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 April 30, 2008

Commission file number 0-11254

COPYTELE, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 11-2622630 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification no.) |

| | |
|---|---|
| 900 Walt Whitman Road<br>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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [ X ]
Non-accelerated filer [ ] Smaller Reporting Company [ X ]

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 June 4, 2008, the registrant had outstanding 130,159,351 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. AND SUBSIDIARIES

### CONDENSED CONSOLIDATED BALANCE SHEETS

| ASSETS | (Unaudited) April 30, 2008 | October 31, 2007* |
|---|---|---|
| <S> | <C> | <C> |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 763,752 | $ 669,141 |
| Short-term investments | 441,000 | 400,000 |
| Accounts receivable, net of allowance for doubtful accounts of $60,000 and $-0-, respectively | 190,500 | 120,000 |
| Inventories | 196,308 | 191,923 |
| Prepaid expenses and other current assets | 30,329 | 34,555 |
| Total current assets | 1,621,889 | 1,415,619 |
| INVESTMENT in Videocon Industries Limited global depository receipts, at fair value | 14,120,777 | - |
| INVESTMENT in Digital Info Security Co. Inc. common stock, at cost | 417,000 | 417,000 |
| LOAN RECEIVABLE | 5,000,000 | - |
| PROPERTY AND EQUIPMENT, net | 32,975 | 26,653 |
| OTHER ASSETS | 10,887 | 10,887 |
| | $ 21,203,528 | $ 1,870,159 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 424,190 | $ 347,141 |
| Accrued liabilities | 59,059 | 331,668 |
| Total current liabilities | 483,249 | 678,809 |
| LOAN PAYABLE | 5,000,000 | - |
| 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; 130,022,696 and 106,911,315 shares issued and outstanding, respectively | 1,300,227 | 1,069,113 |
| Additional paid-in capital | 106,992,688 | 86,088,974 |
| Accumulated deficit | (90,493,413) | (85,966,737) |
| Accumulated other comprehensive loss | (2,079,223) | - |
| | 15,720,279 | 1,191,350 |
| | $ 21,203,528 | $ 1,870,159 |

* Derived from audited balance sheet included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2007.

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

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COPYTELE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

| <S> | For the Six Months Ended April 30, 2008 <C> | For the Six Months Ended April 30, 2007 <C> |
|---|---|---|
| NET SALES | | |
| Sales of encryption products, net | $ 217,580 | $ 107,177 |
| Sales of encryption services, net | - | 120,000 |
| | 217,580 | 227,177 |
| COST OF SALES | | |
| Cost of encryption products sold | 50,170 | 32,438 |
| Cost of encryption services sold | - | 44,365 |
| | 50,170 | 76,803 |
| Gross profit | 167,410 | 150,374 |
| OPERATING EXPENSES | | |
| Research and development expenses | 2,444,004 | 1,919,214 |
| Selling, general and administrative expenses | 2,379,092 | 1,454,359 |
| Total operating expenses | 4,823,096 | 3,373,573 |
| LOSS FROM OPERATIONS | (4,655,686) | (3,223,199) |
| DIVIDEND INCOME | 130,887 | - |
| INTEREST INCOME | 13,081 | 17,869 |
| LOSS BEFORE INCOME TAX EXPENSE | (4,511,718) | (3,205,330) |
| INCOME TAX EXPENSE | 14,958 | - |
| NET LOSS | $ (4,526,676) | $ (3,205,330) |
| PER SHARE INFORMATION: | | |
| Net loss per share: | | |
| Basic and Diluted | $ (0.04) | $ (0.03) |
| Shares used in computing net loss per share: | | |
| Basic and Diluted | 127,984,960 | 101,589,288 |

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

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COPYTELE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

| <S> | For the Three Months Ended April 30, 2008 <C> | For the Three Months Ended April 30, 2007 <C> |
|---|---|---|
| NET SALES | | |
| Sales of encryption products, net | $ 165,355 | $ 36,427 |
| Sales of encryption services, net | - | 60,000 |
| | 165,355 | 96,427 |
| COST OF SALES | | |
| Cost of encryption products sold | 37,272 | 12,147 |
| Cost of encryption services sold | - | 23,460 |
| | 37,272 | 35,607 |

| | | |
|---|---|---|
| Gross profit | 128,083 | 60,820 |
| OPERATING EXPENSES | | |
| Research and development expenses | 1,131,302 | 916,283 |
| Selling, general and administrative expenses | 959,935 | 584,648 |
| Total operating expenses | 2,091,237 | 1,500,931 |
| LOSS FROM OPERATIONS | (1,963,154) | (1,440,111) |
| DIVIDEND INCOME | 130,887 | - |
| INTEREST INCOME | 5,874 | 8,215 |
| LOSS BEFORE INCOME TAX EXPENSE | (1,826,393) | (1,431,896) |
| INCOME TAX EXPENSE | 14,958 | - |
| NET LOSS | $ (1,841,351) | $ (1,431,896) |
| PER SHARE INFORMATION: | | |
| Net loss per share: | | |
| Basic and Diluted | $ (0.01) | $ (0.01) |
| Shares used in computing net loss per share: | | |
| Basic and Diluted | 129,258,495 | 102,287,372 |

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

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CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS APRIL 30, 2008 (UNAUDITED)

| | Common Stock Shares | Common Stock Par Value | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| BALANCE, October 31, 2007 | 106,911,315 | $1,069,113 | $ 86,088,974 | $ (85,966,737) | $ - |
| Stock option compensation to employees | - | - | 1,909,771 | - | - |
| Stock option compensation to consultants | - | - | 210,282 | - | - |
| Common stock issued upon exercise of stock options under stock option plans | 2,094,200 | 20,942 | 1,677,663 | - | - |
| Common stock issued to employees pursuant to stock incentive plans | 954,875 | 9,549 | 1,031,468 | - | - |
| Common stock issued to consultants pursuant to stock incentive plans | 62,306 | 623 | 74,530 | - | - |
| Unregistered common stock issued to Videocon Industries Limited | 20,000,000 | 200,000 | 16,000,000 | - | - |
| Unrealized loss on investment in Videocon Industries Limited global depository receipts | - | - | - | - | (2,079,223) |
| Net loss | - | - | - | (4,526,676) | - |
| BALANCE, April 30, 2008 | 130,022,696 | $1,300,227 | $106,992,688 | $ (90,493,413) | $ (2,079,223) |

The accompanying notes are an integral part of this statement.

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COPYTELE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | For the Six Months Ended April 30, 2008 | 2007 |
|---|---|---|
| <S> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Payments to suppliers, employees and consultants | $(1,782,720) | $ (1,518,281) |
| Cash received from customers | 87,080 | 177,342 |
| Dividend received | 130,887 | - |
| Interest received | 13,081 | 17,869 |
| Net cash used in operating activities | (1,551,672) | (1,323,070) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Disbursements to acquire Videocon Industries Limited global depository receipts | (16,200,000) | - |
| Disbursement to acquire loan receivable | (5,000,000) | - |
| Proceeds from maturities of short-term investments (certificates of deposit) | 400,000 | 38,000 |
| Disbursements to acquire short-term investments (certificates of deposit) | (441,000) | (425,000) |
| Payments for purchases of property and equipment | (11,322) | (7,694) |
| Net cash used in investing activities | (21,252,322) | (394,694) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from sale of common stock to Videocon Industries Limited | 16,200,000 | - |
| Proceeds from issuance of loan payable | 5,000,000 | - |
| Proceeds from exercise of stock options | 1,698,605 | 1,202,099 |
| Net cash provided by financing activities | 22,898,605 | 1,202,099 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 94,611 | (515,665) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 669,141 | 1,281,660 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 763,752 | $ 765,995 |
| RECONCILIATION OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Net loss | $ (4,526,676) | $ (3,205,330) |
| Stock option compensation to employees | 1,909,771 | 986,354 |
| Stock option compensation to consultants | 210,282 | - |
| Stock awards granted to employees pursuant to stock incentive plans | 1,041,017 | 1,068,472 |
| Stock awards granted to consultants pursuant to stock incentive plans | 75,153 | 105,744 |
| Provision for doubtful accounts | 60,000 | - |
| Recovery of slow-moving inventory reserve | (16,440) | - |
| Depreciation and amortization | 5,000 | 5,499 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (130,500) | (49,835) |
| Inventories | 12,055 | 29,775 |
| Prepaid expenses and other current assets | 4,226 | (9,764) |
| Other assets | - | - |
| Accounts payable and accrued liabilities | (195,560) | (253,985) |
| Net cash used in operating activities | $(1,551,672) | $( 1,323,070) |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES: | | |
| Unregistered common stock issued in connection with investment in Digital Info Security Co., Inc. | $ - | $ 210,000 |

The accompanying notes are an integral part of this statement.

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COPYTELE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. BUSINESS AND FUNDING

Description of Business and Basis of Presentation

Our principal operations are the development, production and marketing of thin, flat, low-voltage phosphor display technology 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 consolidated financial statements are unaudited, and have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial reporting, and with the rules and regulations of the Securities and Exchange Commission regarding 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 six-month and three-month periods ended April 30, 2008 and 2007. 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 condensed consolidated financial statements include the accounts of CopyTele, Inc. and its wholly owned subsidiaries, CopyTele International Ltd. ("CopyTele International") and CopyTele Marketing Inc. ("CopyTele Marketing"). CopyTele International and CopyTele Marketing were incorporated in the British Virgin Islands in July 2007 and September 2007, respectively. CopyTele International was formed for the purpose of holding an investment in global depository receipts of Videocon Industries Limited, an Indian company ("Videocon"). As of April 30, 2008, CopyTele Marketing was inactive. All significant intercompany transactions have been eliminated in consolidation.

The results of operations for interim periods presented are not necessarily indicative of the results that may be expected for a full year or any interim period. 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, 2007, for more extensive disclosures than contained in these condensed financial statements.

Technology License Agreement with Videocon Industries Limited
- --------------------------------------------------------------

In November 2007, we entered into a Technology License Agreement (as amended, the "License Agreement") with Videocon. Under the License Agreement, we



provide Videocon with a non-transferable, worldwide license of our technology for thin, flat, low voltage phosphor displays (the "Licensed Technology"), for Videocon (or a Videocon Group company) to produce and market products, including TVs, incorporating displays utilizing the Licensed Technology. Under the License Agreement, we will receive a license fee of $11 million from Videocon, payable in installments over a 27 month period and an agreed upon royalty from Videocon based on display sales by Videocon. In April 2008, the Indian Government approved the License Agreement and in May 2008, we received the first installment of the license fee of $2 million.

We will continue to have the right to produce and market, and to utilize Volga Svet Ltd., a Russian display company that we have been working with for more than ten years, and an Asian company that we have been working with for more than four years, to produce and market, products utilizing the Licensed Technology. Additional licenses of the Licensed Technology to third parties require our joint agreement with Videocon.

In November 2007, we also entered into a Share Subscription Agreement (the "Subscription Agreement") with Mars Overseas Limited, an affiliate of Videocon ("Mars Overseas"). Under the Subscription Agreement, Mars Overseas purchased 20,000,000 shares of our common stock (the "CopyTele Shares") from us for an aggregate purchase price of $16,200,000. The purchase of the CopyTele Shares pursuant to the Subscription Agreement closed in November 2007.

Also in November 2007, our wholly-owned British Virgin Islands subsidiary, CopyTele International, entered into a GDR Purchase Agreement (the "Purchase Agreement") with Global EPC Ventures Limited ("Global"), for CopyTele International to purchase from Global 1,495,845 global depository receipts of Videocon (the "Videocon GDRs") for an aggregate purchase price of $16,200,000. Videocon's global depository receipts are listed on the Luxembourg Stock Exchange. The purchase of the Videocon GDRs pursuant to the Purchase Agreement closed in December 2007.

For the purpose of effecting a lock up of the Videocon GDRs and CopyTele Shares (collectively, the "Securities") for a period of seven years, and therefore restricting both parties from selling or transferring the Securities during such period, CopyTele International and Mars Overseas entered into two Loan and Pledge Agreements in November 2007. The Videocon GDRs are to be held as security for a loan in principal amount of $5,000,000 from Mars Overseas to CopyTele International, and the CopyTele Shares are similarly held as security for a loan in principal amount of $5,000,000 from CopyTele International to Mars Overseas. The loans are for a term of seven years and do not bear interest. Prepayment of each loan requires payment of a premium by the borrower and, in any event, the lien on the Securities securing the prepaid loan will not be released until the seventh anniversary of the closing of the loans and the prepaid amount would be held in escrow until such date. The loan agreements required the parties to enter into an escrow agreement under which the parties deposited the Securities with an escrow agent for the term of the loans. The loan agreements also provide for customary events of default which may result in forfeiture of the Securities by the defaulting party. The loan and escrow agreements also provide for the transfer to the respective parties, free and clear of any encumbrances under the agreements, any dividends, distributions, rights or other proceeds or benefits received by the escrow agent in respect of the Securities. The closing of the loans took place in December 2007.

Investment in Videocon

Although the Videocon GDRs are held as security for the loan payable to Mars Overseas and prepayment of the loan will not release the Videocon GDRs securing the loan until the seventh anniversary of the closing of the loan, our investment in Videocon is classified as an "available-for-sale security" and reported at fair value, with unrealized gains and losses excluded from operations and reported as a component of accumulated other comprehensive income, net of the related tax effects, in shareholders' equity. Cost is determined using the specific identification method. The fair value of the Videocon GDRs is based on the underlying price of Videocon's equity shares which are traded on stock exchanges in India with prices quoted in rupees. The cost, unrealized loss and fair value of our investment in Videocon as of April 30, 2008 are as follows:

| | April 30, 2008 |
|---|---|
| Cost | $16,200,000 |
| Unrealized loss | (2,079,223) |
| Fair Value | $14,120,777 |

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 addition, commencing in the fourth quarter of fiscal 1999, we have generated cash flows from sales of our encryption products and in May 2008 we commenced receiving license fees related to our display technology from Videocon pursuant to the License Agreement.

During the six months ended April 30, 2008, our cash used in operating activities was approximately $1,552,000. This resulted from payments to suppliers, employees and consultants of approximately $1,783,000, which was offset by cash of approximately $87,000 received from collections of accounts receivable related to sales of encryption products, and approximately $13,000 of interest income and $131,000 of dividend income received. Our cash used in investing activities during the six months ended April 30, 2008 was approximately $21,252,000, which resulted from a disbursement of $16,200,000 for the purchase of Videocon GDRs, a disbursement $5,000,000 to issue a loan to Mars Overseas, purchases of short-term investments consisting of certificates of deposit of $441,000 and purchases of approximately $11,000 of equipment, offset by $400,000 received upon maturities of short-term investments consisting of certificates of deposit. Our cash provided by financing activities during the six months ended April 30, 2008 was approximately $22,899,000, which resulted from the sale of our common stock to Videocon for $16,200,000, the proceeds received of $5,000,000 upon obtaining a loan from Mars Overseas and cash received upon the exercise of stock options of approximately $1,699,000.



Accordingly, during the six months ended April 30, 2008, our cash and cash equivalents increased by approximately $95,000 and our short-term investments increased by $41,000. As a result, our cash, cash equivalents, and short-term investments, at April 30, 2008 increased to approximately $1,205,000 from approximately $1,069,000 at the end of fiscal 2007.

We believe that our existing cash, cash equivalents, short-term investments and accounts receivable, together with cash flows from expected sales of our encryption products and revenue relating to our thin, flat, low-voltage phosphor display technology, including license fees and royalties from Videocon, and other potential sources of cash flows, will be sufficient to enable us to continue our marketing, production, and research and development activities. However, our projections of future cash needs and cash flows may differ from actual results. It is management's intention to continue to compensate employees by issuing stock or stock options. If current cash and cash equivalents, 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. 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, license fees and royalties, 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.

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.

Stock Option Compensation Expense
- ---------------------------------

We account for stock options granted to employees and directors using Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). We recognize compensation expense for stock option awards on a straight-line basis over the requisite service period of the grant. We recorded stock-based compensation expense, related to stock options granted to employees and non-employee directors, of approximately $1,910,000 and $986,000 during the six-month periods ended April 30, 2008 and 2007, respectively, and of approximately $821,000 and $278,000 during the three-month periods ended April 30, 2008 and 2007, respectively, in accordance with SFAS 123R. Such compensation expense is included in the accompanying condensed consolidated 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 six-month periods ended April 30, 2008 and 2007 by $0.01 and $0.01, respectively, and for the three-month periods ended April 30, 2008 and April 30, 2007 by $0.01 and $0.00, respectively.



Included in the stock-based compensation cost related to stock options granted to employees and directors recorded during the six-month periods ended April 30, 2008 and 2007 was approximately $-0- and $13,000, respectively, and during the three-month periods ended April 30, 2008 and 2007 was approximately $-0- and $6,000, 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 April 30, 2008, there was approximately $300,000 of unrecognized compensation cost related to non-vested share-based compensation arrangements for stock options granted to employees and directors. Approximately $127,000 of this unrecognized cost is expected to be amortized over the remaining portion of the current fiscal year and approximately $121,000, $51,000, and $1,000 of this unrecognized cost is expected to be amortized during fiscal 2009, 2010 and 2011, respectively.

We also account for stock options granted to consultants using SFAS 123R. We recognized consulting expense for options granted to non-employee consultants, during the six-month periods ended April 30, 2008 and 2007, of approximately $210,000, and $-0-, respectively, and during the three-month periods ended April 30, 2008 and 2007, of approximately $3,000, and $-0-, respectively. As of April 30, 2008, there was approximately $20,000 of unrecognized consulting expense related to non-vested share-based compensation arrangements for stock options granted to consultants. Approximately $7,000 of this unrecognized consulting expense is expected to be amortized over the remaining portion of the current fiscal year and approximately $13,000 is expected to be amortized during fiscal 2009. Such consulting expense is included in the accompanying condensed consolidated statements of operations in either research and development expenses or selling, general and administrative expenses, as applicable based on the functions performed by such consultants.

Fair Value Determination
- ------------------------

In accordance with SFAS No. 123R, we estimate the fair value of stock options granted to employees, non-employee directors and consultants 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 on the date of grant, we take a weighted average of the assumptions used for each of these groups. Stock options we granted during the six-month period ended April 30, 2008 consisted of awards of options with 10-year terms which vested either immediately or over future periods of from three months to three years. All of the stock options we granted during the six-month period ended April 30, 2007 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:

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| | For the Six Months Ended April 30, | | For the Three Months Ended April 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| <S> | <C> | <C> | <C> | <C> |
| Expected term (in years) | 3.9 | 3.3 | 1.7 | 2.0 |
| Volatility | 92% | 94% | 87% | 84% |
| Risk-free interest rate | 3.44% | 4.61% | 1.51% | 4.60% |
| Dividend yield | 0 | 0 | 0 | 0 |
| Weighted average fair value at grant date | $0.63 | $0.39 | $0.33 | $0.37 |

</TABLE>

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 Staff

Accounting Bulletin No. 107, "Share-Based Payment" ("SAB 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 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. In December 2007, the Securities and Exchange Commission ("SEC") staff issued Staff Accounting Bulletin No. 110, "Share-Based Payment" ("SAB 110"). SAB 110 permits the use of the simplified method in SAB 107 for employee option grants after December 31, 2007 for companies whose historical data about their employees' exercise behavior does not provide a reasonable basis for estimating the expected term of the options. We have adopted SAB 110 and continued to use the simplified method to estimate the expected term for options granted after December 2007, as adequate historical experience is not available to provide a reasonable estimate. We intend to continue applying the simplified method until enough historical experience is readily available to provide a reasonable estimate of the expected term for employee option grants.

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 six-month periods ended April 30, 2008 and 2007, we granted options to purchase 3,875,000 shares and 2,505,000 shares, respectively, to employees, non-employee directors and consultants of common stock at weighted average exercise prices of $.98 and $.67 per share, respectively, pursuant to the CopyTele, Inc. 2003 Share Incentive Plan (the "2003 Share Plan"). During the six-month periods ended April 30, 2008 and 2007, stock options to purchase 2,094,200 shares and 2,277,230 shares, respectively, of common stock were exercised with aggregate proceeds of approximately $1,699,000 and $1,202,000, respectively.

Stock Option Plans
- ------------------

As of April 30, 2008, we have three stock option plans: the CopyTele, Inc. 1993 Stock Option Plan (the "1993 Plan"), the CopyTele, Inc. 2000 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 six months ended April 30, 2008 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, 2007 | 2,614,000 | $2.33 | |
| Expired | (975,000) | $3.38 | |
| Exercised | (5,000) | $1.31 | |
| Shares Under Option and Exercisable at April 30, 2008 | 1,634,000 | $1.72 | $13,550 |

</TABLE>

The following table summarizes information about stock options outstanding under the 1993 Plan as of April 30, 2008:

| | Options Outstanding and Exercisable | | |
|---|---|---|---|
| Range of Exercise Prices | Number Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price |
| $0.84 to $1.56 | 779,000 | 1.54 | $1.10 |
| $2.28 | 855,000 | 0.20 | $2.28 |

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 six months ended April 30, 2008 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, 2007 | 2,182,466 | $0.82 | |
| Exercised | (410,000) | $0.95 | |
| Shares Under Option and Exercisable at April 30, 2008 | 1,772,466 | $0.79 | $441,910 |

</TABLE>

The following table summarizes information about stock options outstanding under the 2000 Share Plan as of April 30, 2008:

| | Options Outstanding and Exercisable | | |
|---|---|---|---|
| Range of Exercise Prices | Number Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price |
| $0.40 | 445,000 | 3.39 | $0.40 |
| $0.69 | 505,466 | 2.67 | $0.69 |
| $0.94 - $1.09 | 822,000 | 1.81 | $1.06 |

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 April 30, 2008, 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, February 9, 2006 and August 22, 2007, 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, 45,000,000 shares and 55,000,000 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 six months ended April 30, 2008 is as follows:

<TABLE>
<CAPTION>

| <S> | Shares | Current Weighted Average Exercise Price Per Share | Aggregate Intrinsic Value |
|---|---|---|---|
| Shares Under Option at October 31, 2007 | 14,476,245 | $0.74 | |
| Expired | (60,000) | $0.84 | |
| Granted | 3,875,000 | $0.98 | |
| Exercised | (1,679,200) | $0.78 | |
| Shares Under Option at April 30, 2008 | 16,612,045 | $0.80 | $3,897,464 |
| Options Exercisable at April 30, 2008 | 15,127,045 | $0.76 | $3,888,964 |

</TABLE>

The following table summarizes information about stock options outstanding under the 2003 Share Plan as of April 30, 2008:

<TABLE>
<CAPTION>

| | Options Outstanding | | | Options Exercisable | | |
|---|---|---|---|---|---|---|
| Range of Exercise Prices | Number Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| $0.25 - $0.43 | 1,170,000 | 5.45 | $0.33 | 1,170,000 | 5.45 | $0.33 |
| $0.52 - $0.77 | 5,375,970 | 7.16 | $0.63 | 5,375,970 | 7.16 | $0.63 |
| $0.81 - $1.46 | 10,066,075 | 7.93 | $0.94 | 8,581,075 | 7.65 | $0.90 |

</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 April 30, 2008, 5,512,906 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 six-month periods ended April 30, 2008 and 2007, we issued 954,875 shares and 1,509,580 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 six-month periods ended April 30, 2008 and 2007 of approximately $1,041,000 and $1,068,000, respectively, and for the three-month periods ended April 30, 2008 and 2007 of approximately $484,000 and $647,000, respectively, for the shares of common stock issued to employees. In addition, during the six-month periods ended April 30, 2008 and 2007, we issued 62,306 shares and 149,020 shares, respectively, of common stock to consultants for services rendered pursuant to the 2003 Share Plan. We recorded consulting expense for the six-month periods ended April 30, 2008 and 2007 of approximately $75,000 and $106,000, respectively, and for the three-month periods ended April 30, 2008 and 2007 of approximately $15,000 and $11,000, 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 six months ended April 30, 2008, one customer in the Encryption Products and Services Segment represented 60% of total net sales. During the six months ended April 30, 2007, two customers in the Encryption Products and Services Segment represented 53% and 24%, respectively, of total net sales. At April 30, 2008 two customers in the Encryption Products and Services Segment represented 69% and 31%, respectively, of net accounts receivable and at October 31, 2007, one customer in the Encryption Products and Services Segment represented 100% of net 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.

In February 2006, we entered into a Software License and Distribution Agreement (the "DISC License Agreement") to license to Digital Info Security Co. Inc. ("DISC"), an encryption system that integrates our encryption technology into DISC's e-mail services. The system allows companies to encrypt all e-mail transactions in a manner transparent to the individual user. Concurrently with entering into the DISC 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. In May and July 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. In November 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. Accordingly, as of April 30, 2008, we held 12,200,000 shares of DISC's common stock, all of which were restricted securities. DISC's common stock is not registered under the Securities Exchange Act of 1934, but is quoted on the Pink Sheets. According to DISC's most recent public financial report, as of December 31, 2007 we held approximately 12% of the outstanding common stock of DISC. Our investment in DISC as of April 30, 2008, is recorded in the accompanying consolidated 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.

Net sales for the six months ended April 30, 2007 included billings to DISC for engineering services of $120,000. We had no net sales relating to DISC for the six months ended April 30, 2008. Net accounts receivable at April 30, 2008 and October 31, 2007 include $60,000 and $120,000, respectively, from DISC.



## 6. INVENTORIES

Inventories consist of the following as of:

| | April 30, 2008 | October 31, 2007 |
|---|---|---|
| Component parts | $ 95,071 | $ 113,458 |
| Work-in-process | 8,184 | 26,597 |
| Finished products | 93,053 | 51,868 |
| | $ 196,308 | $ 191,923 |

## 7. NET LOSS PER SHARE OF COMMON STOCK

In accordance with SFAS No. 128, "Earnings Per Share" ("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 six month and three-month periods ended April 30, 2008 and 2007, were options to purchase 20,018,511 shares and 21,202,711 shares, respectively.

## 8. EFFECT OF RECENTLY ISSUED PRONOUNCEMENTS

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 to 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. We are currently evaluating the effect, if any, that the adoption of SFAS 157 will have on our financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 expands opportunities to use fair value measurement in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the effect, if any, that the adoption of SFAS 159 will have on our financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"), which changes how an entity accounts for the acquisition of a business. When effective, SFAS 141R will replace existing SFAS No. 141, "Business Combinations" ("SFAS 141"), in its entirety. SFAS 141R carries forward the existing requirements to account for all business combinations using the acquisition method (formerly called the purchase method). In general, SFAS 141R will require acquisition-date fair value measurement of identifiable assets acquired, liabilities assumed, and noncontrolling interest



in the acquired entity. SFAS 141R will eliminate the current cost-based purchase method under SFAS 141. SFAS 141R is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2008. The adoption of SFAS 141R is not expected to have a material effect on our financial statements.

9. INCOME TAXES

Income tax expense for the six-month and three-month periods ended April 30, 2008 represents income taxes withheld by India on dividends paid by Videocon related to the Videocon GDRs we hold. We did not incur any income tax expense in fiscal 2007. We file Federal and New York State income tax returns. Due to net operating losses, the statute of limitations remains open since the fiscal year ended October 31, 1992. We account for interest and penalties related to income tax matters in selling, general and administrative expenses.

On November 1, 2007, we adopted 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. There were no unrecognized tax benefits as of the date of our adoption of FIN 48 and its adoption did not have a material effect on our financial statements.

10. 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 six-month and three-month periods ended April 30, 2008 and 2007:

<TABLE>
<CAPTION>

| Segment Data | Flat-Panel Display | Encryption Products and Services | Total |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Six Months Ended April 30, 2008: | | | |
| Net sales | $ - | $ 217,580 | $ 217,580 |
| Net loss | ( 2,551,223) | (1,975,453) | (4,526,676) |
| Six Months Ended April 30, 2007: | | | |
| Net sales | $ - | $ 227,177 | $ 227,177 |
| Net loss | (1,596,106) | (1,609,224) | (3,205,330) |

</TABLE>



<TABLE>
<CAPTION>

| Segment Data | Flat-Panel Display | Encryption Products and Services | Total |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Three Months Ended April 30, 2008: | | | |
| Net sales | $ - | $ 165,355 | $ 165,355 |
| Net loss | (1,054,950) | (786,401) | (1,841,351) |
| Three Months Ended April 30, 2007: | | | |
| Net sales | $ - | $ 96,427 | $ 96,427 |
| Net loss | (661,765) | (770,131) | (1,431,896) |

</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 thin, flat, low-voltage phosphor display technology 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 have pioneered the basic development of an innovative new type of flat panel display technology, which is brighter, has higher contrast and consumes less power than our prior display technology. This new proprietary display is a color phosphor based display having a unique lower voltage electron emission system to excite the color phosphors. As with our prior display technology, the new technology emits light to display color images, such as movies from DVD players. In addition, we are also developing another version of our new type low voltage and low power display having a different matrix configuration and phosphor excitation system. These new type of displays are expected to be lower in cost than our prior displays.

In November 2007, we entered into a Technology License Agreement (the "License Agreement") with Videocon Industries Limited, an Indian company ("Videocon"). Under the License Agreement, we provide Videocon with a non-transferable, worldwide license of our technology for thin, flat, low voltage phosphor displays (the "Licensed Technology"), for Videocon (or a Videocon Group company) to produce and market products, including TVs, incorporating displays utilizing the Licensed Technology. Under the License Agreement, we will receive a license fee of $11 million from Videocon, payable in installments over a 27 month period and an agreed upon royalty from Videocon based on display sales by Videocon. In April 2008, the Indian Government approved the License Agreement and in May 2008, we received the first installment of the license fee of $2 million.

Videocon Industries Limited is the $3.5 billion flagship company of the Videocon Group, one of India's leading business houses. Videocon Group is a fully integrated consumer electronics and home appliances enterprise with backward integration in plasma panel, CRT glass, color picture tubes and other key components for the consumer electronics, home appliances and components industries. The company also operates in the oil & gas sector through its 25% participating interest in Ravva Oil Field which produces 50,000 barrels of oil per day. The group also has participating interests in exploration activities in Oman, Timor, Brazil, and Australia. The Videocon Group has sales and service networks throughout India supporting seventeen locally-based factories. In addition, the Videocon Group operates facilities in Italy, Poland, Oman, China and Mexico. For more information on Videocon, visit www.videoconworld.com.

CopyTele and Videocon are working together to implement our technology into production displays. Under the License Agreement, Videocon, with assistance from CopyTele, is to provide the design and process engineering required to produce display modules based on our technology and has a dedicated group of display specialists assigned to this program. In addition, Videocon also is to



provide all tooling and fixtures required for the production process. CopyTele and Videocon are also working together to incorporate advancements to our display technology for various sizes of displays. Improvements to the technology will be jointly owned by CopyTele and Videocon.

We will continue to have the right to produce and market, and to utilize Volga Svet Ltd., a Russian display company that we have been working with for more than ten years ("Volga"), and an Asian company that CopyTele has been working with for more than four years, to produce and market, products utilizing our technology. Additional licenses of our technology to third parties require the joint agreement of CopyTele and Videocon.

In connection with the License Agreement, for the term of the license granted under the License Agreement, Videocon and CopyTele have each appointed one senior advisor to the other's board of directors to advise with respect to strategic planning and technology in the display field.

At the same time as we entered into the License Agreement, we entered into a Share Subscription Agreement with an affiliate of Videocon ("Mars Overseas") for Mars Overseas to purchase 20,000,000 shares of our common stock, and a subsidiary of ours, CopyTele International Ltd. ("CopyTele International"), entered into a GDR Purchase Agreement to purchase 1,495,845 global depository receipts ("GDRs") of Videocon. Both transactions were completed in our first fiscal quarter of fiscal 2008. See Note 1 to the Condensed Consolidated Financial Statements.

Our new display technology has been incorporated into display modules which are brighter, have higher contrast and consume less power than our prior carbon nanotube and proprietary low voltage color phosphor display technology. We have developed various engineering models using such prior technology, which demonstrated the display's ability to show movies from DVD players by controlling the brightness of selected individual pixels. The carbon nanotubes, which are 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 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. We have developed a process of maintaining uniform carbon nanotube deposition independent of phosphor deposition. We have also developed a method of enhancing nanotube electron emission to increase the brightness of this type of display.

Some other characteristics of our display technology are as follows:

- 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 matrix; and to create lithographic type spacers to assemble our display utilizing only 0.7mm glass.



We thus obtain a display thickness of approximately 1/16th of an inch, thinner than LCD (liquid crystal) and PDP (plasma) displays.

- The display matrix, phosphor excitation system, and drivers are all on one substrate.

- Our display is able to select and change the brightness of each individual pixel, 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.

- Our 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 power than an LCD. This lower 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.

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

- Our proprietary matrix structures can be produced by existing mass production TFT (thin film technology) LCD facilities, or portions of these facilities.

- Our display eliminates display flicker.

- 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).

- 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.

- 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 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 have actively continued to pursue our encryption business. We have sought encryption opportunities in both the commercial and government security markets.

Our government market has been primarily handled by The Boeing Company ("Boeing") and its large distributors of the Thuraya satellite phones. The Thuraya Satellite Network has grown as a communications provider due to its geographic coverage, quality of service and cost effective usage. The third Thuraya Geo-mobile satellite was successfully launched in January 2008, allowing Thuraya to embark on major expansion plans to provide their mobile satellite services in the Asia-Pacific region, thus potentially opening new markets for CopyTele security solutions that are designed for the Thuraya network.

During fiscal 2007, we entered into a new three year agreement with Boeing. Boeing now distributes 13 of our products, including 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, which were specifically designed for the Thuraya network. Boeing sells these products under the brand name of Thuraya.

We are continuing to promote our Thuraya encryption solutions through other Thuraya developers and resellers beside Boeing, including Asia Pacific Satellite Industries ("APSI"). We offer a full line of voice, fax and data encryption products that secure these communications, and our products are being used by government agencies, military, and domestic and international non-governmental organizations (NGOs) in the Middle East, Europe, Far East and Africa.

APSI has manufactured new Thuraya handsets and docking units that allow satellite and GSM cellular communications both outdoors and indoors. CopyTele and APSI have developed connecting cables and compatibility arrangements that customers can easily set up and utilize to secure their communications over the Thuraya network and which are compatible with landline telephone systems. APSI's new FDU-3500 docking unit for its SO-2510 phone is now available in the market. This unit allows for outdoor and indoor operation of the satellite phone on the Thuraya network. Our new PA-3500 and PA-3500T products allow compatibility between our DCS-1200, DCS-1400 and USS-900T encryption devices and the APSI FDU-3500 docking unit and SO-2510 phone. We have continued to work on further designs for encrypting the SO-2510 phone that we believe will increase customer attraction to security by reducing the size of the encryption unit and greatly improving the customer's graphical interface.

Our products provide secure communications with many different satellite phones, including the Thuraya 7100/7101/SO-2510 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 and FDU-3500 Fixed Docking Units, and Sattrans's SAT-OFFICE Fixed Docking Unit and SAT-VDA Hands-Free Car Kit.

We have recently uncovered new opportunities to secure landline and wireless voice and fax communications. Our USS-900AF, USS-900WF and USS-900WFL products are being evaluated for use by two Middle Eastern governments for encrypting fax communications. Also, a Far Eastern government is in the process of determining the system requirements necessary to encrypt voice communications utilizing our DCS-1200 and DCS-1400 products.

In the commercial field, the Voice over Internet Protocol (VoIP) function that has been added to the DCS-1200 is now being evaluated for rollout by a large commercial organization in South America.

We also licensed our encryption system for e-mail to Digital Info Security Co. Inc. ("DISC"), located in Westminster, Colorado. The system, our DCS-2200, integrates into DISC's e-mail services and allows companies to encrypt all e-mail transactions in a manner transparent to the individual user. In furtherance of our relationship with DISC, during fiscal 2006 and 2007, we acquired shares of DISC's common stock constituting, according to DISC's most recent public financial report, as of December 31, 2007, approximately 12% of



the outstanding shares. More information on DISC can be obtained on their website www.disecurityco.com. See Note 5 to the Condensed Consolidated Financial Statements.

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 and services. We are continuing to direct our encryption marketing efforts to opportunities in both the commercial and government security markets and have recently uncovered new opportunities with Middle Eastern and Far Eastern governments to secure voice and fax communications. In addition, in fiscal 2008, we entered into the License Agreement with Videocon and in May 2008, we commenced receiving from Videocon license fees related to our display technology.

## 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, 2007.

### 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 Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 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

Six months ended April 30, 2008 compared with six months ended April 30, 2007

Net Sales and Gross Profit

Net Sales. Net sales decreased by approximately $9,000 in the six-month period ended April 30, 2008, to approximately $218,000, as compared to approximately $227,000 in the comparable prior-year period. Revenue during the current period was from encryption products, while revenue during the prior year period was from encryption products and services. The increase in net sales resulted from an increase in unit sales of approximately $111,000, to approximately $218,000, as compared to approximately $107,000 in the comparable prior-year period and a decrease in revenue from encryption services from $120,000 in the comparable prior-year period to none in the current period. The revenue from encryption services in the prior year 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 net sales of encryption products and services increased by approximately $17,000 in the six-month period ended April 30, 2008, to approximately $167,000, as compared to a gross profit of approximately $150,000 in the comparable prior-year period. The increase in gross profit is primarily due to sales during the current period including inventory having a cost of approximately $19,000 for which a provision for excess inventory was recorded in prior periods and accordingly, the cost of encryption products sold during the current period was reduced by that amount. Gross profit as a percent of net sales in the six-month period ended April 30, 2008 was approximately 77%, as compared to approximately 66% in the comparable prior-year period. The increase in gross profit as a percent of net sales is primarily due to the sale during the current period of inventory for which a provision for excess inventory was recorded in prior periods. 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 $525,000 in the six-month period ended April 30, 2008, to approximately $2,444,000, from approximately $1,919,000 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 $450,000, an increase in outside research and development expense of approximately $75,000 and an increase in consultant stock option compensation expense of approximately $45,000, offset by a decrease in employee compensation and related costs, other than stock option expense, of approximately $31,000.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately $925,000 to approximately $2,379,000 in the six-month period ended April 30, 2008, from approximately $1,454,000 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 $473,000, an increase in consultant stock option compensation expense of approximately $165,000, an increase in professional fees of approximately $117,000, an increase in the provision for doubtful accounts of $60,000, an increase in travel expense of approximately $41,000 and an increase in employee compensation and related costs, other than stock option expense, of approximately $39,000.

Dividend Income

Dividend income, which was received in connection with the Videocon GDRs we acquired in December 2007, was approximately $131,000 in the six months ended April 30, 2008. We received no dividend income in the prior-year period.

Interest Income

Interest income was approximately $13,000 in the six-month period ended April 30, 2008, compared to approximately $18,000 in the comparable prior-year period. The decrease in interest income was primarily due to a reduction in prevailing interest rates.

Income Tax Expense

Income tax expense for the six-month period ended April 30, 2008 of approximately $15,000 represents income taxes withheld by India on the dividends paid by Videocon related to the Videocon GDRs we hold. We did not record any income tax expense in the prior-year period.



Three months ended April 30, 2008 compared with three months ended April 30, 2007

Net Sales and Gross Profit

Net Sales. Net sales increased by approximately $69,000 in the three-month period ended April 30, 2008, to approximately $165,000, as compared to approximately $96,000 in the comparable prior-year period. Revenue during the current period was from encryption products, while revenue during the prior year period was from encryption products and services. The increase in net sales resulted from an increase in unit sales of approximately $129,000, to approximately $165,000, as compared to approximately $36,000 in the comparable prior-year period and a decrease in revenue from encryption services from $60,000 in the comparable prior-year period to none in the current period. The revenue from encryption services in the prior year 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 net sales of encryption products and services increased by approximately $67,000 in the three-month period ended April 30, 2008, to approximately $128,000, as compared to a gross profit of approximately $61,000 in the comparable prior-year period. The increase in gross profit is primarily due to the increase in net sales. The increase in gross profit also reflected sales during the current period including inventory having a cost of approximately $15,000 for which a provision for excess inventory was recorded in prior periods and accordingly, the cost of encryption products sold during the current period was reduced by that amount. Gross profit as a percent of net sales in the three-month period ended April 30, 2008 was approximately 78%, as compared to approximately 63% in the comparable prior-year period. The increase in gross profit as a percent of net sales is primarily due to the sale during the current period of inventory for which a provision for excess inventory was recorded in prior periods and also results from encryption services in the prior period having a gross profit percentage of less than encryption products. 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 $215,000 in the three-month period ended April 30, 2008, to approximately $1,131,000, from approximately $916,000 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 $245,000 and an increase in outside research and development of approximately $59,000, offset by a decrease in employee compensation and related costs, other than stock option expense, of approximately $99,000.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately $375,000 to approximately $960,000 in the three-month period ended April 30, 2008, from approximately $585,000 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 $298,000, an increase in travel expense of approximately $45,000 and an increase in professional fees of approximately $42,000, offset by a decrease in employee compensation and related costs, other than stock option expense, of approximately $43,000.

Dividend Income

Dividend income, which was received in connection with the Videocon GDRs we acquirer in December 2007, was approximately $131,000 in the three months ended April 30, 2008. We received no dividend income in the prior-year period.

Interest Income

Interest income was approximately $6,000 in the three-month period ended April 30, 2008, compared to approximately $8,000 in the comparable prior-year period. The decrease in interest income was primarily due to a reduction in prevailing interest rates.

Income Tax Expense

Income tax expense for the three-month period ended April 30, 2008 of approximately $15,000 represents income taxes withheld by India on the dividends paid by Videocon related to the Videocon GDRs we hold. We did not record any income tax expense in the prior year period.

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 addition, commencing in the fourth quarter of fiscal 1999, we have generated cash flows from sales of our encryption products and in May 2008, we commenced receiving license fees related to our display technology from Videocon pursuant to the License Agreement.

During the six months ended April 30, 2008, our cash used in operating activities was approximately $1,552,000. This resulted from payments to suppliers, employees and consultants of approximately $1,783,000, which was offset by cash of approximately $87,000 received from collections of accounts receivable related to sales of encryption products, and approximately $13,000 of interest income and $131,000 of dividend income received. Our cash used in investing activities during the six months ended April 30, 2008 was approximately $21,252,000, which resulted from a disbursement of $16,200,000 for the purchase of Videocon GDRs, a disbursement $5,000,000 to issue a loan to Mars Overseas, purchases of short-term investments consisting of certificates of deposit of $441,000 and purchases of approximately $11,000 of equipment, offset by $400,000 received upon maturities of short-term investments consisting of certificates of deposit. Our cash provided by financing activities during the six months ended April 30, 2008 was approximately $22,899,000, which resulted from the sale of our common stock to Videocon for $16,200,000, the proceeds received of $5,000,000 upon obtaining a loan from Mars Overseas and cash



received upon the exercise of stock options of approximately $1,699,000. Accordingly, during the six months ended April 30, 2008, our cash and cash equivalents increased by approximately $95,000 and our short-term investments increased by $41,000. As a result, our cash, cash equivalents, and short-term investments, at April 30, 2008 increased to approximately $1,205,000 from approximately $1,069,000 at the end of fiscal 2007.

Net accounts receivable increased by approximately $71,000, from $120,000 at the end of fiscal 2007 to approximately $191,000 at April 30, 2008. The increase is a result of an account receivable from one customer of approximately $131,000, offset by a provision for doubtful accounts of $60,000 related to $120,000 of accounts receivable from DISC. Inventories increased by approximately $4,000 from approximately $192,000 at October 31, 2007 to approximately $196,000 at April 30, 2008, primarily as a result of the timing of shipments and production schedules. Investment in Videocon is recorded at fair value and increased to $14,121,000 at April 30, 2008 from zero at the end of fiscal 2007, as a result of our purchase of Videocon global depository receipts for $16,200,000 in December 2007 and the recording of an unrealized loss of approximately $2,079,000 as of April 30, 2008. Investment in DISC is recorded at cost of $417,000 and has not changed at April 30, 2008 from the end of fiscal 2007. Loan receivable increased to $5,000,000 at April 30, 2008 from zero at the end of fiscal 2007, as a result of issuing a loan in that amount to Mars Overseas in December 2007. Accounts payable and accrued liabilities decreased by approximately $196,000 from approximately $679,000 at the end of fiscal 2007 to approximately $483,000 at April 30, 2008, as a result the timing of payments. Loan payable increased to $5,000,000 at April 30, 2008 from zero at the end of fiscal 2007, as a result obtaining a loan from Mars Overseas in December 2007.

Working capital at April 30, 2008 increased to approximately $1,139,000 from approximately $737,000 at the end of fiscal 2007. Our working capital includes inventory of approximately $196,000 at April 30, 2008. 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 six-month periods ended April 30, 2008 and 2007, we issued 954,875 shares and 1,509,580 shares, respectively, of common stock to certain employees for services rendered, principally in lieu of cash compensation, pursuant to the CopyTele, Inc. 2003 Share Incentive Plan (the "2003 Share Plan"). We recorded compensation expense for the six-month periods ended April 30, 2008 and 2007 of approximately $1,041,000 and $1,068,000, respectively, and for the three-month periods ended April 30, 2008 and 2007 of approximately $484,000 and $647,000, respectively for the shares of common stock issued to employees. In addition, during the six-month periods ended April 30, 2008 and 2007, we issued 62,306 shares and 149,020 shares, respectively, of common stock to consultants for services rendered pursuant to the 2003 Share Plan. We recorded consulting expense for the six-month periods ended April 30, 2008 and 2007 of approximately $75,000 and $106,000, respectively, and for the three-month period ended April 30, 2008 and 2007 of $15,000 and approximately

$11,000, respectively, for the shares of common stock issued to consultants.



During the six-month periods ended April 30, 2008 and 2007, we granted options to purchase 3,875,000 shares and 2,505,000 shares, respectively, to employees, non-employee directors and consultants of common stock at weighted average exercise prices of $.98 and $.67 per share, respectively, pursuant to the 2003 Share Plan. During the six-month periods ended April 30, 2008 and 2007, stock options to purchase 2,094,200 shares and 2,277,230 shares, respectively, of common stock were exercised with aggregate proceeds of approximately $1,699,000 and $1,202,000, respectively.

During the six-month period ended April 30, 2008, we issued 20,000,000 shares of our common stock to an affiliate of Videocon for an aggregate purchase price of $16,200,000 and we purchased 1,495,845 Videocon GDRs for an aggregate purchase price of $16,200,000. In April 2008, we received a dividend of approximately $131,000 on the Videocon GDRs we hold. While the Videocon GDRs are held as security for the loan payable to Mars Overseas, the agreement governing such loan provides that any dividends, distributions, rights or other proceeds or benefits in respect of the Videocon GDRs shall be promptly transferred to us free and clear of any encumbrances under the agreements.

We believe that our existing cash, cash equivalents, short-term investments and accounts receivable, together with cash flows from expected sales of our encryption products and revenue relating to our thin, flat, low-voltage phosphor display technology, including license fees and royalties from Videocon, and other potential sources of cash flows, will be sufficient to enable us to continue our marketing, production, and research and development activities. However, our projections of future cash needs and cash flows may differ from actual results. It is management's intention to continue to compensate their employees by issuing stock or stock options. If current cash and cash equivalents, 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. 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, license fees and royalties, 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. In fiscal 2008, we entered into the License Agreement with Videocon. Under the License Agreement, we will receive a license fee of $11 million from Videocon, payable in installments over a 27 month period and an agreed upon royalty from Videocon based on display sales by Videocon. During the six-month period ended April 30, 2008, we have recognized revenue from sales of encryption products of approximately $218,000 and in May 2008, we received the first installment of the license fee from Videocon of $2,000,000.



The following table presents our expected cash requirements for contractual obligations outstanding as of April 30, 2008:

<TABLE>
<CAPTION>

| | | | Payments Due by Period | | |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Contractual Obligations | Less than 1 year | 1-3 years | 4-5 years | After 5 years | Total |
| Consulting Agreement | $ 42,500 | - | - | - | $ 42,500 |
| Noncancelable Operating Leases | $ 162,197 | - | - | - | $ 162,197 |
| Loan Payable | - | - | - | $5,000,000 | $ 5,000,000 |
| Total Contractual Cash Obligations | $ 204,697 | - | - | $5,000,000 | $ 5,204,697 |

</TABLE>

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, 2007 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.

At April 30, 2008, our investment in Videocon GDRs is recorded at fair value of approximately $14,121,000 including an unrealized loss of approximately $2,079,000 and has exposure to price risk. The fair value of the Videocon GDRs is based on the underlying price of Videocon's equity shares which are traded on stock exchanges in India with prices quoted in rupees. Accordingly, the fair value of the Videocon GDRs is subject to price risk and foreign exchange risk. The potential loss in fair value resulting from a hypothetical 10% adverse change in prices of Videocon equity shares quoted by Indian stock exchanges and in foreign currency exchange rates, as of April 30, 2008 amounts to approximately $1,412,000.

## 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 April 30, 2008 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, 2007.

## Item 6. Exhibits.

31.1 Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 9, 2008.

31.2 Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 9, 2008.

32.1 Statement of Chief Executive Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated June 9, 2008.

32.2 Statement of Chief Financial Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated June 9, 2008.

## 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
(Principal Executive Officer)

June 9, 2008

By: /s/ Henry P. Herms
----------------------------
Henry P. Herms
Vice President - Finance and
Chief Financial Officer (Principal
Financial and Accounting Officer)

June 9, 2008

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

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

June 9, 2008

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

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

June 9, 2008

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 April 30, 2008 (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

June 9, 2008

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 April 30, 2008 (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

June 9, 2008