

IN THE COURT OF APPEALS OF IOWA

No. 7-568 / 96-1658

AGRICREDIT ACCEPTANCE CORPORATION,
Appellant,

vs.

WOLLAK HARDWARE, INC., JOSEPH WOLLAK, and KATHY WOLLAK,
Appellees.

Appeal from the Iowa District Court for Polk County, Gene L. Needles, Judge.

Agricredit appeals the district court's dismissal of its breach of contract action against Minnesota defendants, Wollaks, on the basis of lack of personal jurisdiction.

AFFIRMED.

Ronald L. Anderson and Richard J. Howes of Howes & Anderson, P.C., Des Moines and Jeanne K. Johnson, Des Moines, for appellant.

Gregory A. Hulse and then Randy V. Hefner of Van Werden & Hefner, Adel, for appellees.

Heard by Huitink, P.J., and Vogel and Mahan, JJ.

VOGEL, J.

Agricredit Acceptance Corporation (“Agricredit”), appeals the district court’s dismissal of its breach of contract action against Minnesota residents Wollak Hardware, Inc. and Joseph and Kathy Wollak (“Wollaks”) on the grounds of lack of personal jurisdiction. Agricredit claims Wollaks had sufficient minimum contacts with Iowa for purposes of Iowa’s exercise of personal jurisdiction over them. We disagree and affirm the district court’s dismissal of this action.

Background facts. Joseph and Kathy Wollak are residents of Minnesota. They operate and are the corporate officers of Wollak Hardware, Inc., a Minnesota corporation. Wollaks had been a dealership for J-Star Industries, Inc., an agricultural and industrial equipment manufacturer-supplier. J-Star induced Wollaks to offer purchase and lease financing to its customers with Agricredit, a Delaware corporation doing business in Iowa. In addition, Joseph and Kathy, through two separate agreements, personally guaranteed that upon default, they would pay Agricredit the balance of the outstanding indebtedness of the customer-debtor.

In April 1991, Arlin Wertish, a resident of Minnesota leased some farm equipment through Wollak, financed by Agricredit. Wertish failed to make his lease payments. Agricredit sued Wertish in the State of Minnesota and obtained a judgment against him. The judgment was later discharged in bankruptcy. Agricredit now seeks

judgment in Iowa against Wollak Hardware, Inc. and Joseph and Kathy Wollak personally.

Scope of review. When reviewing a ruling on a motion to dismiss for lack of personal jurisdiction, the trial court's findings of fact have the effect of a jury verdict and are subject to challenge only if not supported by substantial evidence in the record, but we are not bound by the trial court's application of legal principles or its conclusions of law. *Hagan v. Val-Hi, Inc.*, 484 N.W.2d 173, 175 (Iowa 1992).

Minimum contacts. Agricredit bases its claim of personal jurisdiction in Iowa on Iowa Rule of Civil Procedure 56.2 (1995). This rule provides that

[e]very corporation, individual, personal representative, partnership or association that shall have the *necessary minimum contact* with the state of Iowa shall be subject to the jurisdiction of the courts of this state, and the courts of this state shall hold such corporation, individual, personal representative, partnership or association amenable to suit in Iowa in every case not contrary to the provisions of the constitution of the United States.

(Emphasis added.) For Iowa to assert personal jurisdiction over Wollak's, Wollak's must have had "certain minimum contacts with [Iowa] such that maintenance of the suit (in Iowa) does not offend 'traditional notions of fair play and substantial justice.'" *International Shoe v. Washington*, 326 U.S. 310, 316-17, 66 S.Ct. 154, 158-59, 90 L.Ed. 95, 102-03 (1945); *Meyers v. Kallestead*, 476 N.W.2d 65, 67 (Iowa 1991); accord *Hodges v. Hodges*, ____ N.W.2d ____ (Iowa 1997). In order to determine whether a court possesses personal jurisdiction over a nonresident defendant, we

examine five factors, the first three of which are most heavily weighed: (1) the quantity of contacts the party has with the state seeking to exercise jurisdiction; (2) the nature and quality of the contact; (3) the source and connection of the cause of action with these contacts; (4) the interest of the forum state; and (5) the convenience of the parties. *See Bankers Trust Co. v. Fidata Trust Co.*, 452 N.W.2d 411, 413 (Iowa 1990) (citing *Larsen v. Scholl*, 296 N.W.2d 785, 788 (Iowa 1980)). We apply the constitutional minimum contacts standard on a case-by-case basis. *Heslinga v. Bollman*, 482 N.W.2d 921, 922 (Iowa 1992).

Wollak Hardware had limited contacts with Iowa. It did not own property in Iowa, did not maintain offices in Iowa, nor bank accounts, registered agents, employees, officers, or facilities in Iowa. Wollaks' connection to Iowa was to provide a link with its customers to Agricredit for financing. The trial court specifically found J-Star induced Wollak to enter into the financing agreement with Agricredit. A transaction was completed in this way: A customer needing financing would complete a credit application at Wollaks' business. Wollak would forward the application via telephone or mail to Agricredit's office in Des Moines, Iowa. Upon loan approval, Agricredit prepared a contract (or lease) between the customer and Wollak and sent the contract back to Wollak's for execution. Wollak then returned the executed contract to Agricredit along with an assignment. Agricredit issued a check payable to Wollak for the financing. Despite Agricredit's characterization of

Wollaks doing business in Iowa, we regard the Wollaks as conduits facilitating financing for customers in these ongoing credit transactions. *Cf. Aquadrill v. ECCS*, 558 N.W.2d 391, 393-94 (Iowa 1997).

We do not find as Agricredit suggests, that *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 105 S.Ct. 2174, 85 L.Ed.2d 528 (1985), and *Hager v. Doubletree*, 440 N.W.2d 603 (Iowa 1989), are determinative of this issue, as those cases are factually distinguishable. In both cases, the parties over whom jurisdiction was asserted, the nonresident, allowed the forum plaintiffs to exercise a substantial degree of control and involvement in the nonresident's business and its attendant transactions. Such business control was not the case in the type of contacts between Wollak and Agricredit. Wollak's did not submit to control over its business to Agricredit but only availed itself of arranging credit for its customers through Agricredit.

Furthermore, most of the communications between Wollak's and Agricredit were by telephone or mail which communications typically are not the type of contact alone justifying assertion of jurisdiction over nonresident buyer. *See Fidata*, 452 N.W.2d at 414 (holding phone calls and mailings were "not the type [of connections] that would have led [the nonresident party] to believe it would be haled into [the] court" of the plaintiff's home state); *accord OmniLingua, Inc. v. Great Golf Resorts of World, Inc.*, 500 N.W.2d 721 (Iowa App. 1993).

Agricredit correctly argues when asserting personal jurisdiction over a nonresident defendant, “it is essential . . . the defendant *purposefully* avails itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws.” *Hanson v. Denckla*, 357 U.S. 235, 253, 78 S.Ct. 1228, 1240, 2 L.Ed.2d 1283, 1298 (1958) (citing *International Shoe*, 326 U.S. at 319, 66 S.Ct. at 161, 90 L.Ed. at 103) (emphasis added). We note the “purposeful availment” requirement prevents a nonresident defendant from being haled into a jurisdiction solely as a result of random, fortuitous, or attenuated contacts. *See Burger King*, 471 U.S. at 475, 105 S.Ct. at 2183, 85 L.Ed.2d at 542.

The trial court stated in its ruling that “J-Star *induced* Wollak to enter into a financing agreement with plaintiff Agricredit.” (Emphasis added.) This demonstrates that the business relationship was not solicited by Wollaks, but rather, by Agricredit and J-Star. *See OmniLingua, Inc. v. Great Golf Resorts of World, Inc.*, 500 N.W.2d 721, 725 (Iowa App. 1993) (holding fact that contract was solicited by the resident plaintiff bore upon the source and connection of the forum state with the cause of action; court concluded Great Golf, the nonresident, “did not unilaterally inject itself into doing business in Iowa,” and therefore Great Golf was ultimately not subject to the jurisdiction of the Iowa courts). Similarly, in this case, Wollaks did not unilaterally--and thus did not purposefully--inject itself into conducting business activity in Iowa. Moreover, our supreme court in *Hodges v. Hodges*, _____ N.W.2d

_____ (Iowa 1997), stated that if a non-resident “defendant has *purposefully* directed his activities at residents of the forum, and the litigation results from alleged injuries that arise out of or relate to those activities,”¹ the “fair warning” requirement is satisfied such that a forum may appropriately assert jurisdiction over the non-resident defendant. We do not find Wollak purposefully directed its activity at Agricredit in Iowa.

In this case, the underlying transaction, the equipment contract or lease, was a Minnesota contract, entered into by Minnesota residents, involving property that was at all times located in Minnesota. Agricredit’s involvement was solely for the purposes of financing the transaction. We therefore find Wollaks’ connections to Iowa in such transactions were attenuated.

Agricredit additionally maintains that Iowa has personal jurisdiction over the Wollaks individually, by reason of their respective personal guarantees of payment to Agricredit. *Bankers Leasing Co. v. Eagle Valley Environmentalists, Inc.*, 387 N.W.2d 380, 383 (Iowa App. 1986) specifically held a personal guarantee was not “sufficient to vest Iowa with personal jurisdiction” over the nonresident, individual executive director of the corporation.

¹ Quoting *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472, 105 S.Ct. 2174, 2182, 85 L.Ed.2d 528, 540-41 (1985) (footnote omitted) (citations omitted) (emphasis added); accord *Helicopteros Nacionales de Columbia, S.A. v. Hall*, 466 U.S. 408, 414, 104 S.Ct. 1868, 1872, 80 L.Ed.2d 404, 411 (1984).

We find there was substantial evidence in the record to support the district court's finding that granting of jurisdiction over the Wollaks in Iowa does not comply with the notion of fair play and substantial justice. Accordingly, we affirm the district court's dismissal of Agricredit's claim against Wollak Hardware.

AFFIRMED.