

Publications

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Executive Branch Targets Anthropic as Supply Chain Risk: Key Considerations for Federal Contractors

Key Takeaways

- The Executive Branch has identified Anthropic as a supply-chain risk, initiating a six-month phase-out of its AI platform, Claude, effective immediately.
- Contractors should immediately assess Anthropic technology use, monitor further regulatory guidance and prepare contingency plans to ensure uninterrupted compliance and performance.

In response to a months-long dispute between the Department of Defense (DoD)¹ and Anthropic regarding the company's usage restrictions associated with its AI platform, Claude, President Trump directed all U.S. federal agencies in a social media post to "IMMEDIATELY CEASE all use of Anthropic's technology," including a "six month phase out period for agencies," including the DoD. In conjunction with the President's directive, Secretary of War (formerly, Defense) Pete Hegseth directed the DoD to designate Anthropic a "Supply-Chain Risk to National Security," ordering that, "[e]ffective immediately, no contractor, supplier or partner" doing business with the Department "may conduct any commercial activity with Anthropic." He added that Anthropic will continue to provide its services to the DoD for "no more than six months" to facilitate transition to alternative technology.

These announcements have resulted in significant legal and operational questions within the federal contracting community regarding contractors' ability to continue using Anthropic products in their government and commercial businesses.

Read on for what federal contractors need to know now about managing exposure and compliance risks.

Statutory Authorities and Implementation

Both directives appear to rely on two statutory authorities:

- 10 U.S.C. § 3252, which authorizes the DoD to exclude contractors and subcontractors deemed supply chain risks from participating in DoD contracts; and

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Related Capabilities

- Government Contracts
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- The Federal Acquisition Supply Chain Security Act (FASCSA), which authorizes the Secretary of Homeland Security, the Secretary of Defense and the Director of National Intelligence, upon recommendations from the Federal Acquisition Security Council, to issue orders excluding or removing contractors and subcontractors deemed supply chain risks from federal contracts.

Each statute contains defined procedural requirements, scope limitations and interagency processes necessary for their implementation. At present, it is unclear whether these processes have been formally invoked or completed. In addition, Secretary Hegseth's directive asserts that DoD contractors are prohibited from engaging in *any* commercial activity with Anthropic.

To date, no formal FASCSA exclusion order or Federal Acquisition Security Council recommendation has been publicly issued. It remains unclear whether a government-wide exclusion order will be pursued, or whether agency-specific implementation steps would be required before any prohibitions become contractually enforceable. Anthropic has also publicly indicated that it intends to challenge any formal exclusion action in court, and future judicial proceedings could affect the timing, scope or enforceability of any exclusion measures.

What Contractors Should Do Now

At this stage, no formal regulatory action or contractually binding exclusion has been issued requiring contractors to discontinue use of Anthropic technology. The current environment remains fluid, and contractors should be prepared to respond to agency- or customer-specific direction if or when formal implementation steps occur.

In light of the current uncertainty, contractors should consider the following proactive steps:

- **Inventory Current Use:** Identify any use of Anthropic technology in your federal contract performance, subcontract performance and commercial operations.
- **Evaluate Exposure by Agency:** Determine whether use is tied to DoD contracts specifically or broader federal work.
- **Develop Contingency Plans:** Evaluate the company's options to discontinue or compartmentalize its use of Anthropic products should a formal exclusion order be issued.

We are closely monitoring these developments and will provide further updates as information becomes available. For questions about how these developments may affect your organization, please contact one of the authors of this alert or your regular Polsinelli contact.

[1] President Trump signed an Executive Order on Sept. 5, 2025, renaming the Department of Defense to the Department of War. As of the date of this alert, FASCSA and published regulations continue to reference the Department of Defense, and this alert similarly retains this naming convention for consistency.