proceeding in the Federal Court.

[18] Justice Dunphy allowed the motion in part. He found that the second Ontario claim was “quite clearly an abuse of process”, and ordered that it be stayed. He declined to stay the Federal Court proceeding, and deferred the decision to this Court (*Wiseau Studio LLC v Harper*, 2021 ONSC 8324 at paras 10, 13, and 16).

III. The Federal Court Action

[19] The statement of claim in this action was issued on July 6, 2021.

[20] The cause of action identified in the statement of claim is an alleged breach of section 41.1(1) of the *Copyright Act*, the circumvention of technological protection measures. This cause of action was not pleaded in either of the Ontario claims.

[21] The Federal Court statement of claim includes some of the same narrative as the earlier Ontario proceedings, and includes the same request for declaratory relief: “an order for the delivery up by the defendants to the plaintiff, or to destroy under oath, all copies, including the master copy of the defendants' *Room Full of Spoons* documentary in the defendants' power, possession or control, and/or any and all other infringing material, the use of which would offend the injunction sought in paragraph 1(d)”.

IV. Cause of Action Estoppel

[22] The central issue on this motion is whether the proceeding is barred by the application of cause of action estoppel.

[23] In Canada, the doctrine of *res judicata* takes two forms: cause of action estoppel and issue estoppel (Donald J. Lange, *The Doctrine of Res Judicata in Canada*, 4th ed (Markham: LexisNexis Canada Inc., 2015) at page 1).

[24] The leading authority on cause of action estoppel is the Supreme Court's decision in *Grandview v Doering*, [1976] 2 SCR 621 ("*Grandview*"). The four preconditions for a finding of cause of issue estoppel are:

- i. there must be a final decision of a court of competent jurisdiction in the prior action;
- ii. the parties to the subsequent litigation must have been the parties to or in privy with the parties to the prior action;
- iii. the cause of action in the prior action is not separate and distinct; and
- iv. the basis of the cause of action in the subsequent action was argued or could have been argued in the prior action if the party bringing the subsequent action had exercised reasonable diligence.

i) *The decisions of the Ontario Courts are final*

[25] At the conclusion of the hearing, I indicated that I was not satisfied that the Ontario proceedings were finally concluded in light of the then pending leave application to the Supreme Court. The chances of that court granting leave may have been slim, but there was at least a possibility that leave could be granted. If leave was granted, and the Wiseau parties ultimately prevailed, it could result in a cascading series of events that would alter the result of Justice Schabas' decision. That possibility may have been remote, but *Grandview* requires that decisions be final, not that they are likely to be final.

[26] At the time of the hearing, the leave application had been perfected. It was expected that a decision would be received in a month or two.

[27] The parties suggested that I reserve my decision until the result of the leave application was known (a step I was inclined to take in any event). That had the practical effect of staying this proceeding until the leave decision had been made.

[28] As set out above, the leave application was dismissed on April 14, 2022. I am now satisfied that the plaintiff has exhausted all rights of appeal in respect of the proceedings in the Ontario Courts, and that all decisions relating to the Ontario Claim are final.

ii) *The parties are the same*

[29] This is not contested; the plaintiff concedes that the parties in the respective actions are the same.

iii) *The causes of action are not separate and distinct*

[30] The plaintiff argues that the causes of action in the Ontario Claim and the Federal Court proceeding are separate and distinct because of the nature of the infringement allegations in the respective proceedings. I disagree.

[31] In *Grandview*, the respondent sued the municipality in 1969 for damages to his land and crops resulting from flooding in the years 1967/1968 that were alleged to have been caused by alterations to a dam in 1967. The action was unsuccessful. The respondent then sued a second time for damages to crops from 1969 to 1972, alleging that the municipality maintained the river water at an artificially high level, causing the river water to enter an aquifer and saturate the respondent's soil with water. Writing in dissent, Justice Pigeon described the two claims as completely different, pointing out that the first action determined that the dam did not cause the overflow in flood time, but that it was never determined whether the dam caused the saturation after flood time (page 628).

[32] The majority disagreed, noting that the respondent did not allege, in his pleadings or in his affidavit, that he could not by reasonable diligence have put himself in a position to advance the theory of soil saturation through the aquifer at the time of the first action, nor can it be said

that his failure to raise that particular point did not arise through negligence, inadvertence or even accident (page 638).

[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.

iv) *Section 41.1 claims could have been made in the Ontario Claim with the exercise of reasonable diligence*

[35] It has been a principle of litigation for almost 200 years that the Court requires parties to bring forward their whole case in the first instance. The classic statement of the doctrine is found in *Henderson v Henderson* (1843), 3 Hare 100, 67 E.R. 313, at 319 ("*Henderson*"):

In trying this question, I believe that I state the rule of the court correctly when I say that, where a given matter becomes the

subject of litigation in, and of adjudication by, a court of competent jurisdiction, the court requires the parties to that litigation to bring forward their whole case, and will not (except under special circumstances) permit the same parties to open the same subject of litigation in respect of [a] matter which might have been brought forward as part of the subject in contest but which was not brought forward, only because they have, from negligence, inadvertence, or even accident, omitted part of their case. The plea of *res judicata* applies, except in special cases, not only to points upon which the court was actually required by the parties to form an opinion and pronounce a judgment, but to every point which properly belonged to the subject of litigation, and which the parties, exercising reasonable diligence, might have brought forward at the time[...] It is plain that litigation would be interminable if such a rule did not prevail.

[36] *Henderson* not only forecloses the relitigation of issues that have been conclusively decided by a court of competent jurisdiction. It also enunciates what has been referred to as the "might or ought" principle – matters that properly should have been part of the original litigation but that a party failed to argue cannot be raised in subsequent litigation (*Mcfadyen v The Queen*, 2008 TCC 441 at para 25).

[37] On this point, what is most noteworthy about Mr Wiseau's affidavit filed in response to the motion is not what he said, but what is missing – a reasonable explanation as to why allegations of infringement based on a breach of technological protection measures were not raised in the Ontario Claim.

[38] Mr. Wiseau's affidavit states that as the director and producer of both *The Room* and *The Neighbors*, he was closely involved in the production of all Blu-ray discs. He states that all Blu-ray discs of these works sold or released to the public are protected with the Advanced Access Content System, a commercial digital rights management and Blu-ray disc protection and

encryption scheme which restricts access to and copying of the video files from such discs. He states that it is not possible for anyone to gain access to the video files stored on the Blu-ray disc of the works without intentionally breaking or defeating such Blu-ray disc protection and encryption scheme. Based on this evidence, I conclude that Mr Wiseau was fully aware of the technological protection measures applied to the works in issue before the Ontario Claim was issued.

[39] The explanation provided as to why this issue was not advanced in the Ontario Claim is in paragraph 4 of his affidavit. Mr Wiseau states that no other section of the *Copyright Act* was pleaded in the Ontario Claim simply because the plaintiffs were not aware, at that time, of the full extent of the defendants' wrongful acts.

[40] Even if that is taken at face value, technological protection measures were discussed during the discovery of Mr. Harper in the Ontario Claim on August 23, 2019. An excerpt of that examination was attached to Mr Harper's affidavit:

Q. Okay. In producing Room Full of Spoons -- I don't think there's any controversy here, so I'm going to lead you a little bit. You used portions of The Room in the documentary; correct?

A. Yes.

Q. Where did you get that content from?

A. We ripped that from Blu-ray.

Q. When you say you ripped it from 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 using Adobe Premiere software.

Q. Did you obtain permission from either Mr. Wiseau or his studio before you ripped it from the Blu-ray?

A. No.

Q. Did you obtain permission from the distributor before you ripped the Blu-ray?

A. No.

[41] Mr Wiseau's affidavit (paragraph 9) says that both during the discovery and at the trial of the Ontario action, the defendants intentionally provided misleading, equivocal, imprecise and contradictory testimony with regard to how they obtained video copies of the plaintiffs' works.

[42] There is no explanation in the motion materials as to why the Wiseau parties did not act on this alleged misleading and contradictory testimony, and amend their statement of claim after the examination for discovery of Mr. Harper to include allegations of infringement based on an unauthorized breach of technological protection measures.

[43] Copyright is a statutory scheme; copyright legislation simply creates rights and obligations upon the terms and in the circumstances set out in the statute. The legislation speaks for itself and the actions of a party must be measured according to the terms of the statute (*Compo Co Ltd v Blue Crest Music*, [1980] 1 SCR 357 at 372-373). There is a limited and specific number of ways that copyright can be infringed. It is entirely unreasonable, given the evidence elicited from Mr Harper on his discovery, to wait in the weeds with a section 41.1 claim, and advance it in another proceeding in another court after the Ontario Claim was unsuccessful. To be clear, I do not find or conclude that a claim under section 41.1 would have

been successful, only that the proper place to have that issue adjudicated was in the Ontario Claim.

[44] The motion materials also include portions of the written closing argument in the Ontario Claim. The Wiseau parties referred to technological protection measures in closing argument, including:

11. It is respectfully submitted that s.41 of the *Copyright Act* prohibits the Defendants from circumventing the technological protection implemented on a Blu-Ray disc to control access to the Plaintiff's video work, regardless of whether the Defendants "lawfully purchased" the Blu-Ray disc or not. Blu-Ray discs are sold for home use and for at-home watching of their content on a Blu-Ray disc player, and are not sold as a source from which the video file could be extracted. The Defendants knew that Blu-Ray discs are fitted with a technological lock designed to prevent the "ripping" of video from the Blu-Ray disc; the Defendants knew that, unless they break the digital lock, they could not extract the video from the Blu-Ray disc. Accordingly, having breached the prohibition in s.41 of the Copyright Act, the Defendants obtained copyrighted material belonging to the Plaintiffs illegally.

[45] Justice Schabas dealt with this issue briefly in his reasons:

Technological Protection Measures

[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.

[167] There was, in any event, little evidence on this point. Wiseau simply asserted that the defendants had “ripped” clips from a Blu-ray, without more. In cross-examination, Harper confirmed that they obtained the clips from a Blu-ray disc, and that Forero McGrath would have done that. Forero McGrath was not questioned about this at all, and it was only put to Harper that a Blu-ray disc has a digital lock, which Harper denied. He said he did not even know what a digital lock was, that it was quite easy to copy from a Blu-ray disc, and that even he could do it with his limited editing skills. Accordingly, there is no evidentiary bases for this claim as there is no evidence of any technological protection measure existing, or being circumvented, and I dismiss this argument.

[46] There is no satisfactory explanation or evidence in the motion materials as to why an amendment to include infringement based on circumvention of technological protection measures was not sought at any time before judgment in the Ontario Claim was rendered. This issue was certainly on the plaintiff’s radar during the discovery and trial of the Ontario Claim.

[47] An explanation provided at the hearing for the plaintiff’s delay in raising claims based on section 41.1 is that it is new section of the *Copyright Act*, and that justified waiting until a later date. I reject this submission. Section 41.1 was added to the *Copyright Act* in 2012. While there is little jurisprudence interpreting the section, a significant decision on this issue (*Nintendo of America Inc v King*, 2017 FC 246) was released three months before the Ontario Claim was issued.

[48] Paragraph 35 of the statement of claim in this proceeding reads as follows:

35. Based on the quality and resolution of the video copied by the Defendants from the Plaintiff's First Work and Second Work, it is apparent that the Defendants copied such video material from the Blu-ray disk of *The Room* and from the DVD of *The Neighbors*, without the consent of the Plaintiff.

[49] Again, there is no satisfactory evidence or explanation in the plaintiff's motion materials as to why the quality and resolution of the copied video was not apparent to the plaintiff at the time the Ontario Claim was issued. If the plaintiff believes it is apparent that the defendants copied the video material from a Blu-ray, in light of Mr Wiseau's evidence that he was directly involved in the technological protection measures applied to the original works, any claims for infringement based on section 41.1 could have been pursued by the plaintiff in the Ontario Claim with the exercise of reasonable diligence.

[50] Whether the choice to exclude a claim for breach of technological protection measures in the Ontario Claim was based on a strategic choice or inadvertence, the plaintiff should not be permitted to advance a further action for that relief now, long after it could have been included in the Ontario Claim.

[51] In its written submissions, the plaintiff states that it is "honestly seeking its day in court". This submission rings hollow. The plaintiff had an 8-day trial, followed by numerous days of motions and appeals. It started a second Ontario proceeding that was determined to be "quite clearly an abuse of process". The plaintiff should not be able to further vex the defendants with claims that could have been raised years ago. The plaintiff should not be able to advance a third proceeding seeking (among other things) the same declaratory relief (delivery up of copies of *Room Full of Spoons*) that was dismissed after a full trial before Justice Schabas, and collaterally

challenged in the second Ontario claim. To permit this action to proceed would be an abuse, not only for the defendants, but also for the Court.

[52] Based on the foregoing, I am satisfied that each of the four *Granville* factors have been met. This action is barred by cause of action estoppel. It will be struck on that basis.

V. Costs

[53] The Court has full discretion over the amount and allocation of costs (*Federal Courts Rules*, subrule 400(1)).

[54] At the conclusion of the hearing, the parties agreed that, if successful, the defendants should be awarded \$3,000.00 in costs. This amount will be awarded.

JUDGMENT in T-1057-21

THIS COURT'S JUDGMENT is that:

1. The plaintiff's action is struck, without leave to amend.
2. The defendants are awarded their costs, fixed at \$3,000.00.

"Trent Horne"

Case Management Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1057-21

STYLE OF CAUSE: WISEAU STUDIO, LLC v RICHARD HARPER, ET AL

PLACE OF HEARING: HELD BY VIDEOCONFERENCE

DATE OF HEARING: MARCH 7, 2022

JUDGMENT AND REASONS: CASE MANAGEMENT JUDGE TRENT HORNE

DATED: APRIL 20, 2022

APPEARANCES:

Daniel Brinza FOR THE PLAINTIFF

Matthew Diskin FOR THE DEFENDANTS
Kristin AuCoin

SOLICITORS OF RECORD:

Daniel Brinza Law Professional Corporation FOR THE PLAINTIFF
Barristers and Solicitors
Oakville, Ontario

Dentons Canada LLP FOR THE DEFENDANTS
Barristers and Solicitors
Toronto, Ontario