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# Is Claude a Supply Chain Risk? What Federal Contractors Need to Know About This Designation

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## Bottom Line Up Front

President Trump has ordered US government agencies to “immediately cease” using technology and services offered by Anthropic, and Secretary Hegseth has ordered the Pentagon to designate Anthropic a “supply chain risk” to national security. Federal defense and civilian contractors may soon be prohibited from using Anthropic’s Claude in the performance of government prime or subcontracts. Additionally, federal defense and civilian contractors should prepare to assess whether current or future actions taken by the Trump administration may ultimately impact their ability to use Anthropic’s technology and services in the performance of commercial contracts or for internal use that is unrelated to a federal contract.

## Background

Anthropic PBC<sup>1</sup> is an American artificial intelligence (“AI”) company headquartered in San Francisco, California, that is best known for its family of large language models (“LLMs”) named Claude. Anthropic first released Claude in 2023. According to its website, Anthropic was one of the first AI companies to deploy its models into the US government’s classified networks, at the National Laboratories, and to provide custom AI models for US national security customers.

Up until the end of February 2026, Anthropic’s Claude was deployed across the US Department of War (“DOW”) and other national security agencies for mission-critical applications, such as intelligence analysis, modeling and simulation, operational planning, and cyber operations. In fact, in July 2025, the DOW’s Chief Digital and Artificial Intelligence Office had awarded Anthropic a two-year prototype other transaction agreement (“OTA”) with a \$200 million ceiling. Under this OTA, Anthropic was tasked with developing prototype AI capabilities that would advance aspects of US national security. Anthropic has claimed that it does not want Claude used in ways that would allow for the mass surveillance of Americans or for the development of fully autonomous weapons. It was Anthropic’s insistence on these provisions which ultimately drove the Trump Administration’s actions

On February 27, 2026, President Trump issued a Truth Social post that directed every federal agency to immediately cease using Claude. That same day, DOW Secretary Hegseth issued a post on X stating that it was his intent to have: (1) Anthropic designated as a supply chain risk to national security; (2) no contractor, supplier, or partner that does business with the US military allowed conduct any commercial activity with

Anthropic, effective immediately; and (3) Anthropic continue to provide the DOW its services for a period of no more than six months to allow for a seamless transition.

In accordance with the Trump administration's directives, federal agencies have reported that they are phasing out the use of Anthropic tools such as Claude. The US Treasury, State, and Health and Human Services Departments have all issued statements confirming compliance. In addition, the US General Services Administration ("GSA") removed Anthropic from USAi.gov and the Multiple Award Schedule program. Other federal agencies are expected to take similar actions in the near future.

## Supply Chain Risk Designation

As a result of the Trump administration's actions, many federal contractors and defense contractors are scrambling to understand whether they are prohibited from using Anthropic tools, engaging in commercial transactions that involve Anthropic tools, and providing Anthropic tools as a deliverable under their federal contracts at any tier. Answering these questions requires a close look at the two laws that currently allow the federal government to designate a company as a supply chain risk, exclude that company from receiving government contracts, and restrict that company from providing its goods and services to other federal contractors for delivery to a federal agency.

The first is the Federal Acquisition Supply Chain Security Act ("FASCSA"), signed into law on December 21, 2018.<sup>2</sup> The FASCSA established the Federal Acquisition Security Council ("FASC"), an executive branch interagency council, chaired by a senior-level official from the Office of Management and Budget. FASC membership includes representatives from the GSA, the Department of Homeland Security, the Office of the Director of National Intelligence, the Department of Justice, the DOW, and the Department of Commerce. Designation of a company as a supply chain risk under FASCSA requires FASC approval, affords the designated company a 30-day opportunity to respond, and provides judicial review of the designation in the US Court of Appeals for the DC Circuit.

The federal government may also choose to designate a company as a supply chain risk under 10 USC § 3252. This is a military-specific law that allows the secretaries of war, the Army, the Navy, and the Air Force to make the determination. Importantly, the following apply to the designation under 10 USC § 3252:

- operates entirely at the discretion of the heads of the DOW and military departments
- does not require that notice be given to the designated company
- does not allow for the designated company to respond
- bars judicial review

10 USC § 3252 is implemented through the Defense Federal Acquisition Regulation Supplement, which provides that a supply chain risk designation requires a specific finding that "an adversary may sabotage, maliciously introduce unwanted function, or otherwise subvert" a covered system to "surveil, deny, disrupt, or otherwise degrade the function, use, or operation of such system."

## The Actions of the Trump Administration

At this time, the statutory authority upon which the Trump administration is relying is unclear, but it is

possible that Secretary Hegseth is making a supply chain risk designation pursuant to 10 USC § 3252 authority. The secretary's statement on X appeared to be a unilateral directive made in his capacity as the secretary of war and provided that the supply chain risk designation would take effect immediately.

If this authority was utilized, it is critical to note that § 3252 permits a supply chain risk designation only after the following steps have occurred:

- The secretary must first obtain a joint recommendation by the under secretary of defense for acquisition and sustainment and the chief information officer of the DOW, on the basis of a risk assessment by the under secretary of defense for intelligence and security, that there is a significant supply chain risk to a covered system.
- Additionally, the secretary must make a written determination that (i) the use of this authority is necessary to protect national security by reducing supply chain risk, (ii) less intrusive measures are not reasonably available to reduce such supply chain risk, and (iii) in a case where the secretary plans to limit disclosure of information, the risk to national security due to the disclosure of such information outweighs the risk due to not disclosing such information.
- Finally, the secretary is required to provide notice to the appropriate congressional committees of the supply chain risk designation.

If these actions have not been taken, then Anthropic may have a valid legal basis to request that a competent court enjoin the secretary from taking this action until the requirements of 10 USC § 3252 are met. In response to President Trump's and Secretary Hegseth's actions, Anthropic published a statement on its website asserting that the supply chain risk designation is legally unsound and vowing to challenge the designation in court.

It remains to be seen whether the Trump administration will also move for designation under FASCSA. If it does, that process will take some time, and Anthropic will have an opportunity to engage with stakeholders as the process moves forward.

## Takeaways

Companies that hold federal contracts should seek guidance from their federal contracting officers or prime contractors regarding any pending modifications that may restrict the use of Anthropic tools in performance of a government contract at any tier. Absent a written modification requiring a change in deliverables, companies should endeavor to remain in compliance with the applicable terms and conditions of their contracts and resist the urge to make immediate changes based on what is being reported in the media.

Because neither statute provides a mechanism for the Trump administration to prevent the use of Claude or any other Anthropic AI tool by a company for its own internal use, there does not appear to be a legal reason to abandon the internal use of Claude at this time. However, companies may want to assess their long-term risk tolerance related to use and prepare messaging for customers and partners in light of the Trump administration's current position.

Finally, neither statute provides a path for the Trump administration to prevent a company from conducting commercial business with Anthropic or any other entity designated as supply chain risk that is unrelated in

any way to the performance of a government contract. Companies should continue to track related developments and consult with counsel regarding changes in the law that could ultimately impact commercial business relationships and contracts.

Goodwin's Government Contracts and Grants Team is closely monitoring this situation as it evolves and will continue to analyze the Trump administration's actions, along with the impacts of these actions on federal contractors at all tiers. Please contact the authors of this alert, or the Goodwin attorney you work with regularly, if you have specific questions.

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[1] Anthropic is organized as a Delaware public benefit corporation (PBC). Even though Anthropic is a for-profit entity, because it is a PBC, it is legally required to balance profit with a public benefit mission. Anthropic states that its purpose is "the responsible development and maintenance of advanced AI for the long-term benefit of humanity."

[2] The FASCSA is implemented via Title 41 of the Code of Federal Regulations (CFR), which establishes rules and procedures for federal government procurement, contract administration, and management of government property. FASCSA and Title 41 authority generally apply broadly to the US federal government, inclusive of both civilian and military agencies.

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