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IN FOCUS

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Federal Government and Anthropic: Considerations for AI Innovation and Competition

On February 27, 2026, President Trump directed federal agencies to stop using technology developed by the U.S. artificial intelligence (AI) company Anthropic, and Secretary of Defense Pete Hegseth announced he was directing the Department of Defense (DOD) to designate Anthropic a "Supply-Chain Risk to National Security." (DOD and the Secretary are now using "Department of War" and "Secretary of War," respectively, as "secondary" designations per Executive Order 14347.) These actions followed a reported months-long dispute between DOD and Anthropic regarding certain uses of its AI technologies. On June 12, 2026, the Department of Commerce (DOC) reportedly imposed export controls on certain AI models—Mythos 5 and Fable 5—from Anthropic's Claude family of models that were lifted on June 30, 2026. The national security risk designation, use prohibitions, and export control restrictions may have implications for AI innovation and competition, including at Anthropic and other domestic AI companies. This In Focus provides information on the AI models under debate, actions taken by the U.S. government (USG) and their potential implications, and considerations for Congress.

Frontier AI Models: Potential Capabilities and Limitations

Frontier AI models are the most advanced foundation models—general-purpose AI models pretrained on large datasets that can be used for many applications. Anthropic's Claude models, including several frontier models, have reportedly been deployed across DOD and national security agencies for such applications as intelligence analysis, operational planning, and cyber operations. In June 2024, Anthropic stated that it was the first AI company to deploy frontier models in classified USG networks. In July 2025, four U.S. AI companies, including Anthropic, entered into contracts of up to $200 million each with DOD to "accelerate [DOD] adoption of advanced AI capabilities to address critical national security challenges." The Pentagon reportedly agreed to the use in classified systems of xAI's Grok model, Google's Gemini model, and five other tech companies' AI models as of May 1, 2026. Anthropic was not included.

In February 2026, Anthropic claimed that, during contract negotiations with DOD, it requested two use exceptions for its Claude models. First, Anthropic stated that it "do[es] not believe that today's frontier AI models are reliable enough to be used in fully autonomous weapons. Allowing current models to be used in this way would endanger America's warfighters and civilians." Second, Anthropic asserted that "mass domestic surveillance of Americans constitutes a violation of fundamental rights."

Anthropic's requested use exceptions highlight a broader debate over frontier AI model capabilities and limitations. Though frontier AI models demonstrate powerful capabilities, as measured by publicly available benchmarks and assessments, some studies have described their potential limitations, particularly regarding safety risks. A December 2025 Frontier AI Trends Report by the UK's AI Security Institute reported that, in its evaluations of frontier AI systems across domains critical to national security and public safety, model safeguards are improving, but the institute found "vulnerabilities in every system [it] tested."

Anthropic released Mythos Preview to about 50 partners in April 2026 through a collaborative called Project Glasswing. According to Anthropic, the company limited availability because of the model's advanced capability to find and exploit software vulnerabilities. On June 9, 2026, Anthropic launched Mythos 5 for "a small group of cyberdefenders and infrastructure providers" via Project Glasswing, "in collaboration with the [USG]," and Fable 5, a "Mythos-class model … made safe for general use," to the public.

Recent Federal Actions

On February 27, 2026, President Trump directed federal agencies to "IMMEDIATELY CEASE all use of Anthropic's technology" and outlined a six-month "phase out period for Agencies like [DOD] who are using Anthropic's products, at various levels." On March 5, 2026, Anthropic CEO Dario Amodei confirmed receipt of a letter from DOD designating Anthropic a supply chain risk to America's national security, which reportedly went into immediate effect. In response, federal agencies took actions to stop using Anthropic's Claude models. For example, the General Services Administration (GSA) announced that it was removing Anthropic from USAi.gov and its multiple award schedule (i.e., long-term government-wide contracts with commercial firms).

On June 12, 2026, DOC required Anthropic to restrict Mythos 5 and Fable 5 access to "any foreign national, whether inside or outside of the United States." In response, Anthropic disabled access to both models for all customers. This followed Executive Order 14409 of June 2, 2026, which directed the establishment of a voluntary framework to facilitate USG-industry evaluation of frontier AI models. On June 30, 2026, DOC lifted export control restrictions, and Anthropic subsequently redeployed Mythos 5 and Fable 5.

Potential Effect on Anthropic

As a private company, Anthropic provides limited public financial information. Some information suggests that USG actions might not have a significant financial effect on the company. The $200 million awarded by DOD and an $18,960 award from the Department of State in 2026 (the only government contract with Anthropic on usaspending.gov) are relatively small compared to its run-rate revenue (i.e., annual revenue estimate based on its current financial performance). On February 12, 2026, Anthropic stated that its run-rate revenue had reached $14 billion, and on May 28, 2026, Anthropic announced that its run-rate revenue had surpassed $47 billion earlier in the month. On June 1, 2026, Anthropic filed a Form S-1 with the U.S. Securities and Exchange Commission for a proposed initial public offering.

Anthropic has stated that USG actions are "harming Anthropic irreparably." If Anthropic were to lose a significant share of its revenue or funding from investors, it might have difficulty continuing to develop its AI models, potentially affecting its ability to compete and innovate.

The effect of USG actions on Anthropic may partially depend on the response of its other clients and the scope of the prohibition, which is under dispute. On February 27, 2026, Secretary Hegseth stated, "Effective immediately, no contractor, supplier, or partner that does business with the United States military may conduct any commercial activity with Anthropic." Anthropic responded that it does not believe that this action is legal, asserting that "a supply chain risk designation under 10 U.S.C. §3252 can only extend to the use of Claude as part of [DOD] contracts—it cannot affect how contractors use Claude to serve other customers." Anthropic filed two federal lawsuits on March 9, 2026. One lawsuit claims that the government's actions exceed its legal authority and violate the Administrative Procedure Act as well as Anthropic's due process and First Amendment rights. The second lawsuit seeks review of the designation of Anthropic as a supply chain risk under a separate statute. On March 26, 2026, a federal judge ordered a preliminary injunction to temporarily block the implementation of this designation and halted the President's directive ordering federal agencies to stop using Claude, and GSA restored Anthropic in USAi.gov and its multiple award schedule. In the second lawsuit, the U.S. Court of Appeals for the D.C. Circuit denied Anthropic's request to stop DOD from labeling it as a security risk. Some initial reporting indicated that a subset of defense contractors stopped using Anthropic's AI models, while others were waiting to see how the conflict resolved.

Potential Implications for Innovation and Competition

USG actions against Anthropic might have broader effects on AI markets and competition. For example, if USG actions negatively impact Anthropic's revenues and thereby its ability to develop frontier models, that would reduce the number of innovative AI models that other companies could use to create AI products. However, USG actions also appear to have contributed to a boost in public adoption of Claude, which became the most popular app on Apple's top free apps in the United States on February 28, 2026. Separately, OpenAI's decision to strike a deal with the Pentagon reportedly resulted in a "massive wave of public backlash" as users uninstalled ChatGPT.

USG actions against Anthropic have also raised concerns about potential effects on innovation and U.S. competitiveness. Some trade groups reportedly raised concerns that designating an American technology company as a national security risk would "have a chilling effect on U.S. innovation." A letter reportedly sent by former defense officials, academics, and tech policy leaders to congressional committees asserted that "blacklisting an American company weakens U.S. competitiveness" and warned that "this is not a marketplace any serious entrepreneur or investor can build around." The sudden inability to use Mythos 5 and Fable 5 reportedly renewed efforts in other countries to lessen their reliance on American technology. Further, while some analysts have noted that the DOC export controls were aimed at preventing national security risks from possible access to Mythos by the Chinese government, others have voiced concern that the process leading to DOC's reversal of the restrictions was "opaque" and "will not lend itself to a stable, investable, trustworthy industry over time."

Considerations for Congress

Federal policies and actions may influence competition among AI companies and potentially encourage or stifle innovation. Congress may wish to conduct oversight on the extent of DOD's authority to declare Anthropic a supply chain risk to national security and how such actions may affect private sector innovation. Congress may also consider legislation to clarify safety and security considerations around the use of AI technologies for sensitive applications, such as public surveillance, and to establish an AI regulatory approach that balances safety, national security, and innovation. Alternatively, Congress may wait for federal courts to determine the legal merits of the Trump Administration's actions against Anthropic before considering a legislative response. In weighing these options, among others, Congress might consider a range of questions, including the following:

- How do certain types of government actions, such as restricting access to specific models, affect revenue reliability for AI businesses?
- How might disputes between Anthropic and the federal government influence future agreements between private companies and the federal government?
- How difficult and costly is it for government agencies to switch from one AI foundation model to another?
- How might USG actions in response to a company's efforts to maintain safety measures affect industry efforts to innovate in AI safety and security?
- In light of international competition to lead in AI development, what might be the effects of USG actions against one AI company on the ability of (or incentives for) other U.S. AI companies to innovate and invest in building AI models?

Laurie Harris, Analyst in Science and Technology Policy
Clare Y. Cho, Specialist in Industrial Organization and Business Policy

IF13217

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