

Suggestions for the European Innovation Act

Dear Mr Turcina, Ms Ticheru, and the Research Innovation (RTD) Team,

Thank you again for the insightful discussion during our meeting a couple of weeks ago. After further conversations with our members, we have some suggestions that we believe should be considered when drafting the upcoming proposal for the European Innovation Act. We appreciate the opportunity to contribute our perspective.

[ACT | The App Association](#) is a policy trade association for the **small business technology developer community**. [Our members](#) are entrepreneurs, innovators, and independent developers within the global app ecosystem that engage with verticals across every industry. We work with and for our members to promote a policy environment that rewards and inspires innovation while providing resources that help them raise capital, create jobs, and continue to build incredible technology. Today, the ecosystem the App Association represents, which we call the app economy, is valued at approximately €86 billion and is responsible for over 1.3 million jobs in the European Union (EU).¹

Notably, the increase of regulations focused on or impacting the digital economy in recent years has created additional challenges for small and medium-sized enterprises (SMEs), which are often exacerbated by overlaps and even conflicts with other rules. A recent [report](#) by DOT Europe and Freshfield (Streamlining the EU Digital Rulebook) has highlighted numerous (partly overlapping) documentation requirements, including risk or impact assessments, leading to significant administrative burdens for SMEs and giving rise to higher compliance risks and operational challenges.² The report also underlines that regulations such as the GDPR, the EEC, or the NIS2 Directive, impose tight reporting deadlines for the same incident, involving various regulators, requiring different reporting forms, and often requiring distinct types of information.³ These are just a few examples that have led to a difficult environment for SMEs to grow and innovate in Europe.

In this context, we would like to put forward a number of concrete suggestions for your consideration. As stated before, these recommendations build on our ongoing exchanges with digital SMEs and our [EU Policy Guide](#). They aim to help shape a European Innovation Act that truly enables innovation, empowers small businesses, and ensures that regulatory ambition goes hand in hand with operational feasibility. While they may

¹ See <https://actonline.org/wp-content/uploads/Deloitte-The-App-Economy-in-the-EU-2020.pdf>

² DOT Europe and Freshfield report, 2025 p. 6.

³ DOT Europe and Freshfield report, 2025, p. 7.

not all be included in the legislation, our suggestions address the need for solutions across different digital areas.

Accelerating innovation

Fostering innovation is key for SMEs to unlock new opportunities, drive economic growth, and create new job opportunities. SMEs are at the forefront of Europe's innovation landscape. However, they face growing challenges from a patchwork of overlapping and sometimes conflicting EU regulations. To ensure regulation does not unintentionally stifle SME-led innovation, we urge the Commission to anchor the Innovation Act in principles of flexibility, proportionality, and technology neutrality.

While simplification is crucial, there are examples where regulation has the potential to empower SMEs. One of these cases is the Standard-Essential Patents (SEP) Regulation, which we believe should be revived, since, if implemented effectively, the framework will provide greater transparency, predictability, and fairness in licensing practices, lowering barriers for smaller innovators and helping them secure investment, protect intellectual property (IP), and scale.

To facilitate the responsible development and testing of emerging technologies, we would like to see the creation of EU-coordinated regulatory sandboxes in the Act. These controlled environments should enable innovators to experiment with products and services under the guidance of relevant authorities, helping reduce time-to-market, enhance legal certainty, and inform better regulation. Specific support for cross-border sandboxes could unlock pan-European scaling potential.

Fostering a competitive artificial intelligence environment

We welcome the AI Continent Action Plan as it includes a plan to help SMEs scale up. We especially commend the Commission's attention to simplification, access to infrastructure, and tailored support for SMEs, which are essential for unleashing innovation across Europe's digital economy. As highlighted in our [EU Policy Guide](#), we reiterate our support for the risk-based approach of the AI Act, and we appreciate that the Action Plan reinforces this by offering mechanisms for practical compliance and regulatory guidance, including for general-purpose AI (GPAI). This supportive ecosystem for SMEs, early-stage startups, and app developers will be crucial for adopting and integrating AI into their services without prohibitive cost or complexity. However, successful deployment will also require:

- A scalable risk-based approach to mitigating demonstrated and foreseeable harms, including clearer guidance on high-risk AI and GPAI is critical to avoid overreach and ensure SMEs can adopt AI with confidence.
- Ensuring the appropriate distribution of responsibility in the AI value chain based on known and intended uses and the ability to mitigate those risks.

- A balancing of intellectual property rights (e.g., copyright) interests with the need to use data to train AI, including practical guidance to avoid legal grey zones that discourage innovation.

Fair platform competition and DMA implementation

Digital platforms have transformed market access for SMEs. The DMA's implementation must reflect the diverse needs of developers, especially small businesses.

- We caution against one-size-fits-all remedies. Mandates for side-loading or alternative app stores offer questionable benefits to the smallest businesses and risk undermining consumer trust, a key currency for lesser-known innovators.
- The Act should balance competition goals with preserving the integrity and safety of the app ecosystem, ensuring robust privacy, security, and IP protections.
- The EC should consider alterations to the DMA itself and the EC's approach to implementation based on the demonstrated impacts of DMA implementation to date.

Mergers and acquisitions (M&A) and funding

For SMEs, acquisitions are a vital pathway to scale. They are not threats to competition but indispensable enablers of entrepreneurial risk-taking and investor confidence.

- The European Innovation Act should explicitly recognise that a barrier to exit is a barrier to entry and avoid blanket approaches to merger control that negatively affect startup activity.
- M&A enforcement should be grounded in thorough economic analysis and real-world market impacts, not isolated hypotheticals.

Balancing simplification with essential safeguards

While regulatory simplification is essential to fostering innovation and supporting SMEs, it should not compromise fundamental protections already achieved by other regulations. Any future Innovation Act should ensure that simplifications do not weaken cybersecurity standards, encryption safeguards, or privacy rights, as these areas are critical to trust in digital technologies. Furthermore, access to standard-essential patents must be ensured to maintain a competitive and innovative ecosystem and must be fair, reasonable, and non-discriminatory to avoid distorting competition.

Building a coherent European Innovation Framework

In parallel, the future European Innovation Act must prioritise the development of a coherent European framework that removes the existing patchwork of national regulations, particularly in critical sectors like healthcare and digital health. A coherent European framework should also enable straightforward enforcement mechanisms,

minimise conflicting regulations across different jurisdictions, and provide targeted incentives, such as tax benefits for research and development (R&D) investment. Finally, promoting computer science education across all regions of the EU, not only in major tech hubs, and supporting lifelong learning and career transitions in digital skills, will be essential to building a truly inclusive and resilient innovation economy.

For these reasons, we strongly recommend that the European Innovation Act be adopted as a Regulation, ensuring direct and uniform applicability across Member States. In addition, we advocate for a comprehensive impact assessment, with particular attention to SME needs, digital readiness, and regulatory coherence.

We remain at your disposal for further dialogue and stand ready to contribute to the design and implementation of this vital legislative initiative.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Sax", with a stylized flourish at the end.

Mike Sax

Founder and Chairperson

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