

Dear United Kingdom Policymakers:

We, the members of ACT | The App Association, are innovative small businesses and independent developers driving change in the UK's digital economy. From artificial intelligence (AI) to decentralised technologies, we build the tools and services that power today's digital world. However, to continue building innovative products and creating jobs in our communities, we need a regulatory environment that rewards and inspires innovation. This environment should foster the market certainty needed to drive investment and innovation while avoiding overreach or unintended harm. When regulations miss the mark, they risk stifling small businesses and curtailing the societal benefits companies like ours work tirelessly to deliver.

A key aspect of achieving a thriving UK digital economy is ensuring an equitable standard-essential patent (SEP) licensing landscape. Without fixing the SEP licensing system, the UK's ambitions for leadership in critical sectors like AI and IoT will be undermined. SEPs underpin interoperability and innovation across all facets of the digital economy, from AI and decentralised technologies to connected health and digital trade. As outlined below, reforming SEP licensing is a foundational step to unlocking the potential of small businesses and driving innovation across industries.

Standard-Essential Patents

The success of industries like [AI, the internet of things \(IoT\)](#), connected health, and even decentralised technologies are inextricably linked to the fair, reasonable, and non-discriminatory (FRAND) licensing of SEPs. A FRAND SEP licensing environment helps ensure interoperability between technologies, enabling seamless integration and innovation. However, the UK's current SEP licensing framework presents challenges, particularly for small and medium-sized enterprises (SMEs) like ours. When licensing is handled unfairly, through practices like supra-FRAND demands, patent hold-up, and royalty stacking, SMEs face inflated costs as a barrier to industry-driven standards, hindering our ability to compete and scale.

The UK Intellectual Property Office (IPO) [recognised that SMEs are disadvantaged](#) under the current system and acknowledged the need for more transparent and equitable SEP licensing, but the regulatory framework remains insufficient to support small businesses effectively. Now more than ever, UK policymakers are responsible for implementing transparent and reliable SEP licensing frameworks that uphold FRAND terms, prevent abusive practices, and promote innovation.

We urge UK policymakers to prioritise SEP licensing reform in 2025. Government must directly address these challenges by implementing better mechanisms for essentiality checks, increasing transparency in licensing costs, and preventing the use of injunctions to pressure SMEs into accepting unfair terms. By doing so, they can level the playing field for all players, drive innovation across critical sectors, and reinforce the UK's leadership in the global digital economy.

Artificial Intelligence

Small businesses and independent developers in the UK are leading AI innovation, driving advancements in healthcare, agriculture, and logistics that promise significant societal and economic progress. Recent government initiatives, like the £14 billion AI Opportunities Action Plan, are designed to accelerate this growth by expanding infrastructure, fostering home-grown innovation, and closing the AI skills gap.

We urge UK policymakers to continue adopting a tailored, risk-based approach to AI regulation that focuses on the context and intended use of emerging technologies. The UK AI Strategy already demonstrates a flexible, pro-innovation stance and offers a robust foundation for balancing innovation with necessary safeguards.

Despite all this potential excitement around AI advancements, it is crucial to recognise that none of these AI innovations or breakthroughs will be sustainable if the SEP licensing framework is not addressed. Successful AI innovation relies on large datasets, many of which are created by SEP-enabled IoT networks. Unfair SEP licensing practices create barriers to entry for SMEs, inflating costs and hindering both our ability to compete as well as the transformative potential of AI and other emerging technologies.

Mergers and Acquisitions

Mergers and acquisitions (M&A) are essential for small and mid-sized businesses to scale, attract investment, and bring innovative products to market. For startups, acquisitions often serve as the most viable pathway to secure growth capital and reinvest in future ventures. The Competition and Markets Authority's (CMA) announcement to focus on mergers could create an opportunity to reduce unnecessary regulatory barriers. However, without clear safeguards, this approach risks overlooking how pro-competitive acquisitions support small business growth and innovation.

The UK's flawed [SEP licensing system further undermines M&A opportunities](#). Uncertainty and unfair licensing practices inflate operational costs and create legal risks, making small businesses less attractive to potential investors and acquirers. This added layer of risk discourages acquisitions that would otherwise help small innovators scale and bring transformative products to market.

To truly support small business growth, **the CMA must ensure its evolving merger review process continues to distinguish** between harmful consolidation and [growth-enabling acquisitions](#). Addressing SEP licensing abuses alongside thoughtful M&A action will help remove barriers to investment and acquisition, enabling small innovators to scale and strengthen the UK's leadership in the digital economy.

Privacy and Competition

Fair and open competition is essential for the growth of UK's tech economy, particularly for small and mid-sized businesses that rely on access to digital marketplaces to grow and innovate. The Digital Markets, Competition and Consumers Act (DMCCA) introduces

significant new powers from the CMA aimed at curbing anti-competitive behavior among dominant platforms by establishing new conduct requirements for companies with Strategic Market Status (SMS). While these reforms target the power of large digital platforms, [how they are implemented](#) will directly affect the smaller innovators relying on these ecosystems to reach customers and scale their businesses.

Most small developers depend on the infrastructure, tools, and protections provided by larger platforms to deliver secure, reliable products. Access to privacy tools, intellectual property safeguards, and global marketplaces is critical to competing effectively. If the DMCCA's powers are applied without consideration for how SMEs interact with these platforms, small businesses could face increased complexity, compliance costs, and reduced access to vital services. Overly rigid enforcement could unintentionally disrupt the collaborative relationship between platforms and small businesses, stifling the very innovation the law seeks to protect.

To ensure the DMCCA fosters fair competition without placing undue burdens on small businesses, **the CMA must prioritise consistent, clear implementation** that accounts for the realities of the app economy. This includes engaging directly with SMEs to understand their needs and maintaining a regulatory balance that supports both platform accountability and the ability of small innovators to thrive.

Digital Trade and Cross-Border Data Flows

A thriving UK economy relies on [strong digital trade policies](#) that enable businesses to access global markets, build consumer trust, and reduce operational costs. However, challenges such as fragmented regulations, barriers to cross-border data flows, and the inequitable SEP licensing landscape continue to hinder businesses like ours from their full potential. Data localisation requirements and inconsistent international rules complicate our ability to operate seamlessly across borders, while the current SEP licensing regime creates additional obstacles by inflating costs and limiting access to essential technologies.

For the UK to lead in digital trade, cross-border data flows must be secure, and small businesses must have access to the tools and resources that power the global app economy. **We urge policymakers to strengthen digital trade agreements**, like the UK-EU Trade and Cooperation Agreement, to create a seamless flow of data across borders that enable small businesses to access global markets. Similarly, the UK's flawed SEP licensing system creates challenges for M&A, which are essential for small businesses to scale and attract investment. Unfair SEP practices inflate operational costs and introduce legal risks, making SMEs less attractive to potential investors and acquirers. By addressing SEP licensing reform alongside thoughtful M&A policies, the UK can create a more dynamic environment for growth-enabling acquisitions, reinforcing its leadership in the global digital economy.

Decentralised Technologies

Blockchain and decentralised technologies hold transformative potential for the UK's economy, from enhancing supply chain transparency to modernising financial systems through secure digital payments. With government initiatives like the Digital Securities Sandbox and the planned introduction of blockchain-based Digital Gilts, alongside crypto regulation under the Financial Services and Markets Act, the UK is signalling a strong commitment to becoming a leader in blockchain innovation.

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.

Cybersecurity and Resilience

Cybersecurity and resilience are vital to ensuring the continued success of small businesses in the UK's digital economy. The government's Cyber Security and Resilience Bill represents a key opportunity to strengthen the UK's cybersecurity framework and protect essential services from growing digital threats. As small businesses like ours rely increasingly on digital tools, the bill's provisions to expand protections and improve regulatory oversight will directly benefit our companies, enabling us to thrive without the looming threat of cyberattacks.

For the UK to maintain its competitive edge, **policymakers must ensure that the Cyber Security and Resilience Bill provides a clear, scalable framework** for small businesses to secure their infrastructure while promoting innovation. By enhancing the UK's cybersecurity defences, the bill will help create a safer environment for businesses like ours to grow, ensuring that the UK remains resilient in the face of emerging digital threats.

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

Sincerely,

Alter Sapiens
Augmented Solutions
Factoree
Footfalls & Heartbeats
INSINTO

Layers Studio

Manalytica

MyPrintPod

Nebula Labs

Nomw Health

Nuke from Orbit

Shoo Social Media

TL Tech

Undisclosed DNA