

ACT'S ANNUAL



GLOBAL APP
ECONOMY
CONFERENCE

POLICY PRIORITIES FOR STARTUPS, SCALEUPS, & SMES

EUROPEAN UNION

2026



Contents

About Association for Competitive Technology (ACT)	3
Startups and Innovation	4
Digital Omnibus Package.....	6
Standard-Essential Patents.....	8
Platforms Play a Crucial Role for App Economy Growth.....	10
Digital Fairness Act	12

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About ACT

Who We Are

ACT is a global technology trade association representing startups, scaleups, and small and medium-sized enterprises. We work directly with our members worldwide to advocate for a policy environment that takes into account their real-world challenges and supports innovation, access to capital, job creation, and the ability of small technology companies to grow and compete globally.

Who Our Members Are

Our members are small and medium-sized technology companies. They are entrepreneurs, startups, scaleups, and independent developers building software, hardware, and digital services across the global economy. They develop mobile and AI applications, manufacture connected devices, and deliver B2B and B2C solutions across sectors including agriculture, cybersecurity, education, healthcare, entertainment, and hospitality. While their business models vary, they share common priorities on global tech policy issues that directly affect their companies along with concerns about innovation, competition, and economic growth.

Our Policy Issues

ACT's policy agenda is driven by our members and focused on advancing clear, scalable regulatory frameworks that enable small technology companies to innovate and grow. We engage with policymakers on issues critical to the future of technology and innovation including artificial intelligence, online safety and privacy, competition, digital trade, and digital health while also advocating on core small business priorities such as mergers and acquisitions, tax policy, and workforce development.



What We Do

ACT connects policymakers with the real-world perspectives of small tech entrepreneurs by:

- ✦ Providing direct insight from startups, scaleups, and SMEs on how policy decisions affect innovation, jobs, and competitiveness
- ✦ Educating policymakers and staff through briefings, roundtables, and events focused on small tech businesses' needs
- ✦ Advocating on specific policy proposals through letters and formal communications to government leaders
- ✦ Meeting directly with regulators and officials worldwide to explain the practical impacts of regulatory and legislative priorities
- ✦ Participating in formal consultations and comment processes to provide detailed, on-the-ground feedback on global technology policies



Startups and Innovation

For small and medium-sized enterprises (SMEs) and startups, the mosaic of EU Member State regulations is still an impediment to growth. Their ability to compete on a global scale depends on a flourishing environment in which they can scale across all borders both internally and globally. Two main policy initiatives are key to this challenge: the 28th regime and the European Innovation Act. Together, they aim to address barriers to a Single Market that prevent startups from scaling up, helping small companies to innovate, grow, and create jobs.

Why Innovation Policies Matter to Startups, Scaleups, and SMEs

Startups, scaleups, and SMEs are the backbone of Europe's innovation ecosystem. They drive job creation and technology development across a wide range of sectors, from health to internet of things (IoT) and artificial intelligence (AI). However, they are also the most affected by regulatory complexity and market fragmentation.

THE 28TH REGIME CLEARS THE WAY FOR GROWTH

As highlighted in the Draghi and Letta reports, despite strong entrepreneurial talent, European companies remain constrained by long-standing systemic barriers: a fragmented legal and regulatory landscape, difficulties in accessing capital, challenges in attracting and retaining talent, and a disproportionately high cost of failure.

In this context, the 28th regime represents a critical opportunity to ensure that startups and SMEs are not held back from establishing their business across the EU by the lack of a uniform and consistent legal framework. For this reason, an EU-wide regime would allow companies to operate under a single set of rules across the Union, rather than adapting their business to 27 different systems.

For small companies and startups, this means:

-  Faster and cheaper cross-border expansion.
-  Greater legal certainty for founders, investors, and employees.
-  Improved access to finance, as investors would face fewer jurisdiction-specific risks.
-  Increased opportunities for both employers and employees across the EU.

Without such a regime, many startups are forced to choose between remaining small and domestic or relocating to jurisdictions with simpler and more predictable frameworks.

THE EUROPEAN INNOVATION ACT AIMS TO PROMOTE CLARITY

For innovative companies, regulatory burden and overlap present the most pressing challenges. Over the past decade, the EU digital rulebook has expanded rapidly, resulting in complex and redundant obligations, duplicative reporting requirements, and inconsistent application across Member States. For SMEs and startups with limited resources, this can represent a threat to their growth and development by moving investments from innovation to administration and increasing compliance uncertainties.

In this regard, the European Innovation Act matters because it has the potential to change how regulation affects small innovators in practice. For startups and scaleups, key elements include:

- ✦ Reducing overlapping obligations by streamlining reporting and documentation requirements across different regulatory frameworks.
- ✦ Providing clear, practical guidance tailored to SMEs, so that compliance does not require large in-house legal teams and high costs.

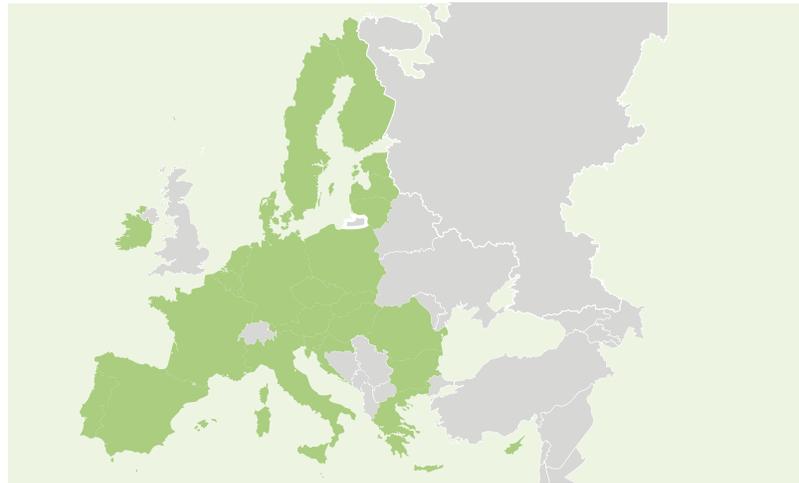
- ✦ Ensuring proportionality, including exemptions or lighter regimes for smaller companies.
- ✦ Embedding innovation-friendly tools, such as regulatory sandboxes and innovation stress tests, to assess real-world impacts before rules are finalized.

If the European Innovation Act is designed to consider the real challenges of small companies, it can help the EU make a more coherent framework that supports experimentation, innovation, scaling, and cross-border growth.

WHAT STARTUPS, SCALEUPS, AND SMES NEED FROM POLICYMAKERS

To unlock Europe's full innovation potential, policymakers should ensure that the 28th regime and the European Innovation Act deliver concrete and practical benefits for startups and SMEs. This can be achieved by:

- ✦ **Establishing an ambitious 28th regime as an EU-wide framework.** Unlike a Directive, a Regulation can ensure a single EU-level registry, providing standardised procedure, legal certainty, and the predictability that startups, scaleups, and investors require. Established as a Regulation under Article 352 TFEU, the 28th regime would create a single, coherent framework that applies regardless of where a company is incorporated. This would make cross-border expansion faster and cheaper, simplify investment opportunities, and strengthen Europe as an attractive place to start and scale a business.
- ✦ **Creating a European Innovation Act that works for SMEs and startups by ensuring regulatory simplification and streamlining of current reporting obligations.** Existing obligations should be consolidated with a single and centralised reporting mechanism, avoiding creating a new level of complexity. Any new requirement should be subject to a stress test to ensure that regulation addresses a demonstrated harm to startups and SMEs. With the same aim of avoiding fragmentation through divergent implementation, enforcement of rules should be coordinated among European and Member States' authorities to safeguard consistent application across the Single Market. Alongside this, harmonised investment rules and mobility schemes would facilitate access to finance and talent.



ACT strongly supports the Commission's goal of delivering a predictable, coherent, and innovation-friendly legislative framework that enables small companies to achieve growth and expand their businesses across borders.

We stand at a crucial moment for Europe's innovation ecosystem, and the choices made now will determine whether the Single Market becomes a place for European companies to grow.

To succeed, the European Innovation Act and the 28th regime must deliver on simplification, reduce the cost of failure, and provide legal certainty both for innovators and investors. This opportunity can only be reached with ambitious initiatives that are implemented consistently.



Digital Omnibus Package

The European Commission's 2025 Work Programme aims to create a regulatory environment that is simpler and faster, with a clear focus on meeting the needs of European startups and scaleups. ACT's members welcome the Commission's initiative to streamline the digital landscape, providing much-needed administrative relief and supporting businesses in navigating the digital economy more efficiently.

The EU digital rulebook has substantially increased in size and complexity during the last Commission mandate. Its rapid expansion includes a high number of Regulations and Directives impacting the digital economy (e.g. the Digital Services Act, Digital Markets Act, Data Act, General Data Protection Regulation, ePrivacy Directive, and Artificial Intelligence Act) that have had a substantial effect on small and medium-

sized enterprises (SMEs) and startups. In its call for evidence, the Commission correctly identifies that compliance costs, reporting requirements, and unintended consequences disproportionately harm smaller companies, undermining EU competitiveness.

Simplification and regulatory relief should be the cornerstone of the current mandate to ensure that competitiveness objectives are reached. As highlighted in the Draghi Report, excessive regulatory and administrative burdens prevent EU companies from scaling and growing. SMEs and startups are the backbone of the European economy. At the same time, they are the most affected by overlapping rules and fragmented enforcement, which ultimately forces them to focus on compliance, rather than developing new products and financing their companies.

What Startups, Scaleups, and SMEs Need from Policymakers

Simplification must focus on alignment and consolidation of reporting and incident requirements. Specifically, small businesses should be able to access a simplified system for their reports, which should consist of:

- ✦ **One-stop reporting:** A single EU-wide reporting portal should cover all the reporting obligations under EU digital law, such as the GDPR, AI Act, and other relevant instruments. Reporting once should satisfy all obligations.
- ✦ **Targeted mitigation of barriers to reporting:** The EU should identify unnecessary barriers to timely incident reporting, such as liabilities

organisations may take on through proactive information sharing, through appropriately scoped liability immunities, or formal 'safe harbour' protections to organisations that report cybersecurity incidents or data breaches in good faith.

- ✦ **Harmonised timelines:** Reporting timelines should be aligned across legislation, with clear rules on the reporting period to avoid conflicting requirements.
- ✦ **Harmonised documentation:** Risk assessments, technical files, and conformity documentation should be harmonised across different frameworks, in line with the Once Only Principle.



For our member companies, the following issues are of primary importance across the regulations in the EU Digital Omnibus package:

THE ARTIFICIAL INTELLIGENCE ACT

ACT recognises the AI Act as a cornerstone of EU digital law to ensure a fair and safe use of technology. We acknowledge the Commission’s recognition that a smooth application of the AI Act is essential to ensure the competitiveness of Europe’s digital economy.

However, companies currently face significant uncertainty. While many obligations under the AI Act will enter into force in 2026, essential guidelines, standards, and codes of practice are still under development. Without these, businesses lack the clarity needed to comply with the requirements and adapt their products and services. We therefore urge policymakers to consider pausing the implementation of AI Act obligations until the regulatory landscape is clear and stabilised.

THE GENERAL DATA PROTECTION REGULATION

We support the Commission’s effort to reduce unnecessary GDPR compliance burdens, especially for SMEs and startups, while preserving strong data protection. To achieve this, the documentation relief must be real and not reversed through Data Protection Authorities’ interpretations. Additionally, such reporting

requirements must be harmonised across the EU in order to make it easier for startups and SMEs to comply.

The Commission still has a role to play on cookie fatigue and consent overload. Policymakers can make compliance more rational for startups and SMEs and less annoying for users by moving the rules on storing and accessing personal data on devices fully into the GDPR, clarifying when consent is or is not needed, and enabling machine-readable user preferences.

THE DATA ACT

We welcome a more coherent Data Act, bringing the Free Flow of Non-Personal Data Regulation, the Data Governance Act, and the Open Data Directive under one roof. This will give founders a clearer and more predictable framework for accessing, sharing, and re-using data.

CONCLUSION

ACT recognises this package can be a turning point if done correctly. On this note, we believe implementation will be a key part of this equation. If the EU wants a strong, competitive, innovation-led economy, a harmonised implementation at national level will need to take priority not only on the omnibus package but on all existing digital rules.

Standard-Essential Patents



Technical standards establish protocols, specifications, or characteristics for products, services, and processes, facilitating interoperability. Startups and scaleups utilise these standards to compete and innovate across consumer and enterprise markets. Policymakers must identify and mitigate barriers to both the development and use of standards. One such barrier is the abuse of standard-essential patents (SEP), which undermines trust in the standards ecosystem. EU policymakers must ensure that SEP licenses are available to everyone on fair, reasonable, and non-discriminatory (FRAND) terms.

Why SEPs Matter to Startups, Scaleups, and SMEs

Small and medium-sized enterprises (SMEs) drive European innovation and are key to the EU's global competitiveness. SMEs both develop and use standards for interoperability and safety. SMEs innovate on top of standards to compete in both existing and emerging technology-driven markets. SMEs are connecting the world and building tomorrow's innovations on today's standards.

As these standards are developed, patented technologies are voluntarily contributed, making licensing those patents necessary for use. Because SEP holders are inherently positioned to effectively control who can and cannot use the standard as a whole, standard-setting organisations (SSOs) ask the SEP holder to commit to license to all on FRAND terms. In this way, the FRAND commitment ensures that no one is locked out of open standards. However, SEP holders that abuse or disregard their FRAND commitment distort competition and harm SMEs who need to use the standard.

As emerging technologies like artificial intelligence (AI) evolve, industry and government will look to standards for both technology and governance frameworks. Ensuring that AI-related SEPs are licensed on FRAND terms is critical to preventing market foreclosure, fostering competition, and enabling SMEs to participate fully in the AI value chain.

What Startups, Scaleups, and SMEs Need from Policymakers

SMEs' ability to license and implement standards is currently under attack due to systemic abuses and a profound lack of transparency by a handful of abusive SEP holders. Recent regulatory developments have increased uncertainty rather than providing clarity. In particular, the European Commission's decision to withdraw the proposed EU SEP Regulation has squandered a key opportunity to establish a more transparent, balanced, and predictable SEP licensing framework within the EU.

Moreover, the European Parliament's decision to initiate legal proceedings against the Commission shows the seriousness of the issues at stake. It reflects the Parliament's view that meaningful reform of the SEP licensing landscape remains necessary to safeguard innovation, competition, and the interests of SMEs.

To support innovation and competition, EU policy must reflect key SEP licensing consensus principles, including:

- ✦ SEP licences must be made available to all licensees on FRAND terms;
- ✦ Injunctions should be awarded only in exceptional circumstances;
- ✦ The tying of non-essential patents in with SEP licenses must be prohibited;
- ✦ If a FRAND-committed SEP is transferred, the FRAND commitments must follow the SEP;
- ✦ SEP royalties must reflect the value of the patented technology itself, which is separate from purported value due to its inclusion in the standard, hypothetical uses downstream, or other factors unrelated to invention's value.

ACT recognises the pivotal role of SMEs in the EU economy and the acute challenges they face in SEP negotiations due to limited resources and experience. Despite the withdrawal of the proposed Regulation, we continue to support its proposed solutions, which were designed to remove barriers to competition and innovation.



We strongly urge EU policymakers to continue pursuing a robust and balanced SEP policy. Legal uncertainty and regulatory inaction risk undermining Europe's innovation ecosystem at a time of intense global competition. A clear, predictable, and balanced SEP framework remains essential for enabling European innovators to thrive and for cultivating the next generation of technology leaders.

Platforms Play a Crucial Role for App Economy Growth

App makers use curated online marketplaces (COMs) and platforms to reach a global market, reduce complexity and overhead, and benefit from existing consumer trust.

Why Platforms Matter to Startups, Scaleups, and SMEs

Startups, scaleups, and small and medium-sized enterprises (SMEs) make business decisions about which platforms to make their products and services available on. COMs offer bundled services that reduce overhead for SMEs and friction for consumers. When determining which services to use, companies

consider customer base, what tools are available, and how reliable the underlying infrastructure is.

On the consumer side, COMs offer protections such as secure payment systems, data privacy guarantees, and vetting processes for products and services, creating an environment where users feel more comfortable searching for and downloading apps – even the ones they’ve never heard of. This built-in consumer trust benefits all parties on the platform, but it is especially valuable for small businesses, which often lack the brand recognition and established reputation that bigger competitors enjoy.

The needs of ACT’s members are often fundamentally different from those of large and established app makers with global brands. In digital markets, one of the largest barriers to entry for SMEs is overcoming the network effects and brand loyalty enjoyed by more established players. In these highly competitive markets, platforms help smaller players by giving them access to the trust and loyalty consumers have in the platform itself. This allows consumers to feel safer exploring products from less-established businesses, levelling the playing field and making it easier for small companies to thrive.

Because consumer trust is so vital to the competitive capacity of SMEs in the app ecosystem, we caution against regulatory interventions that could disrupt this balance and erode consumer confidence.



What Startups, Scaleups, and SMEs Need from Policymakers

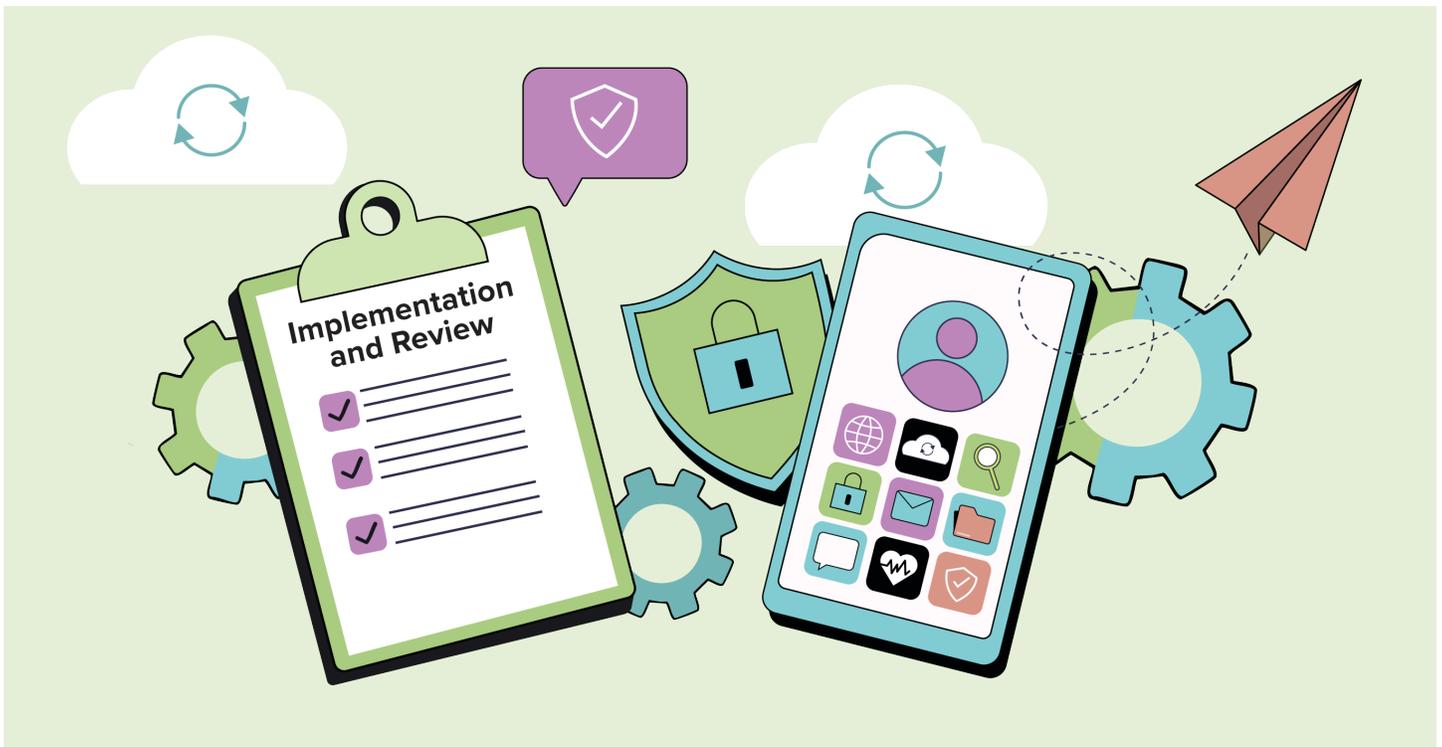
In the context of the Digital Markets Act (DMA) implementation and review, a handful of large app makers have been vocal in advocating for unbundling the services provided by app stores and COMs. It's crucial to recognise that these larger companies stand to benefit the most from this, at the expense of smaller players. SMEs rely heavily on platforms for seamless distribution, reach, and visibility; curation by platforms to support privacy, security, and intellectual property needs; as well as accessibility features and tools.

The DMA review process comes at a time when the scope of implementation appears to be expanding beyond the original intent of targeting clear gatekeeper behaviours. This evolving interpretation creates ongoing legal and operational uncertainty. For SMEs, which operate with limited financial and human resources, such uncertainty makes long-term planning, product development, and scaling significantly more difficult. It also weakens their ability to secure external investment, as investors seek predictability in regulatory environments.

Implementation uncertainty under the DMA risks delaying the rollout and adoption of new technologies such as artificial intelligence. AI tools, ranging from app personalisation and accessibility features to fraud prevention, developer analytics, and automated customer support are increasingly embedded within platform services. When regulatory ambiguity slows or constrains how platforms can deploy or integrate these technologies, SMEs are disproportionately affected.

Large multinational firms can develop proprietary AI systems or shift innovation elsewhere. SMEs, however, rely on platform-provided AI tools to compete internationally. Delays in access to such technologies risk widening the competitiveness gap between European SMEs and firms operating in more agile regulatory environments.

The European Commission must continue to involve all stakeholders, including SMEs, throughout the DMA implementation and review. We urge policymakers to prioritise consistent, transparent implementation that reflects the realities of the digital economy in a way that maintains stability and consumer trust in the app ecosystem.



Digital Fairness Act

Consumers want enhanced consumer protection and fairness in digital markets, prevention of harmful practices like dark patterns, unfair personalisation, and subscription traps. These improvements are also important to a healthy startup, scaleup, and small and medium-sized enterprise (SME) ecosystem. Unfortunately, the Digital Fairness Act (DFA) risks overlooking existing consumer protections, causing smaller businesses to face high compliance costs and legal uncertainty. EU policymakers should work together to ensure the DFA prioritises workable and proportionate rules for SMEs, allowing them to compete, innovate, and grow in a fair digital single market.



Why the Digital Fairness Act Matters to Startups, Scaleups, and SMEs

Consumer protection is a fundamental priority for startups and SMEs across the digital economy. SMEs know that they must ensure a safe, transparent, and predictable digital experience, and their reputation and long-term growth depend on the trust of their users.

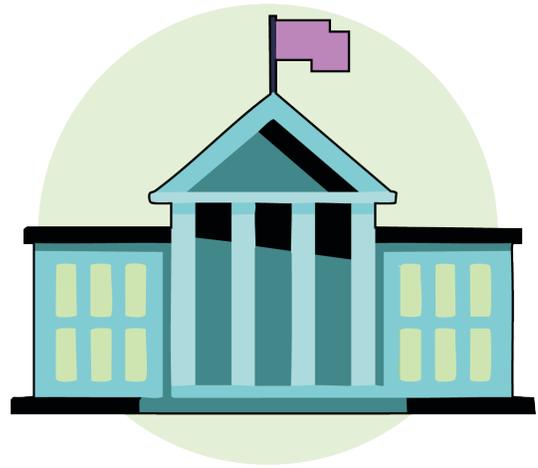
Unfortunately, the DFA risks adding another layer to the scope of regulations that SMEs must already comply with. For SMEs and startups, regulatory complexity is not an abstract concern but a real cost. Small

businesses do not have large and dedicated legal and compliance teams in house, and every additional or unclear obligation translates into higher costs and reduces investment capacity. Moreover, when rules overlap or are implemented differently across Member States, small companies face fragmentation that undermines the objective of the Single Market and their ability to grow and scale across countries. Further, misalignment with regulatory approaches in other key markets reduces EU SMEs' ability to compete abroad.

Many of the practices that will be targeted by the DFA (e.g. interface design, personalisation, target advertising, and subscription models) are already addressed under

existing EU Regulations and Directives. For instance, the General Data Protection Regulation (GDPR) already establishes a comprehensive framework on the lawful processing of personal data, the Digital Services Act (DSA) bans the use of sensitive personal data for targeted advertising, establishing concrete obligations on the interface's design, together with the Unfair Commercial Practices Directive (UCPD), which prohibits deceptive and aggressive business practices.

Moreover, subscription traps and digital contracts have been regulated through the UCPD, which establishes the unlawfulness of 'subscription traps', and the Consumer Rights Directive (CRD), which regulates pre-contractual information and cancellation function.



While it is important to maintain a high level of protection for European consumers, it is crucial that any new obligation remains coherent and consistent with the current legislative framework, without creating overlapping obligations and legal uncertainty.



If the Digital Fairness Act were to introduce new overlapping or duplicative obligations, it would risk adding another level of complexity that would impede innovation and discourage experimentation. For Europe's startup ecosystem, fairness must therefore go hand in hand with proportionality, legal certainty, and innovation-friendliness.

As the DFA solidifies, it is also important that the EU prioritise interoperability with third-country regimes in order to lower barriers to cross-border expansion and help EU SMEs compete globally. Enabling internationally active SMEs to scale more easily will boost the EU's competitiveness, supporting the very consumer welfare and strategic autonomy goals the DFA seeks to advance.

What Startups, Scaleups, and SMEs Need from Policymakers

To promote fairness in digital markets while supporting innovation and competitiveness, the DFA should be guided by five key principles:

01.

Simplification and coherence must be delivered as the primary objective, in line with the current Commission Work Programme and other legislative initiatives like the Digital Omnibus. The DFA should not duplicate existing consumer and digital rules. Instead, it should clarify how current instruments, such as the DSA, GDPR, UCPD, and CRD, work together and apply to modern digital practices.

02.

The focus should be on the consistent implementation and enforcement of current rules across the Single Market. EU consumer protection law has made EU consumers among the most protected in the world, reflecting the strength and effectiveness of the EU's regulatory framework. But where concerns persist, the European Commission, together with European and National authorities, should be able to tackle them through effective cooperation and coordination. In this regard, the DFA should focus on supporting these cooperation and



enforcement networks to make it more efficient and consistent across Member States, ensuring that all consumers across the EU benefit from the same high level of protection while reducing fragmentation and legal uncertainty for businesses.

03.

Rules must remain principle-based and technology-neutral, enabling the scaling of harm mitigation to demonstrated risks, since rigid and prescriptive requirements will result in undermining innovation and the user experience.

04.

To effectively strengthen consumer protection, the DFA should only address legislative gaps, while focusing on prioritising the correct enforcement of existing rules and supporting the cooperation of EU and national authorities.

05.

Any initiative adopted under the DFA should include focused support for SMEs and startups by introducing compliance guidance, best practice examples, and proportional enforcement approaches that recognise the limited resources of smaller businesses.

ACT strongly supports the Commission's commitment to establishing a fair and transparent online environment for consumers. However, these objectives must be aligned with an innovation-friendly approach, since small businesses are already burdened by regulatory complexity, overlapping obligations, and fragmented enforcement.

The EU has a robust and comprehensive legal framework capable of addressing the concerns identified under the Digital Fairness Fitness check. For these reasons,

the DFA should be an instrument of simplification and alignment, built on existing legislation, that improves the coherence, enforcement, and implementation of the current consumer protection framework.

A clear, predictable, and SME-friendly approach to digital fairness will strengthen Europe's competitiveness, support innovation, and ensure that small businesses can continue to develop the next generation of digital services for consumers across the EU.





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