SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2007

Commission file number 0-11254

COPYTELE, INC.

(Exact name of registrant as specified in its charter)

Delaware	11-262263
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification no.)

900 Walt Whitman Road Melville, NY	11747
(Address of principal executive offices)	(Zip Code)

(631) 549-5900

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X   No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ____   No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

On March 8, 2007, the registrant had outstanding 102,100,565 shares of Common Stock, par value $.01 per share, which is the registrant's only class of common stock.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

COPYTELE, INC.
CONDENSED BALANCE SHEETS

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ASSETS	(Unaudited) January 31, 2007	October 31, 2006*
CURRENT ASSETS:		
<S>	<C>	<C>
Cash and cash equivalents	$ 828,011	$ 1,281,660
Short-term investments	425,000	38,000
Accounts receivable	68,750	10,165
Inventories	243,192	260,823
Prepaid expenses and other current assets	32,360	32,011
Total current assets	1,597,313	1,622,659
PROPERTY AND EQUIPMENT, net	22,353	23,083
INVESTMENT, at cost	417,000	207,000
OTHER ASSETS	10,887	10,887
	$ 2,047,553	$ 1,863,629
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 317,887	$ 532,707
Accrued liabilities	49,229	49,081
Total current liabilities	367,116	581,788
SHAREHOLDERS' EQUITY:		
Preferred stock, par value $100 per share; 500,000 shares authorized; no shares issued or outstanding	--	--
Common stock, par value $.01 per share; 240,000,000 shares authorized; 101,855,445 and 99,260,395 shares issued and outstanding, respectively	1,018,554	992,604
Additional paid-in capital	82,943,836	80,797,756
Accumulated deficit	(82,281,953)	(80,508,519)
	1,680,437	1,281,841
	$ 2,047,553	$ 1,863,629

</TABLE>

* Derived from audited balance sheet included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2006.

The accompanying notes are an integral part of these condensed balance sheets.

COPYTELE, INC.

CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

<TABLE>
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	For the Three Months Ended January 31, 2007	2006
<S>	<C>	<C>
NET SALES	$ 130,750	$ 195,390
COST OF SALES	41,196	55,458
Gross profit	89,554	139,932
OPERATING EXPENSES		
Research and development expenses	1,002,931	656,588
Selling, general and administrative expenses	869,711	729,096
Total operating expenses	1,872,642	1,385,684
LOSS FROM OPERATIONS	(1,783,088)	(1,245,752)
INTEREST INCOME	9,654	6,195
NET LOSS	$ (1,773,434)	$ (1,239,557)
PER SHARE INFORMATION:		
Net loss per share:		
Basic and Diluted	$ (0.02)	$ (0.01)
Shares used in computing net loss per share:		
Basic and Diluted	100,913,968	93,255,081

</TABLE>

The accompanying notes are an integral part of these condensed statements.

COPYTELE, INC.
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

<TABLE>
<CAPTION>

	For the three Months Ended January 31, 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S>	<C>	<C>
Payments to suppliers, employees and consultants	$ (883,663)	$ (631,743)
Cash received from customers	72,165	227,192
Interest received	9,654	6,195
Net cash used in operating activities	(801,884)	(398,356)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of short-term investments (certificates of deposit)	38,000	--
Disbursements to acquire short-term investments (certificates of deposit)	(425,000)	(2,402)
Payments for purchases of property and equipment	(2,364)	(7,415)
Net cash used in investing activities	(389,364)	(9,817)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	737,599	710,720
Net cash provided by financing activities	737,599	710,720
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(453,649)	302,547
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,281,660	506,517
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 828,011	$ 809,064

RECONCILIATION OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net loss	$(1,773,434)	$(1,239,557)
Stock option compensation to employees	708,204	115,681
Stock awards granted to employees and consultants pursuant to stock incentive plans	516,227	468,774
Provision for doubtful accounts and other receivables	--	6,287
Depreciation and amortization	3,094	3,915
Change in operating assets and liabilities:		
Accounts receivable	(58,585)	31,802
Inventories	17,631	54,973
Prepaid expenses and other current assets	(349)	41,894
Other assets	--	(6,287)
Accounts payable and accrued liabilities	(214,672)	124,162
Net cash used in operating activities	$ (801,884)	$ (398,356)
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Unregistered common stock issued in connection with investment in Digital Info Security Co., Inc.	$ 210,000	$ --

</TABLE>

The accompanying notes are an integral part of these condensed statements.

COPYTELE, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

1. BUSINESS AND FUNDING

Description of Business and Basis of Presentation

Our principal operations are the development, production and marketing of a thin, flat low-voltage phosphor display and the development, production and marketing of multi-functional encryption products that provide information security for domestic and international users over virtually every communications media.

The condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. The information contained herein is for the three-month periods ended January 31, 2007 and 2006. In management's opinion, all adjustments (consisting only of normal recurring adjustments considered necessary for a fair presentation of the results of operations for such periods) have been included herein. Certain prior year amounts have been reclassified to conform with current year presentation.

The results of operations for interim periods may not necessarily reflect the results of operations for a full year. Reference is made to the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2006, for more extensive disclosures than contained in these condensed financial statements.

Funding and Management's Plans

From our inception, we have met our liquidity and capital expenditure needs primarily through the proceeds from sales of common stock in our initial public offering, in private placements, upon exercise of warrants issued in connection with the private placements and public offering, and upon the exercise of stock options. In 2001 and 2002, we also received payments under a technology development agreement. In addition, commencing in the fourth quarter of fiscal 1999, we have generated cash flows from sales of our encryption products.

During the three months ended January 31, 2007, our cash used in operating activities was approximately $802,000. This resulted from payments to suppliers, employees and consultants of approximately $884,000, which was offset by cash of approximately $72,000 received from collections of accounts receivable related to sales of encryption products and approximately $10,000 of interest income received. Our cash used in investing activities during the three months ended January 31, 2007 was approximately $389,000, which resulted from purchases of short-term investments consisting of certificates of deposit of approximately $425,000 and purchases of approximately $2,000 of equipment, offset by approximately $38,000 received upon maturities of short-term investments consisting of certificates of deposit. Our cash provided by financing activities during the three months ended January 31, 2007 of approximately $738,000 resulted from cash received upon the exercise of stock options. Accordingly, during the three months ended January 31, 2007, our cash and cash equivalents decreased by approximately $454,000 and our short-term investments increased by approximately $387,000. As a result, our cash, cash equivalents, and short-term investments, at January 31, 2007 decreased to approximately $1,253,000 from approximately $1,320,000 at the end of fiscal 2006.

We believe that our existing cash, cash equivalents, short-term investments and accounts receivable, together with cash flows from expected sales of encryption products and flat panel displays, and other potential sources of cash flows, will be sufficient to enable us to continue in operation until at least the end of the first quarter of fiscal 2008. We anticipate that, thereafter, we will require additional funds to continue our marketing, production, and research and development activities, and we will require outside funding if cash generated from operations is insufficient to satisfy our liquidity requirements. However, our projections of future cash needs and cash flows may differ from actual results. If current cash and cash that may be generated from operations are insufficient to satisfy our liquidity requirements, we may seek to sell debt or equity securities or to obtain a line of credit prior to the first quarter of fiscal 2008. The sale of additional equity securities or convertible debt could result in dilution to our stockholders. We currently have no arrangements with respect to additional financing. There can be no assurance that we will generate sufficient revenues in the future (through sales or otherwise) to improve our liquidity or sustain future operations, that our production capabilities will be adequate, that other products will not be produced by other companies that will render our products obsolete, or that other sources of funding would be available, if needed, on favorable terms or at all. If we cannot obtain such funds if needed, we would need to curtail or cease some or all of our operations.

We are seeking to improve our liquidity through increased sales or license of products and technology. In an effort to generate sales, we have marketed our encryption products directly to U.S. and international distributors, dealers and original equipment manufacturers that market our encryption products and to end-users. We have been working with several large organizations to provide them with both our hardware and software encryption solutions for them to evaluate whether the solutions meet their security requirements and have begun supplying several major U.S. companies with our encryption products. We are also continuing to pursue marketing and licensing opportunities for our display technology; however, to date, we have not had any revenue from sales or licensing of our display. During the three-month period ended January 31, 2007, we have recognized revenue from sales of encryption products and services of approximately $131,000.

The auditor's report on our financial statements as of October 31, 2006 states that the net loss incurred during the year ended October 31, 2006, our accumulated deficit as of that date, and the other factors described in Note 1 to the Financial Statements included in our Annual Report on Form 10-K for the year ended October 31, 2006, raise substantial doubt about our ability to continue as a going concern. The auditor's report on our financial statements for the year ended October 31, 2005 contained a similar statement. Our financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

2. STOCK-BASED COMPENSATION

We maintain stock equity incentive plans under which we may grant non-qualified stock options, incentive stock options, stock appreciation rights, stock awards, performance and performance-based awards, or stock units to employees, non-employee directors and consultants.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R") which addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for either equity instruments of the company or liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 ("SAB No. 107") relating to SFAS No. 123R. We account for stock options granted to employees and directors using SFAS No. 123R. We recognize compensation expense for stock option awards on a straight-line basis over the requisite service period of the grant.

Stock Option Compensation Expense

We recorded approximately $708,000 and $116,000 of stock-based compensation expense, related to stock options granted to employees and directors, for the three-month periods ended January 31, 2007 and 2006, respectively, in accordance with SFAS No. 123R. Such compensation expense is included in the accompanying condensed statements of operations in either research and development expenses or selling, general and administrative expenses, as applicable based on the functions performed by such employees and directors. Such stock-based compensation expense increased both basic and diluted net loss per share for the three-month periods ended January 31, 2007 and 2006 by $0.01 and $-0-, respectively.

Included in the stock-based compensation cost related to stock options granted to employees and directors recorded during the three-month periods ended January 31, 2007 and 2006 was approximately $6,000 and $5,000, respectively, of expense related to the amortization of compensation cost for stock options granted prior to but not yet vested as of the end of the prior fiscal year. As of January 31, 2007, there was approximately $19,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements. This unrecognized cost is expected to be fully amortized over the remaining portion of the current fiscal year.

Fair Value Determination

In accordance with SFAS No. 123R, we estimate the fair value of stock options granted to employees on the date of grant using the Black-Scholes pricing model. We separate the individuals we grant stock options to into three relatively homogenous groups, based on exercise and post-vesting employment termination behaviors. To determine the weighted average fair value of stock options granted to employees on the date of grant, we take a weighted average of the assumptions used for each of these groups. All of the stock options we granted during the three-month periods ended January 31, 2007 and 2006 consisted of awards of options with 10-year terms which vested immediately.

We estimated the fair value of stock option awards using the following assumptions:

	For the Three Months Ended January 31,	
	2007	2006
Expected term (in years)	3.8	1.2
Volatility	98%	81%
Risk-free interest rate	4.62%	4.25%
Dividend yield	0	0
Weighted average fair value at grant date	$0.40	$0.22

The expected term of stock options represents the weighted average period the stock options are expected to remain outstanding. Because we consider our options to be "plain vanilla", we estimated the expected term using a modified version of the simplified method of calculation, as prescribed by SAB No. 107. This modified calculation uses the actual life for options that have been settled, and a uniform distribution assumption for the options still outstanding. Under SAB No. 107, options are considered to be "plain vanilla" if they have the following basic characteristics: granted "at-the-money"; exercisability is conditioned upon service through the vesting date; termination of service prior to vesting results in forfeiture; limited exercise period following termination of service; and options are non-transferable and non-hedgeable.

We estimated the expected volatility of our shares of common stock based upon the historical volatility of our share price over a period of time equal to the expected life of the options.

We estimated the risk-free interest rate based on the implied yield available on the applicable grant date of a U.S. Treasury note with a term equal to the expected term of the underlying grants.

We made the dividend yield assumption based on our history of not paying dividends and our expectation not to pay dividends in the future.

Under SFAS No. 123R, the amount of stock-based compensation expense recognized is based on the portion of the awards that are ultimately expected to vest. Accordingly, we reduce the fair value of the stock option awards for expected forfeitures, which are forfeitures of the unvested portion of surrendered options. We estimate expected forfeitures based on our historical experience.

We will reconsider use of the Black-Scholes pricing model if additional information becomes available in the future that indicates another model would be more appropriate, or if grants issued in future periods have characteristics that cannot be reasonably estimated using this model.

Stock Option Activity

During the three-month periods ended January 31, 2007 and 2006, we granted to employees options to purchase 1,775,000 shares and 500,000 shares, respectively, of common stock at weighted average exercise prices of $.61 and $.62 per share, respectively, pursuant to the CopyTele, Inc. 2003 Share Incentive Plan (the "2003 Share Plan"). During the three-month periods ended January 31, 2007 and 2006, stock options to purchase 1,612,230 shares and 1,275,000 shares, respectively, of common stock were exercised with aggregate proceeds of approximately $738,000 and $711,000, respectively.

Stock Option Plans

As of January 31, 2007, we have three stock option plans: the CopyTele, Inc. 1993 Stock Option Plan (the "1993 Plan"), the CopyTele, Inc. 2003 Share Incentive Plan (the "2000 Share Plan") and the 2003 Share Plan, which were adopted by our Board of Directors on April 28, 1993, May 8, 2000 and April 21, 2003, respectively.

On July 14, 1993, our shareholders approved the 1993 Plan. The 1993 Plan was amended as of May 3, 1995 and May 10, 1996 to, among other things, increase the number of shares available for issuance thereunder from 6,000,000 shares to 20,000,000 shares, after giving consideration to stock splits. The 1993 Plan provided for the granting of incentive stock options and stock appreciation rights to key employees, and non-qualified stock options and stock appreciation rights to key employees and consultants of the Company.

The 1993 Plan was administered by the Stock Option Committee, which determined the option price, term and provisions of each option. However, the purchase price of shares issuable upon the exercise of incentive stock options could not be less than the fair market value of such shares at the date of grant and incentive stock options are not exercisable for more than 10 years. Upon approval of the 2000 Share Plan by our shareholders in July 2000, the 1993 Plan was terminated with respect to the grant of future options. Since June 2004, the 1993 Plan has been administered by the Board of Directors.

Information regarding the 1993 Plan for the three months ended January 31, 2007 is as follows:

<TABLE>
<CAPTION>

	Shares	Current Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
<S>	<C>	<C>	<C>
Shares Under Option at October 31, 2006	4,167,000	$3.13	
Expired	(1,053,000)	$4.50	
Shares Under Option and Exercisable at January 31, 2007	3,114,000	$2.66	$-0-

</TABLE>

The following table summarizes information about stock options outstanding under the 1993 Plan as of January 31, 2007:

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding at 1/31/07	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 1/31/07	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
$0.84 to $1.56	784,000	2.79	$1.10	784,000	2.79	$1.10
$2.28	855,000	1.45	$2.28	855,000	1.45	$2.28
$3.38 to $4.38	1,475,000	0.34	$3.71	1,475,000	0.34	$3.71

</TABLE>

The exercise price with respect to all of the options granted under the 1993 Plan, since its inception, was equal to the fair market value of the underlying common stock at the grant date.

On July 25, 2000, our shareholders approved the 2000 Share Plan. The maximum number of shares of common stock that may be granted was 5,000,000 shares. On July 6, 2001 and July 16, 2002, the 2000 Share Plan was amended by our Board of Directors to increase the maximum number of shares of common stock that may be granted to 10,000,000 shares and 15,000,000 shares, respectively. These amendments were approved by our shareholders on August 16, 2001 and September 12, 2002, respectively. The 2000 Share Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, stock awards, performance awards and stock units to key employees and consultants of the Company.

The 2000 Share Plan was administered by the Stock Option Committee through June 2004 and since that date has been administered by the Board of Directors, which determines the option price, term and provisions of each option; however, the purchase price of shares issuable upon the exercise of incentive stock options will not be less than the fair market value of such shares at the date of grant and incentive stock options will not be exercisable for more than 10 years.

Information regarding the 2000 Share Plan for the three months ended January 31, 2007 is as follows:

<TABLE>
<CAPTION>

	Shares	Current Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
<S>	<C>	<C>	<C>
Shares Under Option at October 31, 2006	2,268,466	$0.80	
Exercised	(36,000)	$0.42	$ 18,120
Shares Under Option and Exercisable at January 31, 2007	2,232,466	$0.81	$250,080

</TABLE>

The following table summarizes information about stock options outstanding under the 2000 Share Plan as of January 31, 2007:

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding at 1/31/07	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 1/31/07	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
$0.34 - $0.40	495,000	4.47	$0.40	495,000	4.47	$0.40
$0.69	635,466	3.92	$0.69	635,466	3.92	$0.69
$0.94 - $1.09	1,102,000	3.68	$1.06	1,102,000	3.68	$1.06

</TABLE>

The exercise price with respect to all of the options granted under the 2000 Share Plan since its inception, was equal to the fair market value of the underlying common stock at the grant date. As of January 31, 2007, 21,508 shares were available for future grants under the 2000 Share Plan.

The 2003 Share Plan provides for the grant of nonqualified stock options, stock appreciation rights, stock awards, performance awards and stock units to key employees and consultants of the Company. The maximum number of shares of common stock available for issuance under the 2003 Share Plan initially was 15,000,000 shares. On October 8, 2004 and February 9, 2006, the 2003 Plan was amended by our Board of Directors to increase the maximum number of shares of common stock that may be granted to 30,000,000 shares and 45,000,000 shares, respectively. Current and future non-employee directors are automatically granted nonqualified stock options to purchase 60,000 shares of common stock upon their initial election to the Board of Directors and at the time of each subsequent annual meeting of our shareholders at which they are elected to the Board of Directors. The 2003 Share Plan was administered by the Stock Option Committee through June 2004 and since that date has been administered by the Board of Directors, which determines the option price, term and provisions of each option.

Information regarding the 2003 Share Plan for the three months ended January 31, 2007 is as follows:

<TABLE>
<CAPTION>

	Shares	Current Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
<S>	<C>	<C>	<C>
Shares Under Option at October 31, 2006	16,092,475	$0.68	
Granted	1,775,000	$0.61	
Exercised	(1,576,230)	$0.46	$ 406,735
Shares Under Option at January 31, 2007	16,291,245	$0.70	$3,641,514
Options Exercisable at January 31, 2007	16,231,245	$0.70	$3,621,714

</TABLE>

The following table summarizes information about stock options outstanding under the 2003 Share Plan as of January 31, 2007:

<TABLE>
<CAPTION>

Options Outstanding			Options Exercisable		
Number	Weighted Average Remaining	Weighted	Number	Weighted Average Remaining	Weighted Average

Range of Exercise Prices	Outstanding at 1/31/07	Contractual Life	Average Exercise Price	Exercisable at 1/31/07	Contractual Life	Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
$0.25 - $0.46	2,600,000	6.54	$0.30	2,600,000	6.54	$0.30
$0.52 - $0.77	6,565,170	8.49	$0.62	6,505,170	8.53	$0.62
$0.81 - $1.07	7,126,075	8.43	$0.91	7,126,075	8.43	$0.91

</TABLE>

The exercise price with respect to all of the options granted under the 2003 Share Plan since its inception was equal to the fair market value of the underlying common stock at the grant date. As of January 31, 2007, 3,535,957 shares were available for future grants under the 2003 Share Plan.

Stock Grants

We account for stock awards granted to employees and consultants based on their grant date fair value. During the three-month periods ended January 31, 2007 and 2006, we issued 548,800 shares and 460,860 shares, respectively, of common stock to certain employees for services rendered, principally in lieu of cash compensation, pursuant to the 2003 Share Plan. We recorded compensation expense for the three-month periods ended January 31, 2007 and 2006 of approximately $421,000 and $376,000, respectively, for the shares of common stock issued to employees. In addition, during the three-month periods ended January 31, 2007 and 2006, we issued 134,020 shares and 117,663 shares, respectively, of common stock to consultants for services rendered pursuant to the 2003 Share Plan. We recorded consulting expense for the three-month periods ended January 31, 2007 and 2006 of approximately $95,000 and $92,000, respectively, for the shares of common stock issued to consultants.

3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject us to concentrations of credit risk consist principally of accounts receivable from sales in the ordinary course of business. Management reviews our accounts receivable and other receivables for potential doubtful accounts and maintains an allowance for estimated uncollectible amounts. Generally, no collateral is received from customers for our accounts receivable. During the three months ended January 31, 2007, two customers in the Encryption Products and Services Segment represented 46% and 38%, respectively, of total net sales. During the three months ended January 31, 2006, one customer in the Encryption Products and Services Segment represented 84% of total net sales. At January 31, 2007, two customers in the Encryption Products and Services Segment represented 87% and 13%, respectively, of accounts receivable and at October 31, 2006, two customers in the Encryption Products and Services Segment represented 89% and 11%, respectively, of accounts receivable.

4. SHORT-TERM INVESTMENTS

Short-term investments represent certificates of deposits, carried at amortized cost, with maturities of less than twelve months. The fair values of the certificates of deposits, including accrued interest, approximate their carrying value due to their short maturities.

5. INVESTMENT IN AND RELATED PARTY TRANSACTIONS WITH DIGITAL INFO SECURITY CO., INC.

On February 13, 2006, we entered into a Software License and Distribution Agreement (the "License Agreement") to license to Digital Info Security Co., Inc. ("DISC"), a privately held corporation, an encryption system that integrates our encryption technology into DISC's e-mail services. The system is intended to allow companies to encrypt all e-mail transactions in a manner transparent to the individual user. DISC is now marketing this system, including through presentations to commercial customers, for such customers' evaluation. Concurrently with entering into the License Agreement with DISC, we acquired a minority interest in DISC by exchanging 100,000 unregistered shares of our common stock for 5,000,000 shares of DISC's common stock. On May 17, 2006 and July 14, 2006, we purchased an additional 1,000,000 shares and 1,200,000 shares, respectively, of DISC's common stock for $50,000 and $60,000 in cash, respectively. On November 27, 2006, we acquired an additional 5,000,000 shares of DISC's common stock in exchange for 300,000 unregistered shares of our common stock. Our investment in DISC as of January 31, 2007, is recorded in the accompanying condensed balance sheet at cost of $417,000, based on the closing price of our common stock on the dates we acquired DISC common stock in exchange for our common stock, and the price paid for the shares purchased for cash. As of January 31, 2007 we held approximately 14% of the outstanding common stock of DISC.

Net sales during the three-month period ended January 31, 2007 include $60,000 of billings to DISC for engineering services.

6. INVENTORIES

Inventories consist of the following as of:

	January 31, 2007	October 31, 2006

Component parts	$ 115,491	$ 117,040
Work-in-process	29,683	43,135
Finished products	98,018	100,648
	$ 243,192	$ 260,823

7. NET LOSS PER SHARE OF COMMON STOCK

We comply with the provisions of SFAS No. 128, "Earnings Per Share" ("SFAS No. 128"). In accordance with SFAS No. 128, basic net loss per common share ("Basic EPS") is computed by dividing net loss by the weighted average number of common shares outstanding. Diluted net loss per common share ("Diluted EPS") is computed by dividing net loss by the weighted average number of common shares and dilutive common share equivalents and convertible securities then outstanding. Diluted EPS for all periods presented is the same as Basic EPS, as the inclusion of the effect of common stock equivalents then outstanding would be anti-dilutive. For this reason, excluded from the calculation of Diluted EPS for the three-month periods ended January 31, 2007 and 2006, were options to purchase 21,637,711 shares and 21,117,246 shares, respectively.

8. SEGMENT INFORMATION

We follow the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"). Reportable operating segments are determined based on management's approach. The management approach, as defined by SFAS No. 131, is based on the way that the chief operating decision-maker organizes the segments within an enterprise for making operating decisions and assessing performance. While our results of operations are primarily reviewed on a consolidated basis, the chief operating decision-maker also manages the enterprise in two segments: (i) Flat-panel display and (ii) Encryption products and services. The following represents selected financial information for our segments for the three-month periods ended January 31, 2007 and 2006:

<TABLE>
<CAPTION>

Segment Data	Flat-Panel Display	Encryption Products and Services	Total
Three Months Ended January 31, 2007:			
<S>	<C>	<C>	<C>
Net sales	$ -	$ 130,750	$ 130,750
Net loss	(934,341)	(839,093)	(1,773,434)
Three Months Ended January 31, 2006:			
Net sales	$ -	$ 195,390	$ 195,390
Net loss	(664,756)	(574,801)	(1,239,557)

</TABLE>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

GENERAL

Our principal operations are the development, production and marketing of a thin, flat low-voltage phosphor display (our "LVNDTM display") and the development, production and marketing of multi-functional encryption products that provide information security for domestic and international users over virtually every communications media.

We continue to further optimize our LVNDTM display technology. Our LVNDTM display incorporates a proprietary thin film technology (TFT)-based pixel matrix electron control system ("PMECS") that can operate with virtually any electron emission system. We use different types of proprietary electron emission systems, including carbon nanotubes, both reflective and non-reflective planar edge, and thin films. The different emission systems are suitable for different display application requirements. Our LVNDTM displays incorporating PMECS consist of two thin glass substrates. Using our unique rapid low temperature and low profile vacuum technology, we create a vacuum between the substrates and seal them. The PMECS, which is located on one of the substrates, is being exclusively produced for us by an Asian company utilizing its mass production TFT LCD (liquid crystal display) facilities. We have demonstrated our LVNDTM display technology by exhibiting it at display symposiums and through private demonstrations to potentially interested companies. We have presented the LVNDTM display's capabilities and features by showing TV programs and movies from DVD players.

We are continuing to further optimize a variation of our LVND(TM) display utilizing carbon nanotubes and proprietary low voltage color phosphors. We have developed various engineering models which demonstrate the display's ability to show images from computers by controlling the brightness of selected individual pixels utilizing our carbon nanotube display technology. The carbon nanotubes, which are being supplied to us by a U.S. company, require a low voltage for electron emission and are extremely small - approximately 10,000 times thinner than the width of a human hair. The 5.5 inch (diagonal) display we developed has 960 x 234 pixels and utilizes a new memory-based active matrix thin film technology (AMTFT) with each pixel phosphor activated by electrons emitted by a proprietary carbon nanotube network located approximately 10 microns (1/10th of a human hair) from the pixels. As a result, each pixel phosphor brightness is controlled using a maximum of only 40 volts. The carbon nanotubes and proprietary color phosphors are precisely placed and separated utilizing our proprietary nanotube and phosphor deposition technology. The carbon nanotube election emission display technology utilizes the same TFT color matrix structures as the thin film electron emission technology.

Some other characteristics of our LVND(TM) display technology are as follows:

- o We have developed a proprietary system which allows us to evacuate our display; to rapidly vacuum seal it at a low temperature to accommodate the TFT matrix; and to create lithographic type spacers to assemble our LVNDTM display utilizing only 0.7mm glass. We thus obtain a display thickness of approximately 1/16th of an inch, thinner than LCD and PDP (plasma) displays.

- o The display matrix, carbon nanotubes, phosphors, and drivers are all on one substrate. A second substrate is utilized only to allow a vacuum to be created within the display.

- o Our display is able to select and change the brightness of each individual pixel within the AMTFT, requiring only 40 volts on each pixel phosphor to change the brightness from black to white. This compares to thousands of volts required for other video phosphor based displays, which leads to inherent breakdowns and short life.

- o Our LVNDTM display has no backlight. Because power is only consumed when a pixel is turned on, low power is needed to activate the whole display. The display requires less than 20% the power required by an LCD. This low power consumption could potentially allow use of rechargeable batteries to operate TV products for wireless applications and extend the battery operation time for portable devices.

- o The same basic display technology could potentially be utilized in various size applications, from hand-held to TV size displays.

- o Our proprietary AMTFT matrix structure can be produced utilizing existing mass production TFT LCD facilities.

- o Our display eliminates display flicker by having memory in each pixel and eliminates pixel cross-talk.

- o Our display has an approximately 1,000 times faster video response time than an LCD, and matches the response time of a cathode ray tube (CRT).

- o Our display can be viewed with high contrast over approximately a 180 degree viewing angle, in both the horizontal and vertical directions, which exceeds the viewing angle of LCDs.

- o Also like CRTs, our display is capable of operating over a temperature range (-40(degree)C to 85(degree)C) which exceeds the range over which LCDs can operate, especially under cold temperature conditions.

We believe our LVNDTM displays could potentially have a cost similar to a CRT and thus less than current LCD or PDP displays (our display does not contain a backlight, or color filter or polarizer, which represent a substantial portion of the cost of an LCD). We are continuing to optimize our LVND(TM) display technology performance including its reliability, size and potential cost. We are also in the process of modifying our LVNDTM nanotube display design and the related electronics for use in larger size displays, such as to accommodate TV operation.

We are discussing our technology and business arrangements with several companies that have expressed a desire to either produce portions of our display or license our display for use in conjunction with their products. Our Asian supplier has supplied us with 5.5 inch (diagonal) TFT color matrix structures with 960 X 234 pixels which incorporate PMECS. We are now producing, with the assistance of Volga Svet Ltd. ("Volga"), a Russian display company that we have been working with for more than nine years, LVNDTM displays using these structures in combination with our proprietary thin film electron emission technology. Volga has successfully performed acceptance reliability tests in Russia on our 5.5 inch (diagonal) display utilizing thin film electron emitters. This type of display is expected to be suitable for use by car and truck producers in Russia for navigational and informational purposes.

We have successfully tested our displays under various environmental conditions. This included subjecting our displays to shock, vibration, and operating temperatures from -40(degree)C to 85(degree)C. Our displays are capable of operating under both sunlight and nighttime conditions. As a result, we believe that our displays can meet performance requirements for both outdoor and indoor applications.

We have continued to direct our encryption marketing efforts towards both the government and commercial security markets. Our government market has been primarily handled by Boeing and its large distributors of the Thuraya satellite phones. As a result, we have our security products operating over the Thuraya network in the Middle East, Europe, and Africa. Thuraya is scheduled to start providing satellite service to the Far East this year, which could potentially create larger marketing opportunities for our encryption products. Our security products for the Thuraya network are being used by government agencies, the military and domestic and international non-governmental organizations (NGOs).

We have supplied USS-900, DCS-1400, and DCS-1200 products to major Thuraya distributors for use by government agencies and NGOs in Middle Eastern, European and African countries. We are hopeful that these recent developments will lead to larger commitments for our security products. In addition, we have supplied our USS-900AF automatic fax encryption product to a major U.S. defense contractor to secure its worldwide fax communications and have supplied our encryption solution to a major U.S. company to secure its executive teleconferencing system.

We have an agreement with Boeing under which Boeing is the exclusive distributor of our DCS-1400D (docker voice encryption device), USS-900T (satellite fax encryption device), USS-900TL (landline to satellite fax encryption device), USS-900WF (satellite and cellular fax encryption device), USS-900WFL (landline to satellite and cellular fax encryption device) and USS-900TC (satellite fax encryption to computer) products. Boeing now distributes 13 of our products. Boeing sells these products under the brand name of Thuraya. We have also developed for Boeing a voice product to operate over the Thuraya network having a higher level of security.

We are cooperating with Asia Pacific Satellite Industries ("APSI"), the supplier of the next generation voice and data handsets for the Thuraya network, and with Boeing to integrate our encryption solution into APSI's handset. As a first step, we have received from APSI samples of APSI's next generation satellite telephone (the SO-2510), and have developed and are now selling an interconnect cable incorporating active circuits which provide compatibility between the new phone and our current DCS-1200, DCS-1400 and USS-900T models. This solution has been tested by APSI, and is currently under field testing by Boeing and Thuraya. We believe that the same interconnect cable will provide compatibility with APSI's next generation cellular/satellite phone (the SG-2520) that will be released shortly.

We also are developing, together with APSI and Boeing, a small voice-only encryption device that will directly connect to the satellite phone, offering simplified operation in a highly convenient package. We have built samples of our design which are now being evaluated and tested by APSI. We believe that this enhanced offering will be useful by Thuraya customers that require confidential and secure communications. The new device is designed to provide a better customer interface in a smaller more portable size.

In connection with Boeing becoming the exclusive distributor of certain of our products, Boeing authorized us to use its name on our website. Accordingly, customers desiring to purchase these encryption products can find authorized Boeing sales information on the "Encryption Products" page of our website or on the Thuraya website at http://www.thuraya.com/content/thuraya-products-boe.html. Boeing is continuing to demonstrate our encryption products to Thuraya service providers at annual Service Providers Conferences in the United Arab Emirates and elsewhere.

Our encryption products also can be used to encrypt data over the Globalstar network. Globalstar provides satellite voice and data service throughout a world-wide coverage area. Our DCS-1200 and DCS-1400 encryption devices are included on the Globalstar webpage, http://www.globalstarusa.com/en/products/encryption.php. These same products offer voice and data encryption compatibility with the Iridium and Inmarsat satellite networks.

Our products provide secure communications with many different satellite phones, including the Thuraya 7100/7101 handheld terminal ("HHT"), Globalstar GSP-1600 HHT, Telit SAT-550/600 HHT, Globalstar GSP-2800/2900 fixed phone, Iridium 9500/9505/9505A HHT, Inmarsat M4 and Mini "M" HHT units from Thrane & Thrane and Nera. Through the use of our products, encrypted satellite communications are available for many Thuraya docking units, including Teknobil's Next Thuraya Docker, Thuraya's Fixed Docking Adapter, APSI's FDU-2500 Fixed Docking Unit, and Sattrans's SAT-OFFICE Fixed Docking Unit and SAT-VDA Hands-Free Car Kit.

We have developed a prototype hardware device to encrypt Short Message Service ("SMS"), an inexpensive text message communication protocol that is used in many cellular and satellite phones and networks. We currently plan to utilize this encryption solution in conjunction with the Thuraya handsets, but it can be used for data communications across other platforms as well.

We are continuing to pursue commercial security opportunities created by the Health Insurance Portability and Accountability Act ("HIPAA"), the Sarbanes-Oxley Act, the Gramm-Leach-Bliley Act and other corporate governance requirements.

The TCP/IP encryption provided by our DCS-1700 is being evaluated by firms that require secure data communications when using multifunctional office products. The DCS-1700 secures the network or internet connection between the multifunctional product and a corporate server, protecting sensitive information during its transmission from origin to destination.

A new DCS-1700 application that we are co-developing with another organization is to provide encrypted TCP/IP communications between computers and backup servers. The easy-to-use turnkey product could be utilized by large organizations to facilitate the turnover of a computer from one employee to another, or to upgrade the software on an employee's computer. The automated system allows sensitive information, such as program license keys and user databases, to be protected over the network or internet connections to the controlling server.

We are investigating additional DCS-1700 applications in the automobile industry. An interactive customer-friendly electronic selling device is being designed by a company to help business managers monitor the automobile sales process. CopyTele's encryption technology could help keep the customer's financial information secure while the sales records are stored at the dealership and during the sales process.

In February 2006, we licensed to Digital Info Security Co., Inc. ("DISC"), a privately held corporation, an encryption system that integrates our encryption technology into DISC's e-mail services. DISC is now marketing this system, including through presentations to commercial customers for such customers' evaluation. The system, our DCS-2200, is intended to allow companies to encrypt all e-mail transactions in a manner transparent to the individual user. DISC is adding our e-mail encryption system to their suite of management products and services, which includes e-mail compliance and archiving, remote backup and recovery, and spam and antivirus protection functions.

The CopyTele DCS-2200 e-mail system consists of an encryption/decryption module, which is used within Microsoft Outlook(R) to transparently encrypt and decrypt e-mails at the source or destination, and an e-mail server, which receives clear text or encrypted e-mail communication, archives a copy and re-encrypts it for forwarding to the recipient. Archive copies are saved in accordance with the tracking and monitoring requirements of the Sarbanes-Oxley Act and Gramm-Leach-Bliley Act and are monitored for compliance with other regulatory requirements and with corporate e-mail policies. In addition, the system notifies corporate administrators when e-mails violate such requirements or e-mail policies. In furtherance of the relationship between us and DISC, at the time we licensed our technology to DISC, we acquired 5,000,000 shares of DISC's common stock in exchange for 100,000 shares of our common stock. Since then, we have acquired an additional 7,200,000 shares of DISC's common stock, in the aggregate, for cash and an additional 300,000 shares of our common stock. As of January 31, 2007 we held approximately 14 percent of the outstanding common stock of DISC.

We are continuing to seek patents to protect our encryption technologies. We recently received a patent for a system to provide additional security for information sent over any communication network.

Our operations and the achievement of our objectives in marketing, production, and research and development are dependent upon an adequate cash flow. Accordingly, in monitoring our financial position and results of operations, particular attention is given to cash and accounts receivable balances and cash flows from operations. Since our initial public offering, our cash flows have been primarily generated through the sales of common stock in private placements and upon exercise of stock options. Since 1999 we have also generated cash flows from sales of our encryption products. During the past year we have continued to direct our encryption marketing efforts to participate in the security opportunities created by the U.S. Department of Homeland Security, the Defense Department, and the enactment of laws such as HIPAA, the Sarbanes-Oxley Act, and Gramm-Leach-Bliley Act, which mandate that government and private sector firms provide higher levels of information privacy and security. We are continuing to pursue marketing and licensing opportunities for our display technology; however, to date, we have not had any revenue from sales or licensing of our LVNDTM display. We anticipate that current cash on hand, cash generated from operations, and cash generated from the exercise of employee options will be adequate to fund our operations at least through the end of the first quarter of fiscal 2008.

CRITICAL ACCOUNTING POLICES

Our financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. As such, we are required to make certain estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods.

We believe the following critical accounting polices affect the more significant judgments and estimates used in the preparation of our financial statements. For additional discussion on the application of these and other accounting polices, refer to the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended October 31, 2006.

Revenue Recognition

Revenues from sales are recorded when all four of the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred and title has transferred or services have been rendered; (iii) our price to the buyer is fixed or determinable; and (iv) collectibility is reasonably assured.

Inventories

Inventories are stated at the lower of cost, including material, labor and overhead, determined on a first-in, first-out basis, or market, which represents our best estimate of market value. We regularly review inventory quantities on hand, particularly finished goods, and record a provision for excess and obsolete inventory based primarily on forecasts of future product demand. Our net loss is directly affected by management's estimate of the realizability of inventories. To date, sales of our products have been limited. Accordingly, there can be no assurance that we will not be required to reduce the selling price of our inventory below our current carrying value in the future.

Stock Based Compensation

We account for stock options granted to employees, directors and consultants using SFAS No. 123R. We recognize compensation expense for stock option awards on a straight-line basis over the requisite service period of the grant. Determining the appropriate fair value model and calculating the fair value of stock-based awards requires judgment, including estimating stock price volatility, forfeiture rates and expected life. If factors change and we employ different assumptions in the application of SFAS No. 123R in future periods, the compensation expense that we record under SFAS No. 123R may differ significantly from what we have recorded in the current period.

RESULTS OF OPERATIONS

Three months ended January 31, 2007 compared with three months ended January 31, 2006

Net Sales and Gross Profit

Net Sales. Net sales decreased by approximately $64,000 in the three-month period ended January 31, 2007, to approximately $131,000, as compared to approximately $195,000 in the comparable prior-year period. All revenue during both periods was from encryption products and services. The decrease in net sales resulted from a reduction in unit sales of approximately $124,000, offset by an increase in revenue from encryption services of approximately $60,000. The revenue from encryption services in the current period resulted from engineering services billed to DISC. Our encryption sales have been limited and are sensitive to individual large transactions. We believe that changes in sales between periods generally represent the nature of the early stage of our product and sales channel development.

Gross Profit. Gross profit from sales of encryption products and services decreased by approximately $50,000 in the three-month period ended January 31, 2007, to approximately $90,000, as compared to a gross profit of approximately $140,000 in the comparable prior-year period. The decrease in gross profit is primarily due to the decrease in sales. Gross profit as a percent of net sales in the three-month period ended January 31, 2007 was approximately 69%, as compared to approximately 72% in the comparable prior-year period. Because of the limited number of transactions during each of the periods, gross profit percentages are sensitive to individual transactions.

Research and Development Expenses

Research and development expenses increased by approximately $346,000 in the three-month period ended January 31, 2007, to approximately $1,003,000, from approximately $657,000 in the comparable prior-year period. The increase in research and development expenses was principally due to an increase in employee stock option compensation expense of approximately $359,000, an increase in employee compensation, other than stock option expense, and related costs of approximately $26,000, offset by a decrease of approximately $32,000 in outside research and development expense.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately $141,000 to approximately $870,000 in the three-month period ended January 31, 2007, from approximately $729,000 in the comparable prior-year period. The increase in selling, general and administrative expenses was principally due to an increase in employee stock option compensation expense of approximately $234,000, offset by a decrease in professional fees of approximately $124,000.

Interest Income

Interest income was approximately $10,000 in the three-month period ended January 31, 2007, compared to approximately $6,000 in the comparable prior-year period. The increase in interest income was principally the result of an increase in prevailing interest rates.

LIQUIDITY AND CAPITAL RESOURCES

From our inception, we have met our liquidity and capital expenditure needs primarily through the proceeds from sales of common stock in our initial public offering, in private placements, upon exercise of warrants issued in connection with the private placements and public offering, and upon the exercise of stock options. In 2001 and 2002, we also received payments under a technology development agreement. In addition, commencing in the fourth quarter of fiscal 1999, we began to generate cash flows from sales of our encryption products.

During the three months ended January 31, 2007, our cash used in operating activities was approximately $802,000. This resulted from payments to suppliers, employees and consultants of approximately $884,000, which was offset by cash of approximately $72,000 received from collections of accounts receivable related to sales of encryption products and approximately $10,000 of interest income received. Our cash used in investing activities during the three months ended January 31, 2007 was approximately $389,000, which resulted from purchases of short-term investments consisting of certificates of deposit of approximately $425,000 and purchases of approximately $2,000 of equipment, offset by approximately $38,000 received upon maturities of short-term investments consisting of certificates of deposit. Our cash provided by financing activities during the three months ended January 31, 2007 of approximately $738,000 resulted from cash received upon the exercise of stock options. Accordingly, during the three months ended January 31, 2007, our cash and cash equivalents decreased by approximately $454,000 and our short-term investments increased by approximately $387,000. As a result, our cash, cash equivalents, and short-term investments, at January 31, 2007 decreased to approximately $1,253,000 from approximately $1,320,000 at the end of fiscal 2006.

Accounts receivable increased by approximately $59,000 from approximately $10,000 at the end of fiscal 2006 to approximately $69,000 at January 31, 2007. The increase in accounts receivable is a result of the timing of collections. Inventories decreased approximately $18,000 from approximately $261,000 at October 31, 2006 to approximately $243,000 at January 31, 2007, primarily as a result of the timing of shipments and production schedules. Investment at cost increased to $417,000 at January 31, 2007 compared to $207,000 at October 31, 2006, due to an additional non-cash investment in DISC. Accounts payable and accrued liabilities decreased by approximately $215,000 from approximately $582,000 at the end of fiscal 2006 to approximately $367,000 at January 31, 2007, as a result the timing of payments.

As a result of these changes, working capital at January 31, 2007 increased to approximately $1,230,000 from approximately $1,041,000 at the end of fiscal 2006.

Our working capital includes inventory of approximately $243,000 at January 31, 2007. Management has recorded our inventory at the lower of cost or our current best estimate of net realizable value. To date, sales of our products have been limited. Accordingly, there can be no assurance that we will not be required to reduce the selling price of our inventory below our current carrying value.

During the three-month periods ended January 31, 2007 and 2006, we issued 548,800 shares and 460,860 shares, respectively, of common stock to certain employees for services rendered, principally in lieu of cash compensation, pursuant to the 2003 Share Plan. We recorded compensation expense for the three-month periods ended January 31, 2007 and 2006 of approximately $421,000 and $376,000, respectively, for the shares of common stock issued to employees. In addition, during the three-month periods ended January 31, 2007 and 2006, we issued 134,020 shares and 117,663 shares, respectively, of common stock to consultants for services rendered pursuant to the 2003 Share Plan. We recorded consulting expense for the three-month periods ended January 31, 2007 and 2006 of approximately $95,000 and $92,000, respectively, for the shares of common stock issued to consultants.

During the three-month periods ended January 31, 2007 and 2006, we granted to employees and directors options to purchase 1,775,000 shares and 500,000 shares, respectively, pursuant to the 2003 Share Plan. We recorded stock-based compensation expense for the three-month periods ended January 31, 2007 and 2006 of approximately $708,000 and $116,000, respectively, related to stock options granted to employees and directors.

During the three-month period ended January 31, 2007, we acquired an additional minority interest in DISC, a privately held corporation, by exchanging 300,000 unregistered shares of our common stock for 5,000,000 shares of DISC's common stock.

The auditor's report on our financial statements as of October 31, 2006 states that the net loss incurred during the year ended October 31, 2006, our accumulated deficit as of that date, and the other factors described in Note 1 to the Financial Statements included in our Annual Report on Form 10-K for the year ended October 31, 2006, raise substantial doubt about our ability to continue as a going concern. The auditor's report on our financial statements for the year ended October 31, 2005 contained a similar statement. Our financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

We believe that our existing cash, cash equivalents, short-term investments and accounts receivable, together with cash flows from expected sales of encryption products and flat panel displays, and other potential sources of cash flows, will be sufficient to enable us to continue in operation until at least the end of the first quarter of fiscal 2008. We anticipate that, thereafter, we will require additional funds to continue our marketing, production, and research and development activities, and we will require outside funding if cash generated from operations is insufficient to satisfy our liquidity requirements. However, our projections of future cash needs and cash flows may differ from actual results. If current cash and cash that may be generated from operations are insufficient to satisfy our liquidity requirements, we may seek to sell debt or equity securities or to obtain a line of credit prior to the first quarter of fiscal 2008. The sale of additional equity securities or convertible debt could result in dilution to our stockholders. We currently have no arrangements with respect to additional financing. There can be no assurance that we will generate sufficient revenues in the future (through sales or otherwise) to improve our liquidity or sustain future operations, that our production capabilities will be adequate, that other products will not be produced by other companies that will render our products obsolete, or that other sources of funding would be available, if needed, on favorable terms or at all. If we cannot obtain such funds if needed, we would need to curtail or cease some or all of our operations.

We are seeking to improve our liquidity through increased sales or license of products and technology. In an effort to generate sales, we have marketed our encryption products directly to U.S. and international distributors, dealers and original equipment manufacturers that market our encryption products and to end-users. We have been working with several large organizations to provide them with both our hardware and software encryption solutions for them to evaluate whether the solutions meet their security requirements and have begun supplying several major U.S. companies with our encryption products. We are also continuing to pursue marketing and licensing opportunities for our display technology; however, to date, we have not had any revenue from sales or licensing of our LVNDTM display. During the three-month period ended January 31, 2007, we have recognized revenue from sales of encryption products and services of approximately $131,000.

The following table presents our expected cash requirements for contractual obligations outstanding as of January 31, 2007:

<TABLE>
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	Payments Due by Period				
Contractual Obligations	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
<S>	<C>	<C>	<C>	<C>	<C>
Consulting Agreement	$ 43,000	-	-	-	$ 43,000
Noncancelable Operating Leases	$ 270,000	$ 231,000	-	-	$ 501,000
Total Contractual Cash Obligations	$ 313,000	$ 231,000	-	-	$ 544,000

</TABLE>

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"). SFAS 154 replaces the Accounting Principles Board Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements," to require retrospective application to prior periods' financial statements of changes in accounting principle. The provisions of SFAS 154 are effective for accounting changes made in fiscal years beginning after December 15, 2005. The adoption of SFAS 154 had no effect on our financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 clarifies the accounting for uncertainties in income taxes recognized in an enterprise's financial statements. The interpretation requires that the Company determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authority. If a tax position meets the more likely than not recognition criteria, FIN 48 requires the tax position be measured at the largest amount of benefit greater than 50 percent likely of being realized upon ultimate settlement. This accounting standard is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 is not expected to have a material effect on our financial statements.

In September 2006, the Securities and Exchange Commission ("SEC") released Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements" ("SAB No. 108"). SAB No. 108 provides interpretative guidance on how public companies quantify financial statement misstatements. There have been two common approaches used to quantify such errors. Under an income statement approach (the "roll-over" method) the error is quantified as the amount by which the current year income statement is misstated. Alternatively, under a balance sheet approach (the "iron curtain" method) the error is quantified as the cumulative amount by which the current year balance sheet is misstated. In SAB No. 108, the SEC established an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of the company's financial statements and the related financial statement disclosures. This model is commonly referred to as a "dual approach" because it requires quantification of errors under both the roll-over and iron curtain methods. SAB No. 108 is effective for annual financial statements covering the first fiscal year ending after November 15, 2006. The adoption of SAB No. 108 is not expected to have a material effect on our financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. The provisions of SFAS 157 are effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 is not expected to have a material effect on our financial statements.

FORWARD-LOOKING STATEMENTS

Information included in this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical facts, but rather reflect our current expectations concerning future events and results. We generally use the words "believes," "expects," "intends," "plans," "anticipates," "likely," "will" and similar expressions to identify forward-looking statements. Such forward-looking statements, including those concerning our expectations, involve risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and factors include, but are not limited to, those factors set forth in Part II, Item 1A - "Risk Factors" below and Note 1 to Condensed Financial Statements. You should read this discussion and analysis along with our Annual Report on Form 10-K for the year ended October 31, 2006 and the condensed financial statements included in this Report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We have invested a portion of our cash on hand in short-term, fixed rate and highly liquid instruments that have historically been reinvested when they mature throughout the year. Although our existing instruments are not considered at risk with respect to changes in interest rates or markets for these instruments, our rate of return on these securities could be affected at the time of reinvestment, if any.

Item 4. Controls and Procedures.

We carried out an evaluation, under the supervision and with the participation of our management including our Chairman of the Board and Chief Executive Officer and our Vice President - Finance and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13-15(b) of the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our Chairman of the Board and Chief Executive Officer and our Vice President - Finance and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report.

There was no change in our internal control over financial reporting during the quarter ended January 31, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors.

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended October 31, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On November 27, 2006, we acquired an additional minority interest in DISC by exchanging 300,000 shares of our common stock for 5,000,000 shares of DISC's common stock. The shares of common stock we issued were issued without registration in reliance on the exemption provided by Section 4(2) of the Securities Act of 1933, as amended, for transactions not involving a public offering. In claiming such exemption, we relied on representations that, among other things, DISC was acquiring the shares for its own account (and not for the account of others) for investment and not with a view to the distribution thereof.

Item 6. Exhibits.

31.1 Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 12, 2007.

31.2 Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 12, 2007.

32.1 Statement of Chief Executive Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated March 12, 2007.

32.2 Statement of Chief Financial Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated March 12, 2007.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COPYTELE, INC.

By: /s/ Denis A. Krusos

Denis A. Krusos
Chairman of the Board and
Chief Executive Officer
March 12, 2007 (Principal Executive Officer)

By: /s/ Henry P. Herms

Henry P. Herms
Vice President - Finance and
Chief Financial Officer (Principal
March 12, 2007 Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Denis A. Krusos, Chairman of the Board and Chief Executive Officer of CopyTele, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of CopyTele, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Denis A. Krusos

Denis A. Krusos

Chairman of the Board and

March 12, 2007 Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Henry P. Herms, Vice President - Finance and Chief Financial Officer of CopyTele, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of CopyTele, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Henry P. Herms

Henry P. Herms
Vice President - Finance and
Chief Financial Officer

March 12, 2007

Exhibit 32.1

Statement of Chief Executive Officer
Pursuant to Section 1350 of Title 18 of the United States Code

Pursuant to Section 1350 of Title 18 of the United States Code, the undersigned, Denis A. Krusos, the Chairman of the Board and Chief Executive Officer of CopyTele, Inc., hereby certifies that:

1. The Company's Form 10-Q Quarterly Report for the period ended January 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Denis A. Krusos

Denis A. Krusos
Chairman of the Board and
Chief Executive Officer

March 12, 2007

Exhibit 32.2

Statement of Chief Financial Officer
Pursuant to Section 1350 of Title 18 of the United States Code

Pursuant to Section 1350 of Title 18 of the United States Code, the undersigned, Henry P. Herms, the Vice President - Finance and Chief Financial Officer of CopyTele, Inc., hereby certifies that:

1. The Company's Form 10-Q Quarterly Report for the period ended January 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Henry P. Herms

Henry P. Herms
Vice President - Finance and
Chief Financial Officer

March 12, 2007