

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF
IOWA

Patrick Stokes, individually and on behalf of all others similarly
situated v. A.Y. McDonald Industries, Inc.

Stokes v. A.Y. McDonald Industries · No. No. C26-1002-LTS-MAR · Decided June 8, 2026

SUMMARY

The United States District Court for the Northern District of Iowa considers A.Y. McDonald Industries’ motion to dismiss claims arising from a January 2025 data breach involving current and former employees’ personal information. The court predicts that Iowa’s economic loss rule bars the plaintiff’s negligence claim, but concludes that the plaintiff plausibly pleaded implied-contract and unjust-enrichment claims at the motion-to-dismiss stage.

CASE DETAILS

COURT	United States District Court for the Northern District of Iowa
WRITING FOR THE COURT	Leonard T. Strand
JURISDICTION	United States District Court for the Northern District of Iowa
DECIDED	June 8, 2026
DOCKET	No. C26-1002-LTS-MAR
DISPOSITION	other
PROCEDURAL POSTURE	Defendant moved under Federal Rule of Civil Procedure 12(b)(6) to dismiss a removed putative class action asserting negligence, breach of implied contract, and unjust enrichment arising from a data breach.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true, draws reasonable inferences in the plaintiff's favor, and determines whether the complaint states a facially plausible claim for relief. The court may dismiss a claim that lacks a cognizable legal theory.
PRECEDENTIAL VALUE	Unpublished federal district court memorandum opinion; persuasive rather than binding precedent, except as to the disposition between these parties.
PARTIES	Patrick Stokes, individually and on behalf of all others similarly situated v. A.Y. McDonald Industries, Inc.

TOPICS

motions to dismiss

negligence

unjust enrichment

contracts

civil procedure

PRACTICE AREAS

civil procedure

torts

contracts

unjust enrichment

data privacy

QUESTIONS PRESENTED

1. Whether Iowa's economic loss rule bars Stokes's negligence claim arising from the alleged theft of personal data.
2. Whether Stokes plausibly alleged the existence and breach of an implied contract requiring A.Y. McDonald Industries to safeguard employee personally identifiable information.
3. Whether Stokes plausibly alleged unjust enrichment based on the company's alleged retention of funds that should have been used for data-security measures.

HOLDINGS

1. Under Iowa law, the economic loss rule bars Stokes's negligence claim because the alleged injuries arising from the data breach, including diminution in the value of personally identifiable information, emotional distress, lost time, loss of privacy, and mitigation expenses, are not sufficient to take the claim outside the rule.
2. Stokes plausibly alleged that an implied contract existed under which A.Y. McDonald Industries agreed to safeguard employees' personally identifiable information, and the complaint sufficiently alleged consideration at the pleading stage.
3. Stokes plausibly alleged breach of the implied contract because he identified specific security measures A.Y. McDonald Industries allegedly failed to employ, including encryption and deletion of former employees' personally identifiable information.
4. Stokes plausibly alleged unjust enrichment in the alternative to his implied-contract claim because he alleged that A.Y. McDonald Industries received benefits associated with his labor and retained funds that should have been used for data-security measures.

KEY QUOTATIONS

“To survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to “state a claim to relief that is plausible on its face.””

“In other words, the data breach itself is not proof that a defendant failed to comply with applicable legal and industry standards.”

FACTUAL BACKGROUND

A.Y. McDonald Industries required its employees to provide personally identifiable information, including names, birth dates, Social Security numbers, and bank and routing account numbers, and retained information belonging to current and former employees. An unauthorized third party accessed the company's network in

January 2025, after which the company sent notices stating that the potentially affected files contained such information. Stokes alleged that the company failed to use appropriate security measures, including encryption and deletion of former employees' information, and asserted negligence, breach of an implied contract to safeguard the information, and unjust enrichment.

PROCEDURAL HISTORY

Stokes filed a putative class action in the Iowa District Court for Dubuque County on November 10, 2025. A.Y. McDonald Industries removed the action to the Northern District of Iowa under the Class Action Fairness Act. The court granted the motion to dismiss as to the negligence claim and denied it as to the implied-contract and unjust-enrichment claims.

DISPOSITION

other

CASES CITED

- Glick v. W. Power Sports, Inc., 944 F.3d 714, 717 (8th Cir. 2019)
- Bell Atlantic Corp. v. Twombly, 550 U.S. 544 (2007)
- Ashcroft v. Iqbal, 556 U.S. 662, 677-79 (2009)
- Whitney v. Guys, Inc., 700 F.3d 1118, 1128 (8th Cir. 2012)
- Zoltek Corp. v. Structural Polymer Group, 592 F.3d 893, 896 n.4 (8th Cir. 2010)
- Topichian v. JPMorgan Chase Bank, N.A., 760 F.3d 843, 848 (8th Cir. 2014)
- Parkhill v. Minn. Mut. Life Ins., 286 F.3d 1051, 1057-58 (8th Cir. 2002)
- Couzen v. Donohue, 854 F.3d 508, 517 (8th Cir. 2017)
- Audler v. CBC Innovis Inc., 519 F.3d 239, 248 (5th Cir. 2008)
- Olmsted Medical Center v. Continental Casualty Co., 65 F.4th 1005, 1008 (8th Cir. 2023)
- Marcus v. Young, 538 N.W.2d 285, 288 (Iowa 1995)
- Determan v. Johnson, 613 N.W.2d 259, 262-63 (Iowa 2000)
- Nelson v. Todd's Ltd., 426 N.W.2d 120, 123 (Iowa 1988)
- Nebraska Innkeepers, Inc. v. Pittsburgh-Des Moines Corp., 345 N.W.2d 124, 126 (Iowa 1984)
- Van Sickle Construction Co. v. Wachovia Commercial Mortgage, Inc., 783 N.W.2d 684, 693 (Iowa 2010)
- Richards v. Midland Brick Sales Co., 551 N.W.2d 649, 650 (Iowa Ct. App. 1996)
- Annett Holdings, Inc. v. Kum & Go, L.C., 801 N.W.2d 499, 503-06 (Iowa 2011)
- Mohsen v. Veridian Credit Union, 733 F. Supp. 3d 754, 764-67 (N.D. Iowa 2024)
- Reetz v. Advocate Aurora Health, Inc., 983 N.W.2d 669, 677-79 (Wis. 2022)
- Collins v. Athens Orthopedic Clinic, P.A., 837 S.E.2d 310, 316 n.7 (Ga. 2019)
- In re Target Corp. Data Security Breach Litigation, 66 F. Supp. 3d 1154, 1174, 1176 (D. Minn. 2014)
- Fox v. Iowa Health System, 399 F. Supp. 3d 780, 795 (W.D. Wis. 2019)

- Harris v. Mercy Health Network, Inc., 2024 WL 5055556, at *11, *16-18 (S.D. Iowa June 26, 2024)
- Niblo v. Parr Manufacturing, Inc., 445 N.W.2d 351, 354 (Iowa 1989)
- Clark v. Estate of Rice ex rel. Rice, 653 N.W.2d 166, 169-71 (Iowa 2002)
- Anderson Plasterers v. Meinecke, 543 N.W.2d 612, 613 (Iowa 1996)
- Koeppel v. Speirs, 808 N.W.2d 177, 181 (Iowa 2011)
- Royal Indemnity Co. v. Factory Mutual Insurance, 786 N.W.2d 839, 846 (Iowa 2010)
- Margeson v. Artis, 776 N.W.2d 652, 655-56 (Iowa 2009)
- Anderson v. Douglas & Lomason Co., 540 N.W.2d 277, 285 (Iowa 1995)
- Heartland Express, Inc. v. Terry, 631 N.W.2d 260, 268, 270 (Iowa 2001)
- Rucker v. Taylor, 828 N.W.2d 595, 601 (Iowa 2013)
- Legg v. Western Bank, 873 N.W.2d 763, 771 (Iowa 2016)
- Konchar v. Pins, 989 N.W.2d 150, 158 (Iowa 2023)
- Castillo v. Seagate Technology, LLC, 2016 WL 9280242, at *9 (N.D. Cal. Sept. 14, 2016)
- Carlsen v. GameStop, Inc., 833 F.3d 903, 911-12 (8th Cir. 2016)
- Kuhns v. Scottrade, Inc., 868 F.3d 711, 719 (8th Cir. 2017)
- State ex rel. Palmer v. Unisys Corp., 637 N.W.2d 142, 154-55 (Iowa 2001)
- Endress v. Iowa Department of Human Services, 944 N.W.2d 71, 80 (Iowa 2020)
- Sackin v. TransPerfect Global, Inc., 278 F. Supp. 3d 739, 751 (S.D.N.Y. 2017)
- Gaddy v. Long & Foster Cos., 2022 WL 22894854, at *13 (D.N.J. Mar. 16, 2022)
- Midkiff v. Shoe Show, Inc., 2026 WL 880210, at *13 (M.D.N.C. Mar. 30, 2026)