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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

HERGUAN UNIVERSITY,
Plaintiff,
v.
IMMIGRATION AND CUSTOMS
ENFORCEMENT, et al.,
Defendants.

Case No. 16-CV-06656-LHK

**ORDER GRANTING DEFENDANTS’
MOTION TO DISMISS WITH
PREJUDICE**

Re: Dkt. No. 39

Plaintiff Herguan University (“Plaintiff”) brings the instant suit against Defendants Immigration and Customs Enforcement (“ICE”) and Student and Exchange Visitor Program (the “Exchange Program” or “SEVP”) (collectively, “Defendants”). Before the Court is Defendants’ Motion to Dismiss. ECF No. 39 (“Mot.”). Having considered the parties’ briefing, the relevant law, and the record in this case, the Court GRANTS Defendants’ Motion to Dismiss with prejudice.

I. BACKGROUND

This case involves an Administrative Procedure Act (“APA”) challenge to the Exchange Program’s decision to withdraw Plaintiff’s certification to enroll foreign nonimmigrant students. The APA claim specifically challenges the Exchange Program’s Appeals Team’s (“Appeals

1 Team's") September 1, 2016 decision to affirm the Exchange Program's withdrawal of
2 certification. ECF No. 1-1 ("Appeals Team Decision"). Plaintiff also seeks a declaratory
3 judgment that the Exchange Program's decision was wrong. Finally, Plaintiff asserts that
4 Defendants committed an equal protection violation. The facts set forth below are found in the
5 administrative record, Plaintiff's complaint, and documents from related federal cases.

6 **A. Statutory Background and Plaintiff's Certification to Enroll Foreign Students**

7 Plaintiff is a private university that enrolls foreign nonimmigrant students on student visas.
8 ECF No. 38, First Amended Complaint ("FAC") ¶ 23. In order to enroll foreign nonimmigrant
9 students, a university must be certified to do so by the Exchange Program. 8 C.F.R. § 214.3(a).
10 To obtain certification, a university must apply by submitting Form I-17 to the Exchange Program,
11 which is entitled "Petition for Approval of School for Attendance by Nonimmigrant Students." *Id.*
12 The Exchange Program will certify a school to enroll foreign nonimmigrant students if the school
13 shows that it is a "bona fide school," it "possesses the necessary facilities, personnel, and finances
14 to conduct instruction in recognized courses," and "is, in fact, engaged in instruction in those
15 courses." *Id.* § 214.3(a)(3)(i). The certification is provided for a school's particular degree
16 program, not necessarily for every course and degree program at a school. *Id.*

17 As part of the I-17 application, the university assigns a person to be the Principal
18 Designated School Official ("Principal Designated Official"), who serves as the main point of
19 contact with the Exchange Program and carries out responsibilities related to the Exchange
20 Program. *Id.* The school can also appoint other Designated School Officials ("Designated
21 Officials") to carry out other Exchange Program related activities. The Designated Officials have
22 access to, and maintain records in, the Student and Exchange Visitor Information System
23 ("SEVIS"). Designated Official access to SEVIS is necessary to continue admitting foreign
24 nonimmigrant students and to ensure that students maintain their visa status. Designated Officials
25 are in charge of issuing Form I-20, the form students need to obtain or update their F-1 or M-1
26 student visas.

27 A school that has obtained certification to issue Form I-20 can lose that certification in a

1 number of ways. First, a university must apply for recertification every two years and that
2 recertification can be denied for a number of reasons set forth in 8 C.F.R. § 214.4(a)(2). Second,
3 if the Exchange Program obtains information that a school is no longer eligible for certification
4 because of one of the reasons set forth in § 214.4(a)(2), the Exchange Program may initiate an
5 “out-of-cycle” review. To withdraw certification after such an out-of-cycle review, the Exchange
6 Program must first provide the school a Notice of Intent to Withdraw Certification at least 30 days
7 before withdrawal and an opportunity to challenge the bases for withdrawal. *Id.* § 214.4(b). The
8 Exchange Program may then withdraw the school’s certification. *Id.*

9 On February 14, 2008, the Exchange Program certified Plaintiff to issue Form I-20 for F-1
10 visas for foreign nonimmigrant students for a degree program in Chinese Medicine. FAC ¶ 4.
11 Plaintiff’s owner and president is named Ying Wang. Appeals Team Decision at 2. Ying Wang
12 appointed his son, Jerry Wang, to serve as the Principal Designated Official. FAC ¶ 8. Jerry
13 Wang was also the Chief Executive Officer (“CEO”) of Plaintiff. *Id.* No other Designated
14 Official was appointed. *Id.*

15 **B. Exchange Program Investigation, Jerry Wang’s Criminal Charges, and Other**
16 **Events in 2010–2012**

17 On November 17, 2010, the Exchange Program conducted a site visit and began an
18 investigation as to whether Plaintiff was complying with Exchange Program regulations. *Id.* ¶ 5.¹
19 The Exchange Program made multiple requests for evidence to Plaintiff over the following year as
20 part of its investigation. *Id.* ¶ 6–8.

21 On July 24, 2012, a federal grand jury returned an indictment against Jerry Wang,
22 Plaintiff’s Principal Designated Official, for (1) conspiracy to commit visa fraud in violation of 18
23 U.S.C. § 371, (2) four counts of visa fraud in violation of 18 U.S.C. § 1546, (3) unauthorized
24 access to a government computer in violation of 18 U.S.C. § 1030, (4) seven counts of use of a

25
26 ¹ The Court notes that this was not necessarily the first action taken by the Exchange Program.
27 The government asserts that the Exchange Program “began to notice compliance issues” in 2008,
28 “and on September 23, 2008, [the Exchange Program] served a [Notice of Intent to Withdraw
Certification] on [Plaintiff] for issuing Forms I-20 for unapproved [degree] programs.” Mot. at 5.

1 false document in violation of 18 U.S.C. § 1001, and (5) two counts of aggravated identity theft in
2 violation of 18 U.S.C. § 1028A. *See United States v. Wang*, N.D. Cal. Case No. 12-CR-00581-
3 EJD (“Criminal Case”) ECF No. 1.

4 On August 2, 2012, the Exchange Program issued Plaintiff a Notice of Intent to Withdraw
5 Certification (“2012 Notice”). FAC ¶ 8. On the same day, Jerry Wang was removed as the
6 Principal Designated Official, his access to the SEVIS system was revoked, and he was arrested
7 on the above-mentioned criminal charges. *Id.*; *see also* Criminal Case ECF No. 3 (initial
8 appearance on August 2, 2012).

9 On August 20, 2012, Jerry Wang and Plaintiff filed an ex parte application for a temporary
10 restraining order (“TRO”). *See Herguan Univ. v. Immigration & Customs Enf’t*, N.D. Cal. Case
11 No. 12-CV-04364-EJD (“*Herguan I*”) ECF No.1. The application for a TRO sought to reinstate
12 access to SEVIS “until the criminal proceedings [against Jerry Wang] ha[d] been completed.” *Id.*
13 ECF No. 9 (“Order Denying *Herguan I* TRO”) at 2. The *Herguan I* court denied Jerry Wang and
14 Plaintiff’s application for a TRO because Jerry Wang and Plaintiff had failed to file a complaint
15 with their application for a TRO. *Id.* The failure to file a complaint with an application for a TRO
16 violated the Civil Local Rules and also precluded a finding of subject matter jurisdiction because
17 there were no asserted claims or an amount in controversy that satisfied the requirements of
18 federal question or diversity jurisdiction. *Id.*

19 On August 22, 2012, Jerry Wang and Plaintiff filed a second ex parte application for a
20 TRO. *Herguan Univ v. Immigration & Customs Enf’t*, N.D. Cal. Case No. 12-CV-4403-PSG
21 (“*Herguan II*”) ECF No. 1. The same day, Magistrate Judge Paul Grewal denied the application
22 for a TRO because “Plaintiffs have not established that they are likely to succeed on the claim that
23 Defendants have violated rights redressible under the Administrative Procedure Act by
24 terminating Wang’s SEVIS ID and password prior to withdrawal of the University’s I-17
25 certification.” *Id.* ECF No. 8 (“Order Denying *Herguan II* TRO”).

26 The FAC alleges that on September 18, 2012, the Exchange Program withdrew Plaintiff’s
27 certification, but that the Exchange Program “rescinded its withdrawal” in October 2012. FAC

1 ¶¶ 9–10.

2 **C. Exchange Program Withdrawal of Certification, Plaintiff’s Appeal, and Jerry**
3 **Wang’s Change of Plea**

4 For the next two-and-a-half years, the Exchange Program allowed Plaintiff to continue
5 issuing I-20 forms for F-1 nonimmigrant student visas for its Chinese Medicine degree program,
6 but did not allow Plaintiff to add any new programs for which student visas could be issued. *Id.*
7 ¶ 11. The Appeals Team indicates that the delay occurred because of the criminal proceedings
8 pending against Jerry Wang. Appeals Team Decision at 4 (“Due to the potential complications
9 arising from the overlapping issues in the criminal and civil cases, [the Exchange Program]
10 allowed the criminal case to proceed first while continuing to monitor the school and permitting it
11 to operate.”). On March 31, 2015, the Exchange Program withdrew Plaintiff’s certification based
12 on the factual bases described in the 2012 Notice. *Id.* ¶ 12.

13 On April 9, 2015, Jerry Wang agreed “to plead guilty to Count Twelve of the captioned
14 Superseding Indictment charging [him] with using a false document, in violation of 18 U.S.C.
15 § 1001(a)(3).” Criminal Case ECF No. 168 (“Plea Agmt.”) ¶ 1. Jerry Wang’s plea agreement
16 provided the following factual basis:

17 I agree that I am guilty of the offense to which I am pleading guilty, and I agree
18 that the following facts are true: On or about December 16, 2010, I was the Chief
19 Executive Officer and sole Designated School Official for Herguan University,
20 located in Sunnyvale, California. On this date, I knowingly made and used a false
21 document, specifically an Academic Warning Letter for Herguan University,
22 knowing that it contained a materially false, fictitious, or fraudulent statement, in
23 a matter within the jurisdiction of the U.S. Department of Homeland Security,
24 part of the executive branch of the United States, by providing it to DHS’s
25 Student and Exchange Visitor Program ([the Exchange Program]).

26 I agree that I also participated in a scheme to commit visa fraud, which involved
27 more than one hundred immigration-related documents known as Forms I-20. I
28 further agree that I knowingly and intentionally assisted Herguan employees in
accessing, without government authorization, [the Exchange Program’s]
nonpublic computer database known as the Student and Exchange Visitor
Information System (SEVIS). I agree that this computer was used nonexclusively
by or for the United States Government, but that the unauthorized access that I
facilitated affected that computer’s use by or for the United States Government.

Plea Agmt. ¶ 2; *see also* Appeals Team Decision (relying on Plea Agreement).

1 The “Academic Warning Letter” referred to in Jerry Wang’s plea agreement was a letter
2 sent to students after the Exchange Program began to initiate its investigations. Appeals Team
3 Decision at 3. Plaintiff had been allowing students to take classes online without sufficient in-
4 person classes under Exchange Program regulations. *Id.* When the Exchange Program informed
5 Plaintiff of the issue, Jerry Wang drafted the Academic Warning Letter, which stated that students
6 would be required to attend in-person classes at the end of the school year. *Id.* Jerry Wang sent
7 the letter to Exchange Program officials, but never sent it to students, and never held the promised
8 classes. *Id.* Plaintiff’s plea agreement confirms that the Academic Warning Letter was fraudulent.

9 On April 15, 2015, Plaintiff appealed the March 31, 2015 withdrawal of its certification.
10 FAC ¶ 14. On July 7, 2015, the Appeals Team remanded the withdrawal of certification to the
11 Exchange Program because the withdrawal occurred before Jerry Wang’s guilty plea, which the
12 Appeals Team held was “previously unavailable and relevant information” that should be
13 considered by the Exchange Program. ECF No. 1-2.²

14 **D. Final Withdrawal of Certification and Appeal**

15 On November 9, 2015, following remand, the Exchange Program issued another Notice of
16 Intent to Withdraw Certification (“2015 Notice”). ECF No. 1-4 at 1. On June 13, 2016, the
17 Exchange Program withdrew Plaintiff’s certification. *Id.* (“June 13, 2015 Withdrawal of
18 Certification”); FAC ¶ 16. The withdrawal of certification provided the following reason for
19 withdrawing Plaintiff’s certification:

20 The felony violation of Jerry Wang, who was both the [Principal Designated
21 Officer] and CEO for Herguan University, as well as the son of the school’s
22 owners, and his admissions in the plea agreement that he participated in a scheme
23 to commit visa fraud, demonstrate a failure by Herguan University to comply with
24 federal regulations governing [Exchange Program] certification.

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26 The Exchange Program also finds Herguan University facilitated the unauthorized
27 access of SEVIS—a nonpublic official governmental database. Jerry Wang

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² The remand was technically sent to the Exchange Program’s Analysis and Operations Center, however, for the purpose of simplicity the Court also refers to the Analysis and Operations Center as “the Exchange Program.”

1 admitted to knowingly and intentionally assisting unauthorized Herguan
2 University employees in accessing SEVIS. . . . Allowing unapproved school
3 officials to access SEVIS is a violation of [Exchange Program] regulations.
4 Schools found to violate these regulations are subject to withdrawal pursuant to 8
5 *CFR 214.4(a)(2)(viii) and (ix)*.

6

7 Though the school insists Wang acted alone, the lack of institutional control to
8 prevent his criminal acts as well as his admission that he was a “participant in a
9 scheme” renders the school culpable if not for his criminal acts then an
10 institutional failure to comply with the regulations. As such, [the Exchange
11 Program] finds the school is subject to withdrawal pursuant to 8 *CFR*
12 *214.4(a)(2)(vi), (viii) and (xi)*.

13 June 13, 2015 Withdrawal of Certification at 3–5.

14 On September 1, 2016, the Appeals Team affirmed the Exchange Program’s withdrawal of
15 certification (hereafter, “Appeals Team Decision”). *See* Appeals Team Decision. The Appeals
16 Team relied on 8 C.F.R. § 214.4(a)(2)(vi), which provides that certification will be withdrawn “for
17 any valid and substantive reason including, but not limited to . . . (vi) conduct on the part of a
18 [Designated Official] that does not comply with the regulations.” *Id.* at 5. The Appeals Team
19 determined that the Exchange Program had correctly withdrawn Plaintiff’s certification because
20 Jerry Wang’s actions as Plaintiff’s Principal Designated Official “clearly constitute ‘valid and
21 substantive’ reasons for withdrawing the school’s [Exchange Program] certification.” *Id.*

22 Specifically, the Appeals Team pointed to the fact that the Principal Designated Official is
23 “the point of contact on any issues related to the school’s compliance with the regulations.” *Id.* at
24 5 (quoting 8 C.F.R. § 214.3(l)(1)(ii)). Moreover, the Designated officials “may not delegate
25 th[eir] designation to any other person.” *Id.* (citing 8 C.F.R. § 214.3(l)(1)). The Appeals Team
26 relied on Jerry Wang’s plea agreement and found that the regulations had been violated for the
27 following reasons:

28 The evidence of record shows that Jerry Wang did not commit an isolated,
insignificant, or unknowing violation of his responsibilities but, instead, flouted
his obligations by admitting to participating in a scheme to commit visa fraud
involving “more than one hundred immigration-related documents known as
Forms I-20” and “knowingly and intentionally assisting Herguan employees in
accessing . . . SEVIS” and that the “unauthorized access that I facilitated affected
the computer’s use by or for the United States.” Further, Jerry Wang admitted to
“knowing[ly] mak[ing] and us[ing] a false document, specifically the Academic

1 Warning Letter for Herguan University, knowing that it contained a materially
2 false, fictitious, or fraudulent statement” and that “the statement was material to
the activities or decision of the agency or department[.]

3 *Id.* (quoting Plea Agmt. ¶¶ 1–2).

4 Plaintiff argued before the Appeals Team that the withdrawal of certification was barred by
5 “laches and estoppel” because Jerry Wang’s conduct occurred in 2010 and 2011, approximately 5
6 years before the withdrawal of certification. *Id.* at 6. However, the Appeals Team “reject[ed]
7 Herguan’s contention,” and held that “[a]s in the context of recertification, ‘assessment by [the
8 Exchange Program] of a school . . . will focus primarily on overall school compliance, but may
9 also include examination of individual [Designated Official] compliance as data and
10 circumstances warrant. Past performance of these individuals, whether or not they continue to
11 serve as principal designated school officials . . . will be considered.’” *Id.* Moreover, the Appeals
12 Team noted that “while this case has taken a long time to effectuate [the Exchange Program’s
13 congressionally mandated duty to monitor a school’s compliance] because of related issues and
14 litigations, [the Exchange Program] cannot permit such flagrant violations of the regulations
15 without shirking its own duties.” *Id.*

16 **D. Herguan III Suit and Initial Stages of the Instant Suit, Herguan IV**

17 On June 27, 2016, before the Appeals Team Decision on September 1, 2016, Plaintiff filed
18 a *Bivens* action for violation of the First, Fourth, and Fifth Amendments against Jason Kanno and
19 Susanna Warner, the Exchange Program employees who were in charge of Plaintiff’s case. *See*
20 *Herguan Univ. v. Kanno* (“*Herguan III*”), N.D. Cal. Case No. 16-CV-3619-LHK ECF No. 1. In
21 *Herguan III*, the Plaintiff alleged that Kanno and Warner attempted to conspire with accrediting
22 agencies to revoke its accreditation in an attempt to force the Plaintiff to cease operations. *Id.*
23 Plaintiff also alleged that Kanno and Warner had a “racist agenda to shut down Asian owned and
24 operated [Exchange Program] certified universities such as Herguan.” *Id.* *Herguan III* was
25 assigned to the undersigned judge. *Id.* ECF No. 12. On November 22, 2016, after filing the
26 instant suit, Plaintiff voluntarily dismissed *Herguan III*. *Id.* ECF No. 22.

27 On November 16, 2016, Plaintiff filed the instant suit against ICE and the Exchange

1 Program. ECF No. 1 (“Compl.”) (“*Herguan IV*”). In the original complaint, Plaintiff alleged four
2 causes of action: (1) judicial review of the Appeals Team Decision pursuant to the Administrative
3 Procedure Act, 5 U.S.C. §§ 551–59; (2) declaratory judgment that Defendants’ actions were
4 unlawful, that Plaintiff’s certification should be reinstated, and that Defendants should approve the
5 addition of new courses and degree programs for which I-20 forms for F-1 nonimmigrant student
6 visas may be issued; (3) writ of mandamus requiring Defendants to allow Plaintiff to add new
7 courses and degree programs; and (4) violation of equal protection on the same bases described in
8 *Herguan III*. Compl. ¶¶ 26–39.

9 On November 17, 2016, Plaintiff filed an ex parte application for a TRO in the instant suit.
10 ECF No. 7. On November 18, 2016, the instant suit was assigned to District Judge Beth Freeman.
11 ECF No. 10. The ex parte application for a TRO sought to enjoin ICE and the Exchange Program
12 from putting into effect the withdrawal of certification and revocation of access to SEVIS. *Id.* at
13 3. On November 22, 2016, Judge Freeman held a hearing and denied on the record Plaintiff’s ex
14 parte application for a TRO. ECF No. 15. Judge Freeman issued a written order on December 2,
15 2016, and held that Plaintiff had failed to show a likelihood of success on the merits. ECF No. 17
16 (“TRO Order”). Specifically, at the hearing, Judge Freeman stated: “Frankly, I would dismiss this
17 complaint for failure to state a claim because it’s so poorly drafted.” ECF No. 27 at 8.

18 On December 2, 2016, Judge Freeman sua sponte referred the instant case, *Herguan IV*, to
19 the undersigned judge to determine whether it is related to *Herguan III*. ECF No. 18. On
20 December 12, 2016, the Court related the instant case to *Herguan III*. ECF No. 19.

21 On December 12, 2016, Plaintiff appealed the denial of Plaintiff’s ex parte application for
22 a TRO to the Ninth Circuit. ECF No. 21; 9th Cir. Case No. 16-17261.

23 **E. Motions to Dismiss and Dismissal of Plaintiff’s Interlocutory Appeal in the**
24 **Instant Suit**

25 On January 31, 2017, Defendants filed a motion to dismiss Plaintiff’s original complaint in
26 the instant case. ECF No. 29. On February 27, 2017, because Plaintiff failed to file an opposition,
27 the Court granted Defendants’ motion to dismiss. ECF No. 36. The Court provided leave to
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1 amend and stated that “failure to cure the deficiencies identified in Defendants’ motion to dismiss
2 will result in dismissal with prejudice of Plaintiff’s claims.” *Id.* at 2.

3 On March 29, 2017, Plaintiff filed an amended complaint. *See* FAC. The FAC contains
4 three causes of action: (1) judicial review of the Appeals Team Decision pursuant to the
5 Administrative Procedure Act, 5 U.S.C. §§ 551–59; (2) declaratory judgment that Defendants’
6 actions were unlawful, that Plaintiff’s certification should be reinstated, and that Defendants
7 should approve the addition of new courses and degree programs for which I-20 forms for F-1
8 nonimmigrant student visas may be issued; and (3) violation of equal protection. FAC ¶¶ 26–40.

9 On April 12, 2017, Defendants filed a motion dismiss the FAC. ECF No. 39 (“Mot.”). On
10 April 26, 2017, Plaintiff filed an opposition, ECF No. 40 (“Opp’n”), and on May 2, 2017,
11 Defendants filed a reply, ECF No. 41 (“Reply”).

12 On May 9, 2017, the Ninth Circuit dismissed Plaintiff’s appeal of the order denying
13 Plaintiff’s ex parte application for TRO for failure to file an opening brief. ECF No. 42.

14 **II. LEGAL STANDARD**

15 **A. Motion to Dismiss Under Rule 12(b)(6)**

16 Rule 8(a)(2) of the Federal Rules of Civil Procedure requires a complaint to include “a
17 short and plain statement of the claim showing that the pleader is entitled to relief.” A complaint
18 that fails to meet this standard may be dismissed pursuant to Federal Rule of Civil Procedure
19 12(b)(6). The U.S. Supreme Court has held that Rule 8(a) requires a plaintiff to plead “enough
20 facts to state a claim to relief that is plausible on its face.” *Bell Atl. Corp. v. Twombly*, 550 U.S.
21 544, 570 (2007). “A claim has facial plausibility when the plaintiff pleads factual content that
22 allows the court to draw the reasonable inference that the defendant is liable for the misconduct
23 alleged.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). “The plausibility standard is not akin to a
24 probability requirement, but it asks for more than a sheer possibility that a defendant has acted
25 unlawfully.” *Id.* (internal quotation marks omitted). For purposes of ruling on a Rule 12(b)(6)
26 motion, a court “accept[s] factual allegations in the complaint as true and construe[s] the pleadings
27 in the light most favorable to the nonmoving party.” *Manzarek v. St. Paul Fire & Marine Ins. Co.*,

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1 519 F.3d 1025, 1031 (9th Cir. 2008).

2 However, a court need not accept as true allegations contradicted by judicially noticeable
3 facts, *Shwarz v. United States*, 234 F.3d 428, 435 (9th Cir. 2000), and the “[C]ourt may look
4 beyond the plaintiff’s complaint to matters of public record” without converting the Rule 12(b)(6)
5 motion into one for summary judgment, *Shaw v. Hahn*, 56 F.3d 1128, 1129 n.1 (9th Cir. 1995).
6 Nor is the court required to “assume the truth of legal conclusions merely because they are cast in
7 the form of factual allegations.” *Fayer v. Vaughn*, 649 F.3d 1061, 1064 (9th Cir. 2011) (per
8 curiam) (quoting *W. Mining Council v. Watt*, 643 F.2d 618, 624 (9th Cir. 1981)). Mere
9 “conclusory allegations of law and unwarranted inferences are insufficient to defeat a motion to
10 dismiss.” *Adams v. Johnson*, 355 F.3d 1179, 1183 (9th Cir. 2004); accord *Iqbal*, 556 U.S. at 678.
11 Furthermore, “a plaintiff may plead herself out of court” if she “plead[s] facts which establish that
12 [s]he cannot prevail on h[er] . . . claim.” *Weisbuch v. Cty. of L.A.*, 119 F.3d 778, 783 n.1 (9th Cir.
13 1997).

14 **B. Judicial Review Under the APA**

15 Under the APA, “[a] person suffering legal wrong because of agency action, or adversely
16 affected or aggrieved by agency action within the meaning of a relevant statute, is entitled to
17 judicial review thereof.” *See* 5 U.S.C. § 702. An agency action may be set aside under the APA
18 only if it was “arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the
19 law.” *See id.* § 706(2)(A).

20 “To determine whether agency action is arbitrary or capricious, a court must consider
21 ‘whether the decision was based on a consideration of the relevant factors and whether there has
22 been clear error of judgment.’” *Alaska Ctr. for Env’t v. U.S. Forest Serv.*, 189 F.3d 851, 859 (9th
23 Cir. 1999) (quoting *Marsh v. Or. Nat. Res. Council*, 490 U.S. 360, 378 (1989)); *see also Pac.*
24 *Coast Fed’n of Fishermen’s Ass’n v. Nat’l Marine Fisheries Serv.*, 265 F.3d 1028, 1034 (9th Cir.
25 2001) (“Agency action should be overturned only when the agency has ‘relied on factors which
26 Congress has not intended it to consider, entirely failed to consider an important aspect of the
27 problem, offered an explanation for its decision that runs counter to the evidence before the

1 agency, or is so implausible that it could not be ascribed to a difference in view or the product of
2 agency expertise.”). This standard is a “deferential” one. *Sierra Club v. Bosworth*, 510 F.3d
3 1016, 1022 (9th Cir. 2007). Nonetheless, “to withstand review the agency must articulate a
4 rational connection between the facts found and the conclusions reached.” *Id.* at 1023 (brackets
5 and internal quotation marks omitted). Courts “will defer to an agency’s decision only if it is
6 ‘fully informed and well-considered.’” *Id.* (quoting *Save the Yaak Comm. v. Block*, 840 F.2d 714,
7 717 (9th Cir. 1988)).

8 **C. Leave to Amend**

9 If the Court determines that the complaint should be dismissed, it must then decide
10 whether to grant leave to amend. Under Rule 15(a) of the Federal Rules of Civil Procedure, leave
11 to amend “should be freely granted when justice so requires,” bearing in mind that “the underlying
12 purpose of Rule 15 . . . [is] to facilitate decision on the merits, rather than on the pleadings or
13 technicalities.” *Lopez v. Smith*, 203 F.3d 1122, 1127 (9th Cir. 2000) (en banc). When dismissing
14 a complaint for failure to state a claim, “a district court should grant leave to amend even if no
15 request to amend the pleading was made, unless it determines that the pleading could not possibly
16 be cured by the allegation of other facts.” *Id.* at 1130 (quoting *Doe v. United States*, 58 F.3d 494,
17 497 (9th Cir. 1995)). Nonetheless, a court “may exercise its discretion to deny leave to amend due
18 to ‘undue delay, bad faith or dilatory motive on part of the movant, repeated failure to cure
19 deficiencies by amendments previously allowed, undue prejudice to the opposing party. . . , [and]
20 futility of amendment.’” *Carvalho v. Equifax Info. Servs., LLC*, 629 F.3d 876, 892–93 (9th Cir.
21 2010) (alterations in original) (quoting *Foman v. Davis*, 371 U.S. 178, 182 (1962)).

22 **III. DISCUSSION**

23 Defendants argue that Plaintiff fails to state a claim on its APA, declaratory judgment, and
24 equal protection causes of action. Plaintiff argues that Defendants rely on facts that convert this
25 motion to a motion for summary judgment and that Plaintiff states a claim on its APA, declaratory
26 judgment, and equal protection causes of action. The Court first addresses whether the instant
27 motion must be converted into a motion for summary judgment and then discusses Plaintiff’s

1 APA, declaratory judgment, and equal protection causes of action.

2 **A. Conversion to a Motion for Summary Judgment**

3 The Court first addresses Plaintiff’s argument that the Government relies on facts that
4 require the Court to convert the instant motion to a motion for summary judgment. A court must
5 normally convert a Rule 12(b)(6) motion into a Rule 56 motion for summary judgment if it
6 “considers evidence outside the pleadings.” *United States v. Ritchie*, 342 F.3d 903, 907–08 (9th
7 Cir. 2003); see also Fed. R. Civ. P. 12(d) (“If, on a motion under Rule 12(b)(6) or 12(c), matters
8 outside the pleadings are presented to and not excluded by the court, the motion must be treated as
9 one for summary judgment under Rule 56”).

10 The Court addresses whether conversion to a motion for summary judgment is necessary
11 for each claim separately. Plaintiff currently seeks judicial review under the APA, recovery for an
12 alleged equal protection violation, and a declaratory judgment that various administrative
13 decisions were incorrectly decided. The Court addresses whether conversion to a motion for
14 summary judgment is necessary for each claim in turn.

15 First, with respect to the APA claim, the Court may consider matters outside the pleadings
16 without converting Defendants’ Motion to Dismiss to a motion for summary judgment. “[W]hen a
17 party seeks review of agency action under the APA [before a district court], the district judge sits
18 as an appellate tribunal.” *Rempfer v. Sharfstein*, 583 F.3d 860, 865 (D.C. Cir. 2009) (quoting *Am.*
19 *Bioscience, Inc. v. Thompson*, 269 F.3d 1077, 1083 (D.C. Cir. 2001)). Accordingly, “[t]he entire
20 case on review is a question of law,’ and the ‘complaint, properly read, actually presents no factual
21 allegations, but rather only arguments about the legal conclusion to be drawn about the agency
22 action.’” *Id.* (quoting *Marshall Cty. Health Care Auth. v. Shalala*, 988 F.2d 1221, 1226 (D.C. Cir.
23 1993)). Thus, “[this Court’s] review . . . is based on the agency record and limited to determining
24 whether the agency acted arbitrarily or capriciously.” *Id.*; see also *Univ. Med. Ctr. of S. Nev. v.*
25 *Shalala*, 173 F.3d 438, 440 n. 3 (D.C. Cir. 1999) (explaining that when reviewing agency action
26 the question of whether the agency acted in an arbitrary and capricious manner is a legal one
27 which the district court can resolve on the agency record, regardless of whether it is presented in

1 the context of a motion for judgment on the pleadings or in a motion for summary judgment).

2 In APA cases the administrative record is “the whole record,” which “consists of all
3 documents and materials directly or indirectly considered by agency decision-makers.” *Thompson*
4 *v. U.S. Dep’t of Labor*, 885 F.2d 551, 555 (9th Cir. 1989); *Portland Audubon Soc. v. Endangered*
5 *Species Comm.*, 984 F.2d 1534, 1548 (9th Cir. 1993) (“‘The whole record’ includes everything
6 that was before the agency pertaining to the merits of its decision.”). Accordingly, the Court may
7 consider the Exchange Program’s withdrawal of certification, the Appeals Team Decision, and the
8 documents on which both of those decisions relied, which includes Jerry Wang’s Plea Agreement
9 and Plaintiffs’ ex parte applications for TROs and the subsequent denials, without converting the
10 instant motion to a motion for summary judgment.

11 Second, with respect to Plaintiff’s equal protection claim, the entirety of this claim is based
12 on allegations in the FAC and emails that were attached to Plaintiff’s original complaint. *See* FAC
13 ¶ 17–18. Those emails are explicitly referenced in the FAC as the basis of Plaintiff’s equal
14 protection claim. *Id.* “A court may . . . consider certain materials—documents attached to the
15 complaint, documents incorporated by reference in the complaint, or matters of judicial notice—
16 without converting the motion to dismiss into a motion for summary judgment.” *Ritchie*, 342 F.3d
17 at 908. Thus, because the emails were attached to the original complaint and are explicitly
18 referenced as the basis for Plaintiff’s equal protection claim, the emails may be considered without
19 converting the instant motion to a motion for summary judgment. Defendants do not ask the
20 Court to look beyond these two sources. Accordingly, Defendants’ Motion to Dismiss Plaintiff’s
21 equal protection claim need not be converted to a motion for summary judgment.

22 Third, with respect to the declaratory judgment cause of action, Defendants’ challenge is
23 based entirely on a lack of subject matter jurisdiction and does not rely on facts outside the
24 complaint. Accordingly, the Court’s consideration of this claim does not require the instant
25 motion to be converted to a motion for summary judgment.

26 Accordingly, the Court need not convert the instant motion to the motion for summary
27 judgment.

28

B. APA Claim

Defendants argue that the Appeals Team Decision affirming the Exchange Program’s withdrawal of certification was not “arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law.” 5 U.S.C. § 706(2)(A). Specifically, Defendants argue that the Appeals Team Decision was not arbitrary and capricious or contrary to law because Jerry Wang, the Principal Designated Official for Plaintiff, clearly violated Exchange Program regulations as shown by his admissions in his plea agreement. The Exchange Program and the Appeals Team relied on 8 C.F.R. § 214.4(a)(2)(vi), which provides that Exchange Program certification will be withdrawn if it “is determined to no longer be entitled to certification for any valid and substantive reason including, but not limited to . . . (vi) conduct on the part of a [Designated Official] that does not comply with the regulations.” 8 C.F.R. § 214.4(a)(2)(vi). The Appeals Team determined that the Exchange Program had correctly withdrawn Plaintiff’s certification because Jerry Wang’s actions as Plaintiff’s Principal Designated Official violated multiple regulations. *See Appeals Team Decision* at 5.

In response, Plaintiff does not contest that Jerry Wang violated Exchange Program regulations or that Jerry Wang’s actions can be imputed to Plaintiff for the purpose of withdrawing certification. Nor does Plaintiff make any argument that the Appeals Team Decision was arbitrary and capricious. Plaintiff does not allege that there was no “rational connection between the facts found and the conclusions reached.” *Sierra Club*, 510 F.3d at 1022. Indeed, Plaintiff does not contest that the Exchange Program can withdraw a school’s certification if a Designated Official commits a felony that also “does not comply with the regulation.” 8 C.F.R. § 214.4(a)(2)(vi).

Instead, Plaintiff raises a single legal argument that the Appeals Team Decision was “not in accordance with the law” because under § 214.4(a)(2)(vi), certification can only be withdrawn for present regulatory violations, not for violations that were completed in the past. Plaintiff asserts that § 314.4(a)(2)(vi)’s use of the present tense phrase “does not comply with the regulations” shows that a Designated Official must be engaging in such non-compliant conduct on an ongoing basis for certification to be withdrawn. In response, Defendants argue that

1 § 214.4(a)(2)(vi) allows the Exchange Program to withdraw certification based on past conduct of
2 Designated Officials.

3 The Court first addresses the standard by which the Court must review the Exchange
4 Program’s interpretation of its regulations, and then discusses whether the Appeals Team Decision
5 was contrary to those regulations.

6 **1. Standard for Reviewing Exchange Program Interpretation of Its**
7 **Regulations**

8 The United States Supreme Court has stated that courts must “defer to an agency’s
9 interpretation of its own regulation, advanced in a legal brief, unless that interpretation is ‘plainly
10 erroneous or inconsistent with the regulation’” or there is any “‘reason to suspect that the
11 interpretation does not reflect the agency’s fair and considered judgment on the matter in
12 question.’” *Chase Bank USA, N.A. v. McCoy*, 562 U.S. 195, 208 (2011) (quoting *Auer v. Robbins*,
13 519 U.S. 452, 461 (1997)). “Indicia of inadequate consideration include conflicts between the
14 agency’s current and previous interpretations”; “signs that the agency’s interpretation amounts to
15 no more than a convenient litigating position”; or an appearance that the agency’s interpretation is
16 no more than a “post hoc rationalization advanced by an agency seeking to defend past agency
17 action against attack.” *See Price v. Stevedoring Servs. of Am., Inc.*, 697 F.3d 820, 830 n.4 (9th
18 Cir. 2012) (quoting *Christopher v. SmithKline Beecham Corp.*, 567 U.S. 142, 154 (2012))
19 (citations and internal quotation marks omitted). Moreover, for this deference to apply, the
20 regulation at issue must be ambiguous. *See Bassiri v. Xerox Corp.*, 463 F.3d 927, 930 (9th Cir.
21 2006) (“[W]here an agency interprets its own regulation, even if through an informal process, its
22 interpretation of an *ambiguous* regulation is controlling under *Auer* unless ‘plainly erroneous or
23 inconsistent with the regulation.’” (quoting *Auer*, 519 U.S. at 461 (emphasis added))).

24 Here, the Department of Homeland Security (“DHS”) is the administrative agency that
25 wrote, and is in charge of administering, through the Exchange Program, the regulations at issue.
26 See 73 Fed. Reg. 55683 (Sept. 26, 2008) (DHS final rulemaking, which enacts the current version
27 of 8 C.F.R. §§ 214.3 & 214.4). DHS, acting through the Exchange Program, found that

1 withdrawal was appropriate in this case under § 214.4(a)(2)(vi) because Jerry Wang had engaged
2 in past “conduct that does not comply with the regulations.” On appeal, the Appeals Team, an
3 independent review body within DHS, agreed that § 214.4(a)(2)(vi) includes past conduct and
4 rejected arguments that Jerry Wang’s past conduct cannot be the basis for withdrawal of
5 certification because of the time that had elapsed. In the instant suit, Defendants, ICE and the
6 Exchange Program (both agencies within DHS), assert once again in their legal briefs that
7 § 214.4(a)(2)(vi) allows withdrawal of certification based on past conduct.

8 In addition to agency adjudications and the legal briefing in the instant suit, DHS has
9 interpreted § 214.4(a)(2) in the following manner:

10 [U]nder longstanding statutes and regulations, [the Exchange Program] may
11 withdraw on notice any school's participation in the F-1 student program (or deny
12 such a school recertification) for any valid and substantive reason. *See* 8 CFR
13 214.4(a)(2). For instance, [the Exchange Program] may withdraw certification or
14 deny recertification if [the Exchange Program] determines that a [Designated
15 Official] willfully issued a false statement, including wrongful certification of a
16 statement by signature, in connection with a student's application for employment
17 or practical training. *See id.* [The Exchange Program] may take the same action
18 if it determines that a [Designated Official] *engaged in conduct that does not*
19 *comply with DHS regulations. Id.*

20 81 Fed. Reg. 13040, 13096 (March 11, 2016) (emphasis added). This statement shows that DHS
21 has interpreted § 214.4(a)(2) to allow withdrawal of certification if a Designated Official has, in
22 the past, “issued a false statement” or “engaged in conduct that does not comply with DHS
23 regulations.” *Id.*

24 Thus, there is no indication in the instant suit that DHS’s interpretation of the regulations
25 conflicts with past interpretations, that it amounts to a “convenient litigating position,” or that it is
26 a “post hoc rationalization.” *Price*, 697 F.3d at 830 n.4. Instead, the decisions of the Exchange
27 Program and the Appeals Team, Defendants’ position in their legal briefs in the instant suit, and
28 DHS’s interpretation of the regulatory provision all consistently interpret § 214.4(a)(2)(vi) as
applying to a Designated Official’s past conduct. *Cf. Maldonado v. Lynch*, 786 F.3d 1155, 1164
(9th Cir. 2015) (holding in the context of individual immigration status appeals that the Board of
Immigration Appeals’ interpretations of immigration regulations in a particular case would be

1 given “an appropriate level of deference” under *Auer*). Thus, the Court will not overturn DHS’s
2 interpretation of § 214.4(a)(2)(vi) unless it is “plainly erroneous or inconsistent with the
3 regulation.” *Auer*, 519 U.S. at 461.

4 **2. Whether the Appeals Team Decision was Contrary to Law**

5 The Court next turns to whether the Appeals Team Decision was based on an interpretation
6 of its regulations that was “contrary to law.” 5 U.S.C. § 706. For the reasons discussed below, the
7 Court finds that § 214.4(a)(2)(vi) allows withdrawal of certification for past conduct of Designated
8 Officials, and that, at the very least, such an interpretation of the regulation is not “plainly
9 erroneous or inconsistent with the regulation.” *Auer*, 519 U.S. at 461.

10 As noted above, the regulation here states that a school’s certification will be withdrawn
11 “for any valid and substantive reason including, but not limited to . . . (vi) conduct on the part of a
12 [Designated Official] that does not comply with the regulations.” 8 C.F.R. § 214.4(a)(2)(vi).
13 Plaintiff argues that the use of the present tense in the phrase “does not comply” means that this
14 regulatory provision only allows withdrawal for the present conduct of the presently appointed
15 Designated Official. Plaintiff provides no case law or regulatory decision to support this
16 contention.

17 Moreover, Plaintiff’s interpretation is wrong based on (1) the plain language of
18 § 214.4(a)(2)(vi); (2) the context surrounding § 214.4(a)(2)(vi); and (3) the purpose of
19 § 214.4(a)(2). *Cf. ASARCO, LLC v. Celanese Chem. Co.*, 792 F.3d 1203, 1210 (9th Cir. 2015)
20 (“A primary canon of statutory interpretation is that the plain language of a statute should be
21 enforced according to its terms, in light of its context.”; “Thus, we examine the statute as a whole,
22 including its purpose and various provisions.” (citations omitted)); *Flores-Chavez v. Ashcroft*, 362
23 F.3d 1150, 1157 (9th Cir. 2004) (applying canons of statutory interpretation to the interpretation of
24 regulations). The Court addresses the plain language, context, and purpose of § 214.4(a)(2) in
25 turn, and then discusses arguments that Plaintiff concedes.

26 **a. Plain Language of § 214.4(a)(2)(vi)**

27 The plain language of § 214.4(a)(2)(vi) does not place any limitations on the time of the

1 conduct that is the basis of the withdrawal of certification. The term “conduct” is not prefaced by
 2 any words that limit the time when the conduct occurred, such as “past” or “present,” and the
 3 regulation does not indicate that the Designated Official at issue needs to be the school’s
 4 Designated Official at the time of withdrawal. Thus, there is nothing in § 214.4(a)(2)(vi) that
 5 places in time the Designated Official’s conduct that serves as the basis for withdrawal of
 6 certification.

7 Moreover, although § 214.4(a)(2)(vi) includes the present tense phrase “does not comply
 8 with the regulations,” that present tense phrase does not limit § 214.4(a)(2) to only present conduct
 9 as Plaintiff contends. The Ninth Circuit has held that “[t]he present tense is commonly used to
 10 refer to past, present, and future all at the same time.” *United States v. Williams*, 659 F.3d 1223,
 11 1226–27 (9th Cir. 2011) (quoting *Coal. for Clean Air v. So. Cal. Edison Co.*, 971 F.2d 219, 225
 12 (9th Cir. 1992)).³ For example, “Congress uses the present tense to establish criminal liability for
 13 “[a]ny person who knowingly—(A) *makes* any false material statement, . . . [or] (B) *fails* to notify
 14 or report as required under this Act; . . .” 42 U.S.C. § 7413(c)(2) (emphasis added). Yet clearly the
 15 [statute] do[es] not forgive criminal violations that occurred [in the past] just because Congress
 16 speaks in the present tense.” *Clean Air*, 971 F.2d at 225.

17 The regulatory provision here is similar to the criminal provision in *Clean Air*. As § 214.4
 18 provides, certification can be withdrawn for “any valid and substantive reason.” 8 C.F.R.
 19 § 214.4(a)(2). One such valid and substantive reason is “conduct by the [Designated Official] that
 20 does not comply with the regulations.” *Id.* Thus, just as criminal liability is established under the
 21 above-identified provision in *Clean Air*, if a person “fails to notify or report as required under this
 22 act” even if that “fail[ure] to notify or report” occurred in the past, a “valid and substantive
 23

24 ³ The United States Supreme Court has stated that this principle does not apply when considering
 25 whether a statute applies retroactively to conduct that occurred before the statute was enacted. *See*
 26 *Carr v. United States*, 560 U.S. 438, 446 (2010) (holding that child sex offender statute did not
 27 punish travel that occurred before the statute was enacted because the word “travel” was in the
 28 present tense); *see also United States v. Jackson*, 480 F.3d 1014, 1018 (9th Cir. 2007) (“The use of
 the present tense suggests that statutory element does not apply to travel that occurred before the
 statute’s enactment.”). However, there is no issue of retroactive application of the regulations
 here—§ 214.4(a)(2) has not been modified since 2008.

1 reason” for withdrawal of certification is established any time a Designated Official engages in
2 “conduct . . . that does not comply with the regulations.” Indeed, the DHS interprets these
3 provisions to mean that once a violation of the regulations occurs, a school is “no longer eligible”
4 for certification. *See* DHS, Loss of SEVP Certification, Dec. 19, 2014,
5 <https://studyinthestates.dhs.gov/2014/12/loss-of-sevp-certification> (“If a school . . . fails to comply
6 with [Exchange Program] requirements while in status, the school is no longer eligible to enroll
7 nonimmigrant students.”). Like in *Clean Air*, the regulations do not require the Exchange
8 Program to “forgive” a school for a Designated Official’s regulatory violation just because the
9 violation occurred in the past.

10 Indeed, the Exchange Program especially did not need to “forgive” Jerry Wang’s past
11 actions in this case because the withdrawal of certification only occurred because Plaintiff
12 essentially requested a delay in the Exchange Program’s proceedings because of Jerry Wang’s
13 criminal proceedings. Plaintiff responded to the 2012 Notice of intent to withdraw certification by
14 stating that “the confiscation of ‘Herguan’s computers and documents . . . rendered it virtually
15 impossible to respond to the [2012 Notice].” Appeals Team Decision at 4. Moreover, Plaintiff’s
16 response to the 2012 Notice raised issues that overlapped directly with the factual issues that were
17 disputed in Jerry Wang’s criminal proceedings. *Id.* (noting the factual overlap of the issues in
18 Jerry Wang’s criminal trial and the response to the 2012 Notice). As a result of these responses
19 from Plaintiff, the Exchange Program decided to “allow[] the criminal case to proceed first while
20 continuing to monitor the school and permitting it to operate.” *Id.* Thus, the Exchange Program
21 delayed its pursuit of withdrawal of certification for similar reasons that federal courts delay civil
22 proceedings pending criminal trials where the issues in the civil and criminal cases overlap. *See*
23 *Keating v. Office of Thrift Supervision*, 45 F.3d 322, 324 (9th Cir. 1995) (noting that a stay in civil
24 proceedings may be granted where “the interests of justice seem [] to require such action” because
25 of the criminal defendant’s Fifth Amendment rights, prejudice and burden to the parties, and the
26 public interest). The Court agrees with Judge Freeman’s conclusion at the hearing on Plaintiff’s
27 ex parte application for a TRO in the instant case: the Court is “not persuaded at all that the delay

1 of the agency in adjudicating this matter inures to the detriment of the agency when the delay was
2 based solely on your client’s request for a delay based upon the criminal charges pending.” ECF
3 No. 27 (Transcript of TRO hearing). Thus, especially on the facts in this case, a delay in
4 enforcement does not provide a reason to “forgive” Plaintiff’s past violations of the regulations
5 under § 214.4(a)(2)(vi).

6 **b. Context Surrounding § 214.4(a)(2)(vi)**

7 Plaintiff’s interpretation is also in direct conflict with the context of the regulation, which
8 shows that § 214.4(a)(2)(vi) allows withdrawal of certification for past conduct. First,
9 § 214.4(a)(2) provides broad powers for the withdrawal of certification that would conflict with
10 Plaintiff’s narrow interpretation of the regulation. Section 214.4(a)(2) uses broad language that
11 allows withdrawal of certification for “any valid and substantive reason.” Indeed, § 214.4(a)(2)
12 states that such reasons “include[e], but [are] not limited to” a list of 19 reasons why withdrawal of
13 certification would be appropriate. 8 C.F.R. § 214.4(a)(2). Narrowing the scope of
14 § 214.4(a)(2)(vi) to only present conduct conflicts with the broad authority provided to the
15 Exchange Program by this provision. *See* TRO Order at 7 (rejecting argument that
16 § 214.4(a)(2)(vi) is limited to present acts because “[t]he subsection cited by Plaintiff provides 18
17 additional reasons [the Exchange Program] may withdraw a school’s certification, and the
18 regulation itself makes plain that the list is not intended to be exhaustive.”).

19 Second, the regulations explicitly allow consideration of past conduct for denials of
20 recertification, the standards for withdrawal of certification and denials of recertification overlap,
21 and thus past conduct may be the basis for a withdrawal of certification. As noted in the
22 background section above, a school must apply for recertification every two years. 8 C.F.R.
23 § 214.3(e)(2). The parties agree that the Exchange Program may consider past conduct for denials
24 of recertification. *See, e.g.*, 8 C.F.R. § 214.3(h)(2)(iii)(B) (“Past performance of [Designated
25 Officials], whether or not they continue to serve as principal designated school officials or
26 [Designated Officials] will be considered in any petition for recertification of the school.”).

27 Although Plaintiff argues that these provisions concerning past conduct *only* apply to

1 denial of recertification, Plaintiff ignores the significant overlap in the standards for withdrawal of
2 certification and denial of recertification. These overlaps show that past conduct can be the basis
3 of the Exchange Program’s withdrawal of a school’s certification. The major points of overlap are
4 described in § 214.4(a)(2) and § 214.3(h)(3)(iii), which the Court addresses in turn.

5 The terms of § 214.4(a)(2), the basis of the withdrawal of Plaintiff’s certification, applies
6 to both withdrawals of certification and denials of recertification. *Id.* (stating that certification
7 “will be withdrawn on notice subsequent to out-of-cycle review, or recertification denied” based
8 on the same list of “valid and substantive reasons”). As a result, Plaintiff’s position that past
9 conduct can be considered for denials of recertification, but cannot be considered for withdrawals
10 of certification, would cause “conduct . . . that does not comply with the regulations” under
11 § 214.4(a)(2)(vi) to have inconsistent meanings. Specifically, § 214.4(a)(2)(vi) would include past
12 conduct for denials of recertification and only present conduct for withdrawals of certification.
13 The same words in a regulation are usually interpreted to mean the same thing. *Cf. Mohamad v.*
14 *Palestinian Auth.*, 132 S. Ct. 1702, 1708 (2012) (“[T]here is a presumption that a given term is
15 used to mean the same thing throughout a statute.”); *Flores-Chavez*, 362 F.3d at 1157 (applying
16 canons of statutory interpretation to the interpretation of regulations). Plaintiff’s proposed
17 interpretation is contrary to this presumption of statutory interpretation. Thus, to avoid violating
18 this presumption, § 214.4(a)(2)(vi) should include the consideration of past conduct, whether in
19 the context of denials of recertification or withdrawal of certification.

20 Moreover, § 214.3(h)(3)(iii) describes the scope of out-of-cycle review and explicitly
21 incorporates the standards for evaluating recertification and the consideration of past conduct.
22 Section 214.3(h)(3)(iii) states that the Exchange Program begins an out-of-cycle review in order to
23 “verify the school’s continued eligibility for [Exchange Program] certification *pursuant to*
24 *paragraph (a)(3) of this section.*” *Id.* (emphasis added). In turn, § 214.3(a)(3) lays out the
25 eligibility requirements for certification and for recertification, which includes an evaluation of a
26 school’s “compli[ance] during its previous period of certification or recertification [with the
27 regulations].” The Exchange Program may withdraw certification under § 214.4(a)(2) if

1 “noncompliance or ineligibility of a school is identified.” *Id.* § 214.4(h)(3)(iii). Thus,
2 § 214.3(h)(3)(iii) explicitly requires the Exchange Program to consider the eligibility and
3 compliance requirements for recertification in § 214.3(a)(3)—including the consideration of past
4 conduct—as part of an out-of-cycle review, which could lead to withdrawal of certification. This
5 is strong contextual evidence that the Exchange Program may withdraw a school’s certification for
6 past conduct.

7 In sum, § 214.4(a)(2) provides broad powers to the Exchange Program for withdrawal of
8 certification. The list of reasons to withdraw certification or deny recertification in § 214.4(a)(2)
9 are the same. Moreover, out-of-cycle review for withdrawal of certification references the denial
10 of recertification standard, which requires consideration of past conduct. Thus, § 214.4(a)(2)’s
11 context supports a finding that the standards for withdrawal of certification and denial of
12 recertification overlap and that past conduct may be considered as part of a withdrawal of
13 certification.

14 **c. Purpose of § 214.4(a)(2)(vi)**

15 Plaintiff’s proposed interpretation of § 214.4(a)(2)(vi) would also lead to counterintuitive
16 results that would undercut the Exchange Program’s ability to administer its regulations.
17 Plaintiff’s interpretation would forbid the Exchange Program from withdrawing certification in
18 any circumstance where the Designated Official’s regulation-violating conduct has ended. Under
19 such an interpretation, a school and Designated Official would be able to avoid immediate
20 repercussions to their actions by simply ceasing bad conduct or firing their Designated Official
21 when the Exchange Program begins its investigation. Similarly, if the regulation-violating
22 conduct involved discrete actions, rather than ongoing conduct, Plaintiff’s proposed interpretation
23 would eliminate the ability to ever withdraw certification because such discrete actions would
24 always be in the past. *See* 73 Fed. Reg. 55683, 55696 (rejecting comment that withdrawal of
25 certification should “be expanded to include a ‘pattern’ of such behavior” rather than “limited to a
26 single violation”). Moreover, because the bases for denying recertification and withdrawing
27 certification are identical, it makes sense that the Exchange Program would be able to withdraw

1 certification if facts about prior conduct come to light that show that a prior recertification should
2 have been denied. Thus, the Court finds that the Exchange Program’s need to be able to
3 administer its regulations supports Defendants’ interpretation of § 214.4(a)(2)(vi).

4 Thus, based on the plain language, context, and purpose of § 214.4(a)(2), the Court agrees
5 with DHS and Defendants that § 214.4(a)(2)(vi) allows withdrawal of certification for past
6 conduct. At the very least, Plaintiff fails to overcome *Auer* deference by showing that Defendants’
7 interpretation is “plainly erroneous or inconsistent with the regulation.” *Auer*, 519 U.S. at 461.

8 **d. Plaintiff’s Conceded Arguments**

9 Plaintiff fails to make, and thus concedes, three arguments Plaintiff made in prior
10 proceedings. *See Pecover v. Elec. Arts Inc.*, 633 F. Supp. 2d 976, 984 (N.D. Cal. 2009)
11 (“[P]laintiffs have effectively conceded, by failing to address the issue in their opposition
12 memorandum.”). First, Plaintiff previously argued in its application for a TRO in the instant case
13 that the Appeals Team applied the wrong statutory provision when affirming the withdrawal of
14 certification. Judge Freeman found the argument to be without merit. TRO Order at 6 (“Herguan
15 cites no authority to support its claim that [the Exchange Program] relied on the incorrect
16 regulation.”). Second, before the Appeals Team and in the ex parte application for a TRO,
17 Plaintiff argued that the common law doctrines of laches and estoppel should have prevented
18 withdrawal of certification based on Jerry Wang’s conduct after such a long period of time. Judge
19 Freeman also found this argument to be without merit. *Id.* at 7 (“Herguan provides no authority
20 supporting its argument. In addition, a review of the facts reveals just the opposite—[the
21 Exchange Program] raised the issue of Mr. Wang’s conduct several times since his arrest in
22 2012.”); ECF No. 27 (Transcript) (“I am not persuaded at all that the delay of the agency in
23 adjudicating this matter inures to the detriment of the agency when the delay was based solely on
24 your client’s request for a delay based upon the criminal charges pending.”). Plaintiff raised these
25 arguments previously, they were rejected, and Plaintiff fails to raise them in response to
26 Defendants’ Motion to Dismiss. Accordingly, the Court finds that Plaintiff concedes these
27 arguments.

28

1 Finally, Plaintiff fails to argue that the Appeals Team Decision was arbitrary and
2 capricious beyond the argument that its decision did not comply with the law because
3 § 214.4(a)(2)(vi) does not include past conduct. Accordingly, the Court need not consider whether
4 the Appeals Team Decision was arbitrary and capricious for any other reason.

5 In sum, the best reading of the regulation in this case is that past conduct can give rise to
6 the withdrawal of certification. To the extent § 214.4(a)(2)(vi) is ambiguous, Defendants’
7 interpretation is subject to *Auer* deference because DHS asserts that § 214.4(a)(2)(vi) encompasses
8 past conduct, and Defendants’ interpretation is “not plainly erroneous or inconsistent with the
9 regulations.” *Auer*, 519 U.S. at 461. Thus, the Court finds that the Appeals Team’s affirmance of
10 the Exchange Program’s withdrawal of certification complied with the requirements of
11 § 214.4(a)(2). Therefore, the Court GRANTS Defendants’ Motion to Dismiss.

12 The dismissal is with prejudice because Plaintiff failed to respond to Defendants’ previous
13 motion to dismiss. The Court granted Defendants’ unopposed motion to dismiss and notified
14 Plaintiff that “failure to cure the deficiencies identified in Defendants’ motion to dismiss will
15 result in dismissal with prejudice of Plaintiff’s claims.” ECF No. 36 at 2. Plaintiff’s first
16 amended complaint only made minor changes and did not cure the deficiencies identified in
17 Defendants’ original motion to dismiss. The Court finds that any further amendment would be
18 futile. *See Carvalho*, 629 F.3d at 892 (allowing courts to deny leave to amend if leave to amend
19 would be futile). Accordingly, the dismissal of Plaintiff’s APA claim is with prejudice.

20 **C. Equal Protection**

21 Defendants argue that Plaintiff fails to state an equal protection claim. “To state a . . .
22 claim for violation of the Equal Protection Clause, ‘a plaintiff must show that the defendant acted
23 with an intent or purpose to discriminate against the plaintiff based upon membership in a
24 protected class.’” *Lopez v. City & Cty. of S.F.*, 2014 WL 2943417, at *11 (N.D. Cal. June 30,
25 2014) (quoting *Lee v. City of L.A.*, 250 F.3d 668, 686 (9th Cir. 2011)). With respect to selective
26 enforcement, “the conscious exercise of some selectivity in enforcement [of federal law] is not in
27 itself a federal constitutional violation so long as the selection was [not] deliberately based upon

1 an unjustifiable standard such as race, religion, or other arbitrary classification.” *Bordenkircher v.*
2 *Hayes*, 434 U.S. 357, 364 (1978) (citation and internal quotation marks omitted). “A plaintiff may
3 satisfy this standard by alleging (1) that he was treated differently from others similarly situated,
4 (2) that this unequal treatment was based on an impermissible classification; (3) that the defendant
5 acted with discriminatory intent in applying this classification; and (4) that he suffered injury as a
6 result of the discriminatory classification.” *Lopez*, 2014 WL 2943417 at *11 (citing *Pers. Adm’r*
7 *of Mass. v. Feeney*, 442 U.S. 256, 279 (1979)).⁴

8 Here, Plaintiff alleges that internal emails between employees of the Exchange Program
9 show that Defendants had “a clear agenda to ruin and destroy Herguan at all costs” and that
10 Exchange Program employees reached out to accrediting agencies “in an attempt to shut down the
11 university.” FAC ¶ 17. Moreover, Plaintiff alleges that internal emails show that Jason Kanno
12 and Susanna Warner, Exchange Program employees who were assigned to Plaintiff’s case, had “a
13 racist agenda to shut down Asian owned and operated [Exchange Program] certified universities
14 such as Herguan. The e-mails reflect that Herguan was routinely referred to in a derogatory
15 fashion by [Exchange Program] officers as “the Chinese.” *Id.* ¶ 18.

16 Plaintiff’s allegations in the instant case are insufficient because (1) Plaintiff’s complaint
17 fails to adequately allege that it was “similarly situated” to any other university, and (2) Plaintiff’s
18 complaint fails to adequately allege that the enforcement decision was “based upon an
19 unjustifiable standard such as race, religion, or other arbitrary classification,” *Bordenkircher*, 434
20 U.S. at 364.

21 As noted above, an equal protection claim can only be brought if the Plaintiff was treated
22 differently from similarly situated universities. Here, Plaintiff does not allege that any non-

23

24

25 ⁴ Plaintiff’s complaint does not identify on what legal basis Plaintiff is bringing its equal
26 protection claim. The Court construes the claim to be a constitutional claim based on the Fifth and
27 Fourteenth Amendments. In Plaintiff’s opposition, for the first time, Plaintiff refers to equal
28 protection under “the Civil Rights Act of 1965 and EEOC regulations concerning discriminatory
conduct.” Opp’n at 6–7. However, Plaintiff makes no mention of such statutory or regulatory
bases in its original complaint or in the FAC. Accordingly, the Court need not address these
statutory or regulatory bases for relief.

1 Chinese-owned universities were similarly situated to Plaintiff or were treated differently. Indeed,
2 Plaintiff would need to allege, and then later prove, that the Designated Official of non-Chinese-
3 owned universities were convicted of criminal acts that were also in violation of the Exchange
4 Program Regulations, but that those criminal acts did not result in withdrawal of certification.
5 Here, Plaintiff fails to allege that any university similarly situated to Plaintiff was treated
6 differently.

7 Moreover, Plaintiff does not adequately allege that the enforcement decision was part of a
8 racist agenda. Plaintiff asserts that its equal protection theory arises from “e-mails [that] reveal a
9 racist agenda to shut down Asian owned and operated [Exchange Program] certified universities
10 such as Herguan.” FAC ¶ 17. Allegedly, “[t]he e-mails reflect that Herguan was routinely
11 referred to in a derogatory fashion by [Exchange Program] officers as ‘the Chinese.’” *Id.* In
12 Plaintiff’s opposition, Plaintiff argues that its equal protection claim “is based on the [Exchange
13 Program] adjudicator Kanno and his supervisor Warner classifying Herguan’s owners as the
14 ‘Chinese’ in emails between them.” Opp’n at 6. The emails referred to in FAC are attached to the
15 original complaint. The emails involving statements about “the Chinese” are set forth below:

16 *Email from Virginia Kice to Ernestine Fobbs, Office of Public Affairs (“OPA”)*
17 *Officials:*

18 While you were out...we got an inquiry from one of the Indian new organizations
19 asking if there had been any developments on the Herguan University case - see
20 below. I’ve told the reporter the prosecution is still pending...but she is also
21 wondering what’s happening with the [] decertification. Our SF HSI agents
22 believe Herguan’s attorney participated in a teleconference with [Exchange
23 Program] officials last week in an effort to convince [the Exchange Program] to
24 keep the school open. Can you check with [the Exchange Program] to find out
25 the latest and determine what our public face on this should be?

26

27 *Email exchange between three ICE officials, Kathryn Kennedy, Susanna Warner,*
28 *and Jason Kanno, and an OPA official, Ernestine Fobbs:*

29 **Kathryn Kennedy:** See the email [above] that Ernestine in ICE [Office of Public
30 Affairs (“OPA”)] got from Virginia Kice, her OPA colleague in the Western
31 Regional Office. The media inquiry is regarding the status of Herguan. Can you
32 guys let us know what can/cannot be said about Herguan and it’s [sic] status?

33 Thanks!

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Susanna Warner: I suggest similar language as what we gave to the Chinese.

....

Kathryn Kennedy: Huh? What did we give the Chinese?

....

Ernestine Fobbs: We have not given them anything yet. Kate is waiting to hear back from State. What I need now is to clarify if [the Exchange Program] had a conversation with the Herguan U. attorney as mentioned. No other respond [sic] will be needed at this time.

....

Jason Kanno: Yes. We had an interview with the attorney on 10/11.

....

Susanna Warner: Jason--let me handle

....

Jason Kanno: You got it.

ECF No. 1-3 at 13–15.

Plaintiff’s allegations that Kanno and Warner referred to Herguan and its owners as “the Chinese” are belied by the emails on which Plaintiff bases its claim. When discussing Plaintiff in the above emails, the officials consistently referred to Plaintiff as “Herguan” or “Herguan U.” or discussed the “Herguan U. attorney.” In contrast, the statements about “the Chinese” were used to respond to a question about the information that needed to be provided in response to “an inquiry from one of the Indian news organizations.” *Id.* at 15. Warner responded to that inquiry by stating that ICE should provide the same information as had been provided to “the Chinese.” *Id.* Kennedy asked what had been given to “the Chinese.” *Id.* Fobbs then responded that nothing had been given to the Chinese because “Kate [was] waiting to hear back from” the State Department. *Id.*

The statement “the Chinese” in the emails between the officials, reproduced above, did not refer to Plaintiff or its owners. The ICE and OPA officials were discussing what updates should be provided to an Indian News Organization about the negotiations with Plaintiff. *See id.* (Jason Kanno confirming that the Exchange Program “had an interview with the [Herguan U.] attorney

1 on 10/11”). Yet, Plaintiff already knew the status of the negotiations because Plaintiff or
2 Plaintiff’s attorney had been a participant in those negotiations. Thus, the statement about “the
3 Chinese” refers to a different party that was not privy to that information, not Plaintiff or its
4 owners. Finally, although Plaintiff’s complaint alleges that Jason Kanno is one of the perpetrators
5 of having used the phrase “the Chinese,” Jason Kanno never used the phrase “the Chinese” in the
6 above emails, only Warner and Kathryn Kennedy used that phrase. Nothing in the above email
7 exchange indicates that the officials referred to Plaintiff or its owners by the term “the Chinese.”
8 Thus, Plaintiff fails to adequately allege that the Exchange Program or ICE acted because of a
9 racist agenda.

10 Accordingly, the Court GRANTS Defendants’ Motion to Dismiss. The dismissal is with
11 prejudice because Plaintiff failed to respond to Defendants’ previous motion to dismiss. The
12 Court granted Defendants’ unopposed motion to dismiss and notified Plaintiff that “failure to cure
13 the deficiencies identified in Defendants’ motion to dismiss will result in dismissal with prejudice
14 of Plaintiff’s claims.” ECF No. 36 at 2. Plaintiff’s first amended complaint only made minor
15 changes and did not cure the deficiencies identified in Defendants’ original motion to dismiss.
16 The Court finds that any further amendment would be futile. *See Carvalho*, 629 F.3d at 892
17 (allowing courts to deny leave to amend if leave to amend would be futile). Accordingly, the
18 dismissal of Plaintiff’s equal protection claim is with prejudice.

19 **D. Declaratory Judgment**

20 Plaintiff seeks a declaratory judgment that (1) “Defendants’ actions in terminating
21 [Plaintiff’s] I-17 and denying it access to SEVIS are erroneous and contrary to law and that its I-
22 17 status should be reinstated,” and (2) “Defendants’ actions in failing to upgrade [Plaintiff’s] I-17
23 petition to include new courses and degree programs is erroneous and contrary to law.” FAC
24 ¶¶ 32–33. Besides the legal arguments Plaintiff raises in opposition to Defendants’ Motion to
25 Dismiss Plaintiff’s APA claim, Plaintiff provides no argument regarding its declaratory judgment
26 claim. In fact, Plaintiff concedes that “the declaratory cause of action depends on other causes of
27 action.” Opp’n at 2.

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Plaintiff fails to oppose Defendants’ Motion to Dismiss with respect to the declaratory judgment claim and concedes that the declaratory judgment claim depends on Plaintiff’s other claims. The Court has already dismissed Plaintiff’s other claims with prejudice. Accordingly, the Court GRANTS Defendants’ Motion to Dismiss Plaintiff’s declaratory judgment claim. The dismissal is with prejudice because Plaintiff failed to respond to Defendants’ previous motion to dismiss. The Court granted Defendants’ unopposed motion to dismiss and notified Plaintiff that “failure to cure the deficiencies identified in Defendants’ motion to dismiss will result in dismissal with prejudice of Plaintiff’s claims.” ECF No. 36 at 2. Plaintiff’s first amended complaint only made minor changes and did not cure the deficiencies identified in Defendants’ original motion to dismiss. The Court finds that any further amendment would be futile. *See Carvalho*, 629 F.3d at 892 (allowing courts to deny leave to amend if leave to amend would be futile). Accordingly, the dismissal of Plaintiff’s declaratory judgment claim is with prejudice.

IV. CONCLUSION

For the foregoing reasons, the Court GRANTS Defendants’ Motion to Dismiss with prejudice.

IT IS SO ORDERED.

Dated: June 28, 2017



LUCY H. KOH
United States District Judge