

Dear European Union Policymakers:

We, the members of ACT | The App Association, are innovative small businesses and independent developers driving change in the global app economy. From artificial intelligence (AI) and digital trade to decentralised technologies, our companies build the tools and services that power today's digital world.

However, to continue building innovative products, creating jobs, and connecting with communities across the European Union (EU) businesses like ours need a regulatory environment that rewards and inspires innovation. This environment should foster market certainty to drive investment and innovation while avoiding overreach or unintended harm. When regulations miss the mark, they risk stifling SMEs (small and medium-sized enterprises) and curtailing the societal benefits we work tirelessly to deliver. As we enter 2025, we call on EU policymakers to champion balanced, forward-thinking approaches to regulation that empower small businesses and sustain the growth of the digital economy. Below is an outline of the top policy priorities for EU leadership to address in 2025.

Artificial Intelligence

SMEs are leading advancements in artificial intelligence (AI), driving innovation in healthcare, agriculture, logistics, and beyond. However, the European Union's complex AI regulatory framework, comprising the *AI Act*, the *AI Pact*, and the forthcoming *Code of Practice for Generative AI*, presents significant challenges for small innovators. While these measures aim to balance innovation with risk management, their overlapping requirements [create a confusing and burdensome environment](#) for SMEs.

The AI Act's risk-based framework categorises AI systems by risk level and imposes stringent obligations on high-risk applications. While SMEs are granted priority access to regulatory sandboxes and potential fee reductions, the compliance demands, especially for high-risk and general-purpose AI (GPAI) systems, remain resource intensive. Voluntary initiatives like the AI Pact and the upcoming Code of Practice further complicate the regulatory landscape, potentially creating pressure for early compliance that favours larger companies with more resources.

We urge EU policymakers to implement the AI Act in a way that meaningfully supports SMEs. This includes clear, consistent guidance on compliance expectations, streamlined pathways for early-stage AI development, and safeguards to ensure that voluntary measures like the AI Pact and Code of Practice remain optional, not de facto requirements. Striking this balance is essential for fostering an innovation-driven AI ecosystem that empowers small businesses to scale and compete globally.

Standard-Essential Patent (SEP) Licensing

A balanced and transparent SEP licensing framework is essential for enabling micro, small, and medium-sized enterprises (MSMEs) to innovate on top of industry-developed technical standards. This framework includes enforcing a SEP holder's voluntary commitment to

licensing their SEP on fair, reasonable, and non-discriminatory (FRAND) terms. However, abusive SEP licensing practices, such as forcing supra-FRAND terms and royalty stacking by way of threatening national injunctions, create significant barriers for MSMEs. These practices inflate costs, increase legal risks, and limit the ability of MSMEs to compete, invest, and innovate in critical sectors like the internet of things (IoT) and AI.

The European Commission's proposed SEP Regulation, which the European Parliament passed with a vote of 454 to 83, is a critical step toward addressing these challenges. By promoting transparency and fairness in SEP licensing, the Regulation aims to balance the interests of SEP holders and small innovators. Key provisions, such as clearer guidelines on FRAND commitments, essentiality checks, and a non-binding FRAND conciliation process through the EU Intellectual Property Office (EUIPO), can help MSMEs incorporate standardised technologies without the risk of costly and prolonged litigation. However, further improvements are needed to close loopholes that allow SEP holders to misuse injunctions and avoid aggregate royalty rate determinations.

We urge EU policymakers to adopt and strengthen the SEP Regulation to ensure FRAND licensing practices protect MSMEs like us. A robust SEP licensing framework will empower MSMEs to develop innovative solutions, drive sustainable growth, and contribute to the EU's leadership in the global digital economy. By creating a more equitable licensing environment, policymakers can foster competition, support consumer choice, and enable the next wave of European innovation.

Digital Trade and Cross-Border Data Flows

A strong EU digital economy relies on seamless cross-border data flows and harmonised digital trade policies that empower SMEs to access global markets, build consumer trust, and reduce compliance costs. However, fragmented digital trade regulations and data localisation requirements within the EU and across international markets create significant barriers for small businesses striving to scale.

The [EU-U.S. Data Privacy Framework](#) is a critical step in enabling secure data transfers between the EU and the United States, allowing SMEs to operate and compete in both markets. The European Commission's recent adequacy decision review reaffirms the framework's importance, but ongoing alignment and regulatory cooperation are essential to preserving this progress. Additionally, initiatives like the EU-U.S. Trade and Technology Council (TTC) must prioritise digital trade provisions that support innovation and prevent the rise of digital protectionism.

We encourage EU policymakers to strengthen cross-border data agreements, safeguard the free flow of data under frameworks like the General Data Protection Regulation (GDPR), and resist policies that impose unnecessary barriers to digital trade. Supporting interoperable and innovation-friendly data policies will allow SMEs to expand globally while upholding high standards for data protection and consumer trust.

Privacy and Competition

Privacy and competition are deeply interconnected in the EU's digital economy. For SMEs, consumer trust is a critical asset. Unlike larger corporations with vast resources, SMEs rely on delivering secure, privacy-focused solutions to remain competitive. Platforms provide essential privacy and security tools that help SMEs protect user data and maintain trust—tools that are vital for business growth and innovation.

However, broad frameworks like the [Digital Markets Act](#) (DMA) and the Digital Services Act (DSA) have created unexpected challenges for SMEs. These sweeping regulations increase operational costs, [introduce complex compliance requirements](#), and limit access to platform tools essential for innovation. Additionally, the DMA's push for alternative app stores and sideloading without proper safeguards [risks undermining intellectual property](#) (IP) protections, exposing SMEs to greater risks of IP theft and brand harm. This erosion of security not only stifles innovation but also weakens consumer trust in the digital marketplace.

To ensure EU privacy, security, and competition regulations foster fair competition without placing undue burdens on SMEs, **EU policymakers must prioritise consistent, transparent implementation** that reflects the realities of the digital economy. This includes engaging directly with SMEs to understand their operational challenges and striking a regulatory balance that protects consumer data and intellectual property while supporting small innovators' ability to scale and compete globally.

Mergers and Acquisitions

Mergers and acquisitions (M&A) are critical pathways for SMEs to scale, attract investment, and bring innovative products to market. However, the evolving merger control landscape presents growing challenges for small innovators. Recent EU reforms aimed at tightening scrutiny over M&A activity risk unintentionally creating additional hurdles for SMEs seeking growth opportunities. While these efforts target harmful consolidation, it's essential that they do not discourage pro-competitive deals that empower small businesses to thrive.

Compounding this challenge is the persistent issue of the SEP licensing landscape, which [further diminishes the attractiveness of MSMEs in the M&A market](#). Abusive tactics, such as refusing licenses, supra-FRAND demands and patent hold-up, inflate operational costs and introduce significant legal risks, deterring investors and acquirers. Without changes to the current environment, MSMEs face barriers that limit their ability to scale and innovate in critical sectors like IoT and AI.

We urge EU policymakers to adopt a nuanced approach in their merger control framework, differentiating between anti-competitive consolidation and growth-enabling acquisitions, and to prioritise the swift implementation of the proposed SEP Regulation. Clear, transparent licensing frameworks will not only level the playing field for MSMEs but also enhance their ability to participate in and benefit from healthy M&A activity. This dual

approach is essential to fostering a competitive and innovative digital economy where small businesses can scale, compete globally, and continue driving technological progress.

Decentralised Technologies

Blockchain and decentralised technologies offer transformative opportunities for the EU economy, from enhancing supply chain transparency to enabling secure digital payments and streamlining cross-border data flows. Decentralised technologies can provide SMEs with secure, interoperable solutions for managing data across jurisdictions and reducing the complexity of navigating varying data protection laws. By leveraging blockchain's transparency and immutability, SMEs can better comply with privacy regulations like GDPR while ensuring secure and efficient data transfers across borders.

Policymakers should provide regulatory clarity for decentralised technologies, including blockchain, cryptocurrency, and other use cases like supply chain management. A balanced approach will foster innovation, address risks, and ensure small businesses can harness these tools to drive economic growth and build trust in the digital economy.

Innovation thrives when policymakers enable environments where businesses of all sizes can compete and succeed. Overly broad or burdensome regulations risk stalling progress, but thoughtful, future-focused policies can empower SMEs to innovate, create jobs, and improve lives. We remain committed to working with EU leaders to advance these priorities and ensure the continued success of European innovation and the most robust EU economy possible.

Sincerely,

AIZEND

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