

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 July 31, 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
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 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 []
Non-accelerated filer [] Smaller Reporting Company []

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

Yes No
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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

On September 12, 2008, the registrant had outstanding 131,405,356 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

		(Unaudited)	
		July 31, 2008	October 31, 2007*
ASSETS			
CURRENT ASSETS:			
	<S>	<C>	<C>
Cash and cash equivalents		\$ 457,517	\$ 669,141
Short-term investments in certificates of deposit and U.S. government securities		1,440,321	400,000
Accounts receivable, net of allowance for doubtful accounts of \$120,000 and \$-0-, respectively		207,400	120,000
Inventories		185,301	191,923
Prepaid expenses and other current assets		25,619	34,555
	Total current assets	2,316,158	1,415,619
INVESTMENT in Videocon Industries Limited global depository receipts, at fair value		10,052,078	-
INVESTMENT in Digital Info Security Co. Inc. common stock, at fair value and cost, respectively		1,220,000	417,000
INVESTMENT in Government Securities, noncurrent, at amortized cost		999,538	-
PROPERTY AND EQUIPMENT, net		31,198	26,653
OTHER ASSETS		4,887	10,887
		\$ 14,623,859	\$ 1,870,159
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable		\$ 308,291	\$ 347,141
Accrued liabilities		56,055	331,668
Deferred revenue, non-refundable deposit		1,230,000	-
	Total current liabilities	1,594,346	678,809
LOAN PAYABLE TO RELATED PARTY		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; 131,128,746 and 106,911,315 shares issued and outstanding, respectively		1,311,287	1,069,113
Additional paid-in capital		108,285,727	86,088,974
Loan receivable from related party		(5,000,000)	-
Accumulated deficit		(91,222,579)	(85,966,737)
Accumulated other comprehensive loss		(5,344,922)	-
	Total shareholders' equity	8,029,513	1,191,350
		\$ 14,623,859	\$ 1,870,159

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* 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)

	For the Nine Months Ended July 31,	
	2008	2007
NET REVENUE		
	<S>	<C>
Revenue from sales of encryption products, net	\$ 329,710	\$ 161,177
Revenue from encryption services, net	-	180,000
Display technology license fee	770,000	-
Total net revenue	1,099,710	341,177
COST AND OPERATING EXPENSES		
Cost of encryption products sold	84,881	49,411
Cost of encryption services	-	64,354
Research and development expenses	3,374,270	2,589,936
Selling, general and administrative expenses	3,037,627	1,923,448
Total cost and operating expenses	6,496,778	4,627,149
LOSS FROM OPERATIONS	(5,397,068)	(4,285,972)
DIVIDEND INCOME	130,887	-
INTEREST INCOME	25,297	25,121
LOSS BEFORE INCOME TAX EXPENSE	(5,240,884)	\$ (4,260,851)
INCOME TAX EXPENSE	14,958	-
NET LOSS	\$ (5,255,842)	\$ (4,260,851)
PER SHARE INFORMATION:		
Net loss per share:		
Basic and Diluted	\$ (0.04)	\$ (0.04)
Shares used in computing net loss per share:		
Basic and Diluted	128,798,027	102,422,570

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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)

	For the Three Months Ended July 31,	
	2008	2007
NET REVENUE		
	<S>	<C>
Revenue from sales of encryption products, net	\$ 112,130	\$ 54,000
Revenue from encryption services, net	-	60,000
Display technology license fee	770,000	-
Total net revenue	882,130	114,000
COST AND OPERATING EXPENSES		
Cost of encryption products sold	34,711	16,974
Cost of encryption services	-	19,988
Research and development expenses	930,266	670,722
Selling, general and administrative expenses	658,535	469,089
Total cost and operating expenses	1,623,512	1,176,773
LOSS FROM OPERATIONS	(741,382)	(1,062,773)
DIVIDEND INCOME	-	-

INTEREST INCOME	12,216	7,252
LOSS BEFORE INCOME TAX EXPENSE	(729,166)	(1,055,521)
INCOME TAX EXPENSE	-	-
NET LOSS	\$ (729,166)	\$ (1,055,521)
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	130,406,487	104,121,311

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

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CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS JULY 31, 2008 (UNAUDITED)

	Common Stock	Additional	Loan	Accumulated	Accumulated	
	Shares	Par Value	Paid-in	Receivable	Other	
			Capital	From	Comprehensive	
				Related Party	Loss	
				Deficit		
BALANCE, October 31, 2007	106,911,315	\$1,069,113	\$ 86,088,974	\$ -	\$ (85,966,737)	\$ -
Stock option compensation to employees	-	-	2,388,387	-	-	-
Stock option compensation to consultants	-	-	213,588	-	-	-
Common stock issued upon exercise of stock options under stock option plans	2,679,200	26,792	2,080,513	-	-	-
Common stock issued to employees pursuant to stock incentive plans	1,453,060	14,530	1,422,754	-	-	-
Common stock issued to consultants pursuant to stock incentive plans	85,171	852	91,511	-	-	-
Unregistered common stock issued to Videocon Industries Limited	20,000,000	200,000	16,000,000	(5,000,000)	-	-
Unrealized loss on investment in Videocon Industries Limited global depository receipts	-	-	-	-	-	(5,344,922)
Net loss	-	-	-	-	(5,255,842)	-
BALANCE, July 31, 2008	131,128,746	\$1,311,287	\$108,285,727	\$(5,000,000)	\$(91,222,579)	\$(5,344,922)

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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 Nine Months Ended July 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to suppliers, employees and consultants	\$ (2,545,210)	\$ (2,182,027)
Cash received from encryption products	122,310	291,342
Cash received from display technology license fees	2,000,000	-
Dividend received	130,887	-
Interest received	25,297	25,121
Net cash used in operating activities	(266,716)	(1,865,564)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements to acquire Videocon Industries Limited global depository receipts	(16,200,000)	-
Disbursements to acquire long-term investments (government securities)	(999,538)	-

Disbursements to acquire short-term investments (certificates of deposit and government securities)	(1,881,321)	(825,000)
Proceeds from maturities of short-term investments (certificates of deposit)	841,000	463,000
Payments for purchases of property and equipment	(12,354)	(8,781)
Net cash used in investing activities	(18,252,213)	(370,781)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock to Videocon Industries Limited	16,200,000	-
Issuance of loan receivable from related party	(5,000,000)	-
Proceeds from issuance of loan payable to related party	5,000,000	-
Proceeds from exercise of stock options	2,107,305	1,607,450
Net cash provided by financing activities	18,307,305	1,607,450
NET DECREASE IN CASH AND CASH EQUIVALENTS	(211,624)	(628,895)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	669,141	1,281,660
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 457,517	\$ 652,765
RECONCILIATION OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net loss	\$ (5,255,842)	\$ (4,260,851)
Stock option compensation to employees	2,388,387	1,074,504
Stock option compensation to consultants	213,588	-
Stock awards granted to employees pursuant to stock incentive plans	1,437,284	1,472,615
Stock awards granted to consultants pursuant to stock incentive plans	92,363	114,493
Provision for doubtful accounts	120,000	-
Recovery of slow-moving inventory reserve	(16,440)	-
Depreciation and amortization	7,809	7,709
Change in operating assets and liabilities:		
Accounts receivable	(207,400)	(49,835)
Inventories	23,062	46,334
Prepaid expenses and other current assets	8,936	(9,088)
Other assets	6,000	-
Accounts payable and accrued liabilities	(314,463)	(261,445)
Deferred revenue	1,230,000	-
Net cash used in operating activities	\$ (266,716)	\$ (1,865,564)
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Unregistered common stock issued in connection with investment in Digital Info Security Co., Inc.	\$ -	\$ 210,000

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

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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 nine-month and three-month periods ended July 31, 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 July 31, 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.

Investment in and Related Party Transactions with Videocon Industries Limited

In November 2007, we entered into a Technology License Agreement (as amended in May 2008, 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 commencing in May 2008, 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.

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Under the License Agreement, Videocon, with our assistance, is to provide the design and process engineering required to produce such display modules, and also is to provide all tooling and fixtures required for the production process. As part of our assistance to Videocon to produce such display modules, we have been exchanging information with Videocon employees so that they may understand the CopyTele technology. We are currently cooperating with Videocon to jointly implement the CopyTele technology to create pre-production prototypes of these modules. CopyTele and Videocon are also working together to incorporate advancements to our display technology for various sizes of displays. Improvements to the technology, when and if available, are to be jointly owned by CopyTele and Videocon. Significant improvements, as defined in the License Agreement, may result in additional compensation to CopyTele. CopyTele has determined that any improvements which are not significant in nature are inconsequential.

The arrangement with Videocon also provides for each of the parties to designate an advisor to the other party's Board of Directors. The purpose of the advisor to the Board of Directors is to provide knowledge to the Board of the display market and to apprise the Board of developments in this market. CopyTele believes this to be inconsequential to the operation of the License Agreement.

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, which was determined by management to approximate fair market value. 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"), acquired by Global on the open market for an aggregate purchase price of \$16,200,000, which was determined by management to approximate fair market value. 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.

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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.

We previously reported the \$5,000,000 loan receivable as an asset on our condensed consolidated balance sheet at January 31, 2008 and April 30, 2008. In the current quarter, it was determined that the loan receivable should have been reported within shareholders' equity, because the loan receivable is secured by the CopyTele Shares and the Subscription Agreement and Loan and Pledge Agreement were entered into concurrently. Accordingly, we have classified the loan receivable as a contra-equity in the accompanying condensed consolidated balance sheet. Had the adjustment been made at January 31, 2008 and April 30, 2008, our total assets would have been lower than reported by \$5,000,000 and would have been \$19,282,605 at January 31, 2008 and \$16,203,528, at April 30, 2008 and total equity would have been lower than reported by \$5,000,000 and would have been \$13,695,769 at January 31, 2008 and \$10,720,279, at April 30, 2008. In addition, we previously reported the issuance of the \$5,000,000 loan receivable as cash used in investing activities on our condensed consolidated statement of cash flows for the three-month and six-month periods ended January 31, 2008 and April 30, 2008. Because of the change in classification of the loan receivable, we have also changed the classification of the loan receivable as cash flows from financing activities in the accompanying condensed consolidated statement of cash flows. Had the adjustment been made during the three months ended January 31, 2008 and six months ended April 30, 2008, the cash used in investing activities would have been lower than reported by \$5,000,000 and would have been \$(16,247,188) for the three months ended January 31, 2008 and \$(16,252,322) for six months ended April 30, 2008. Had the adjustment been made during the three months ended January 31, 2008 and six months ended April 30, 2008, the cash provided by financing activities would have been lower than reported by \$5,000,000 and would have been \$17,206,605 for the three months ended January 31, 2008 and \$17,898,605 for six months ended April 30, 2008.

Revenue Recognition

Revenues 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.

We have assessed the guidance of Emerging Issues Task Force No. 00-21 "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21") to determine whether multiple deliverables in our arrangement with Videocon represent separate units of accounting. Under the License Agreement, CopyTele is required to: (a) disclose to Videocon the Licensed Technology and provide reasonable training of Videocon personnel; (b) jointly cooperate with Videocon to produce prototypes prior to production; and (c) assist Videocon in preparing for production. CopyTele has determined that these performance obligations do not have value to Videocon on a standalone basis, as defined in EITF 00-21, and accordingly they do not represent separate units of accounting.

We have established objective and reasonable evidence of fair value for the royalty to be earned during the production period based on analysis of the pricing for similar agreements. Accordingly, we have determined that the license fee of \$11 million to be paid during the pre-production period and royalties on product sales reflects the established fair value for these deliverables. We will recognize the \$11 million license fee over the estimated period that we expect to provide cooperation and assistance during the pre-production period, limiting the revenue recognized on a cumulative basis to the aggregate license fee payments received from Videocon. We will assess at each reporting period the progress and assistance provided and will continue to evaluate the period during which this fee will be recognized. On this basis, we have recognized license fee revenue during the three-month period ended July 31, 2008 of \$770,000. License fee payments received from Videocon which are in excess of the amounts recognized as revenue (approximately \$1,230,000 as of July 31, 2008) are recorded as non-refundable deferred revenue on the accompanying condensed consolidated balance sheet.

Investment in Videocon

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 July 31, 2008 are as follows:

	July 31, 2008

Cost	\$ 16,200,000
Unrealized loss	(6,147,922)

Fair Value	\$ 10,052,078
	=====

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.

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During the nine months ended July 31, 2008, our cash used in operating activities was approximately \$267,000. This resulted from payments to suppliers, employees and consultants of approximately \$2,545,000, which was offset by cash of approximately \$122,000 received from collections of accounts receivable related to sales of encryption products, cash received from display technology licensing fee of \$2,000,000 and approximately \$25,000 of interest income and approximately \$131,000 of dividend income received. Our cash used in investing activities during the nine months ended July 31, 2008 was approximately \$18,252,000, which resulted from a disbursement of \$16,200,000 for the purchase of Videocon GDRs, a purchase of a long-term investment consisting of long-term U.S. government securities of approximately \$1,000,000, purchases of short-term investments consisting of certificates of deposit and short-term U.S. government securities of approximately \$1,881,000 and purchases of approximately \$12,000 of equipment, offset by \$841,000 received upon maturities of short-term investments consisting of certificates of deposit. Our cash provided by financing activities during the nine months ended July 31, 2008 was approximately \$18,307,000, 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 \$2,107,000, offset by a disbursement of \$5,000,000 to issue a loan to Mars Overseas. Accordingly, during the nine months ended July 31, 2008, our cash and cash equivalents decreased by approximately \$212,000 and investments in certificates of deposits and government securities increased by approximately \$2,040,000. As a result, our cash, cash equivalents and investments in certificates of deposits and government securities at July 31, 2008 increased to approximately \$2,897,000 from approximately \$ 1,069,000 at the end of fiscal 2007.

We believe that our existing cash, cash equivalents, investments in certificate of deposit, investments in government securities 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.

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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 No.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 \$2,388,000 and \$1,075,000 during the nine-month periods ended July 31, 2008 and 2007, respectively, and of approximately \$479,000 and \$88,000 during the three-month periods ended July 31, 2008 and 2007, respectively, in accordance with SFAS No. 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 nine-month periods ended July 31, 2008 and 2007 by \$0.02 and \$0.01, respectively, and for the three-month periods ended July 31, 2008 and 2007 by \$0.00 and \$0.00, respectively.

Included in the stock-based compensation cost related to stock options granted to employees and directors recorded during the nine-month periods ended

July 31, 2008 and 2007 was approximately \$-0- and \$19,000, respectively, and during the three-month periods ended July 31, 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 July 31, 2008, there was approximately \$203,000 of unrecognized compensation cost related to non-vested share-based compensation arrangements for stock options granted to employees and directors. Approximately \$30,000 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 No. 123R. We recognized consulting expense for options granted to non-employee consultants, during the nine-month periods ended July 31, 2008 and 2007, of approximately \$214,000 and \$-0-, respectively, and during the three-month periods ended July 31, 2008 and 2007, of approximately \$3,000 and \$-0-, respectively. As of July 31, 2008, there was approximately \$17,000 of unrecognized consulting expense related to non-vested share-based compensation arrangements for stock options granted to consultants. Approximately \$4,000 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 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 nine-month period ended July 31, 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 nine-month period ended July 31, 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:

<TABLE>
<CAPTION>

	For the Nine Months Ended July 31,		For the Three Months Ended July 31,	
	2008	2007	2008	2007
<S>	<C>	<C>	<C>	<C>
Expected term (in years)	3.5	3.0	2.4	1.5
Volatility	91%	92%	86%	78%
Risk-free interest rate	3.25%	4.64%	2.58%	4.87%
Dividend yield	0	0	0	0
Weighted average fair value at grant date	\$0.56	\$0.37	\$0.34	\$0.22

The expected term of stock options represents the weighted average period the stock options are expected to remain outstanding. Because we consider our options to be "plain vanilla", we estimated the expected term using a modified version of the simplified method of calculation, as prescribed by 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 nine-month periods ended July 31, 2008 and 2007, we granted options to purchase 5,005,000 shares and 2,880,000 shares, respectively, to employees, non-employee directors and consultants of common stock at weighted average exercise prices of \$0.92 and \$0.66 per share, respectively, pursuant to the CopyTele, Inc. 2003 Share Incentive Plan (the "2003 Share Plan"). During the nine-month periods ended July 31, 2008 and 2007, stock options to purchase 2,679,200 shares and 2,997,230 shares, respectively, of common stock were exercised with aggregate proceeds of approximately \$2,107,000 and \$1,607,000, respectively.

Stock Option Plans

As of July 31, 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.

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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 nine months ended July 31, 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	(1,830,000)	\$2.86	
Exercised	(5,000)	\$1.31	
Shares Under Option and Exercisable at July 31, 2008	779,000	\$1.10	\$-0-

</TABLE>

The following table summarizes information about stock options outstanding under the 1993 Plan as of July 31, 2008:

Options Outstanding and Exercisable			
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$0.84 to \$1.00	575,000	1.30	\$0.99
\$1.13 to \$1.56	204,000	1.29	\$1.41

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.

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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 nine months ended July 31, 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 July 31, 2008	1,772,466	\$0.79	\$187,089

</TABLE>

The following table summarizes information about stock options outstanding under the 2000 Share Plan as of July 31, 2008:

Options Outstanding and Exercisable			
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$0.40	445,000	3.14	\$0.40
\$0.69	505,466	2.42	\$0.69
\$0.94 - \$1.09	822,000	2.17	\$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 July 31, 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.

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Information regarding the 2003 Share Plan for the nine months ended July 31, 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	14,476,245	\$0.74	
Expired	(60,000)	\$0.84	
Granted	5,005,000	\$0.92	
Exercised	(2,264,200)	\$0.76	
Shares Under Option at July 31, 2008	17,157,045	\$0.79	\$1,186,497
Options Exercisable at July 31, 2008	16,807,045	\$0.79	\$1,186,497

</TABLE>

The following table summarizes information about stock options outstanding under the 2003 Share Plan as of July 31, 2008:

<TABLE>
<CAPTION>

Range of Exercise Prices	Number Outstanding	Options Outstanding		Options Exercisable		
		Weighted Average Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Contractual Life	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
\$0.25 - \$0.43	1,170,000	5.20	\$0.33	1,170,000	5.20	\$0.33
\$0.52 - \$0.77	5,920,970	7.19	\$0.63	5,920,970	7.19	\$0.63
\$0.81 - \$1.46	10,066,075	7.68	\$0.94	9,716,075	7.62	\$0.93

</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 July 31, 2008, 3,861,856 shares were available for future grants under the 2003 Share Plan.

Stock Grants

We account for stock grants to employees and consultants based on their grant date fair value. During the nine-month periods ended July 31, 2008 and 2007, we issued 1,453,060 shares and 2,191,730 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 nine-month periods ended July 31, 2008 and 2007 of approximately \$1,437,000 and \$1,473,000, respectively, and for the three-month periods ended July 31, 2008 and 2007 of approximately \$396,000 and \$404,000, respectively, for the shares of common stock issued to employees. In addition, during the nine-month periods ended July 31, 2008 and 2007, we issued 85,171 shares and 164,020 shares, respectively, of common stock to consultants for services rendered pursuant to the 2003 Share Plan. We recorded consulting expense for the nine-month periods ended July 31, 2008 and 2007 of approximately \$92,000 and \$114,000, respectively, and for the three-month periods ended July 31, 2008 and 2007 of approximately \$17,000 and \$9,000, 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 nine months ended July 31, 2008, one customer in the Display Technology Segment represented 70% of total net revenue and one customer in the Encryption Products and Services Segment represented 19% of total net revenue. During the nine months ended July 31, 2007, two customers in the Encryption Products and Services Segment represented 53% and 25%, respectively, of total net revenue. At July 31, 2008 one customer in the Encryption Products and Services Segment represented 99% 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 AND INVESTMENT IN U.S. GOVERNMENT SECURITIES

At July 31, 2008, and October 31, 2007, we had marketable securities that were classified as "held-to-maturity securities" and were carried at amortized costs. Held-to-maturity securities consist of the following:

<TABLE>
<CAPTION>

	July 31, 2008	October 31, 2007
Current:		
<S>	<C>	<C>
U.S. Government Securities	\$ 997,321	\$ -
Certificate of Deposit	443,000	400,000
Total current held-to-maturity securities	\$1,440,321	\$ 400,000
Noncurrent:		
U.S. Government Securities	\$ 999,538	\$ -
Total noncurrent held-to-maturity securities	\$ 999,538	\$ -
Total held-to-maturity securities	\$2,439,859	\$ 400,000

</TABLE>

At July 31, 2008, the length of time until maturity of current held-to-maturity securities were less than twelve months and noncurrent held-to-maturity securities were eighteen months. At July 31, 2008, and October 31, 2007, the estimated fair value of each investment approximated its amortized cost, and, therefore, there were no significant unrecognized holding gains or losses.

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 July 31, 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 June 30, 2008 we held approximately 11% of the outstanding common stock of DISC.

The DISC stock held by CopyTele is restricted stock and cannot be sold or otherwise disposed of in the absence of either a registration statement under the Securities Act of 1933 ("Securities Act") or an exemption from the registration provisions of the Securities Act. Because CopyTele may be an affiliate of DISC due to its ownership of approximately 11% of the outstanding common stock of DISC, in order for CopyTele to see or dispose of the DISC stock under the exemption provided by Rule 144 under the Securities Act, all of the requirements of Rule 144 must be satisfied.

As of October 31, 2007, all of the requirements of Rule 144 were not satisfied for CopyTele to sell or dispose of the DISC stock held by us. Accordingly, as of October 31, 2007, our investment in DISC was 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. Because CopyTele now believes it may sell or dispose of the DISC stock pursuant to Rule 144, as of July 31, 2008, our investment in DISC is classified as an "available-for-sale-security" in the accompanying condensed consolidated financial statements 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. The cost, unrealized gain and fair value of our investment in DISC as of July 31, 2008 are as follows:

	July 31, 2008
Cost	\$ 417,000
Unrealized gain	803,000
Fair Value	\$ 1,220,000

Net revenue for the nine months ended July 31, 2007 included billings to DISC for engineering services of \$180,000. We had no net revenue relating to DISC for the nine months ended July 31, 2008. Net accounts receivable at July 31, 2008 and October 31, 2007 include \$-0- and \$120,000, respectively, from DISC.

6. INVENTORIES

Inventories consist of the following as of:

	July 31, 2008	October 31, 2007
Component parts	\$ 67,239	\$ 113,458
Work-in-process	5,079	26,597
Finished products	112,983	51,868
	\$ 185,301	\$ 191,923

7. NET INCOME (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 nine month and three-month periods ended July 31, 2008 and 2007, were options to purchase 19,708,511 shares and 20,857,711 shares, respectively.

8. EFFECT OF RECENTLY ISSUED PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007. We are currently evaluating the effect, if any, that the adoption of SFAS No. 157 will have on our financial statements.

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In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"). SFAS No. 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 No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the effect, if any, that the adoption of SFAS No. 159 will have on our financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141R"), which changes how an entity accounts for the acquisition of a business. When effective, SFAS No. 141R will replace existing SFAS No. 141, "Business Combinations" ("SFAS No. 141"), in its entirety. SFAS No. 141R carries forward the existing requirements to account for all business combinations using the acquisition method (formerly called the purchase method). In general, SFAS No. 141R will require acquisition-date fair value measurement of identifiable assets acquired, liabilities assumed, and noncontrolling interest in the acquired entity. SFAS No. 141R will eliminate the current cost-based purchase method under SFAS No. 141. SFAS No. 141R is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2008. The adoption of SFAS No. 141R is not expected to have a material effect on our financial statements.

9. INCOME TAXES

Income tax expense for the nine-month period ended July 31, 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) Display Technology and (ii) Encryption Products and Services. The following represents selected financial information for our segments for the nine-month and three-month periods ended July 31, 2008 and 2007:

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<TABLE>
<CAPTION>

Segment Data	Display Technology	Encryption Products and Services	Total
Nine Months Ended July 31, 2008:			
Net revenue	\$ 770,000	\$ 329,710	\$ 1,099,710
Net loss	(2,620,384)	(2,635,458)	(5,255,842)
Nine Months Ended July 31, 2007:			
Net revenue	\$ -	\$ 341,177	\$ 341,177
Net loss	(2,174,229)	(2,086,622)	(4,260,851)

<TABLE>
<CAPTION>

Display Encryption Products

Segment Data	Technology	and Services	Total
Three Months Ended July 31, 2008:			
<S>	<C>	<C>	<C>
Net revenue	\$ 770,000	\$ 112,130	\$ 882,130
Net loss	(69,161)	(660,005)	(729,166)
Three Months Ended July 31, 2007:			
Net revenue	\$ -	\$ 114,000	\$ 114,000
Net loss	(578,123)	(477,398)	(1,055,521)

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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 (as amended, 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 display modules. The display modules consist of our low voltage phosphor displays, the attached associated driver circuits, and controller circuits under the license agreement. Under the License Agreement, Videocon, with assistance from CopyTele, is to provide the design and process engineering required to produce such display modules, and also is to provide all tooling and fixtures required for the production process. Videocon has a group of qualified and experienced personnel assigned to this program. As part of our assistance to Videocon to produce such display modules, we have been exchanging information with this group of personnel so that they may understand the CopyTele technology. We are currently cooperating with Videocon to jointly implement the CopyTele technology to create pre-production prototypes of these modules. CopyTele and Videocon are also working together to incorporate advancements to our display technology for various sizes of displays. Improvements to the technology are to be jointly owned by CopyTele and Videocon.

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We 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, 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:

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- o We have developed a proprietary system which allows us to evacuate our display; to rapidly vacuum seal it at a low temperature to accommodate the 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.
- o The display matrix, phosphor excitation system, and drivers are all on one substrate.
- o 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.
- o 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.
- o The same basic display technology could potentially be utilized in various size applications, from hand-held to TV size displays.
- o Our proprietary matrix structures can be produced by existing mass production TFT (thin film technology) LCD facilities, or portions of these facilities.
- o Our display eliminates display flicker.
- o Our display has an approximately 1,000 times faster video response time than an LCD, and matches the response time of a cathode ray tube (CRT).
- o Our display can be viewed with high contrast over approximately a 180 degree viewing angle, in both the horizontal and vertical directions, which exceeds the viewing angle of LCDs.
- o Also like CRTs, our display is capable of operating over a temperature range (-40(degree)C to 85(degree)C) which exceeds the range over which LCDs can operate, especially under cold temperature conditions.

We believe our 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.

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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.

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.

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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 policies 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 policies, 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 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.

We have assessed the guidance of Emerging Issues Task Force No. 00-21 "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21") to determine whether multiple deliverables in our arrangement with Videocon represent separate units of accounting. Under the License Agreement, CopyTele is required to: (a) disclose to Videocon the Licensed Technology and provide reasonable training of Videocon personnel; (b) jointly cooperate with Videocon to produce prototypes prior to production; and (c) assist Videocon in preparing for production. CopyTele has determined that these performance obligations do not have value to Videocon on a standalone basis, as defined in EITF 00-21, and accordingly they do not represent separate units of accounting.

We have established objective and reasonable evidence of fair value for the royalty to be earned during the production period based on analysis of the pricing for similar agreements. Accordingly, we have determined that the license

fee of \$11 million to be paid during the pre-production period and royalties on product sales reflects the established fair value for these deliverables. We will recognize the \$11 million license fee over the estimated period that we expect to provide cooperation and assistance during the pre-production period, limiting the revenue recognized on a cumulative basis to the aggregate license fee payments received from Videocon. We will assess at each reporting period the progress and assistance provided and will continue to evaluate the period during which this fee will be recognized. On this basis, we have recognized license fee revenue during the three-month period ended July 31, 2008 of \$770,000. License fee payments received from Videocon which are in excess of the amounts recognized as revenue (approximately \$1,230,000 as of July 31, 2008) are recorded as non-refundable deferred revenue on the accompanying condensed consolidated balance sheet.

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.

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

RESULTS OF OPERATIONS -----

Nine months ended July 31, 2008 compared with nine months ended July 31, 2007

Net Revenue

Net revenue increased by approximately \$759,000 in the nine-month period ended July 31, 2008, to approximately \$1,100,000, as compared to approximately \$341,000 in the comparable prior-year period. Revenue recognized during the current period included display technology license fees related to the License Agreement with Videocon of \$770,000 compared to none in the comparable prior-year period. Revenue from sales of encryption products increased by approximately \$169,000 in the nine-month period ended July 31, 2008, to approximately \$330,000, as compared to approximately \$161,000 in the comparable prior-year period. Revenue from encryption services decreased from \$180,000 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 revenue has been limited and is sensitive to individual large transactions. We believe that changes in revenue between periods generally represent the nature of the early stage of our product and sales channel development.

Cost of Encryption Products Sold

The cost of encryption products sold increased by approximately \$36,000 in the nine-month period ended July 31, 2008, to approximately \$85,000, as compared to approximately \$49,000 in the comparable prior-year period. The increase in cost of encryption products sold is primarily due to an increase in unit shipments of encryption products as well as a reduction of cost of products sold the current period of approximately \$19,000 resulting from the sale during the current period of inventory for which a provision for excess inventory of that amount was recorded in prior periods.

Cost of Encryption Services

The cost of encryption services decreased from \$64,000 in the comparable prior-year period to none in the current period as there was no revenue in the current period from encryption services.

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Research and Development Expenses

Research and development expenses increased by approximately \$784,000 in the nine-month period ended July 31, 2008, to approximately \$3,374,000, from approximately \$2,590,000 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 \$756,000 and an increase in consultant stock option compensation expense of approximately \$45,000, offset by a decrease in patent related expenses of approximately \$25,000.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately \$1,115,000 to approximately \$3,038,000 in the nine-month period ended July 31, 2008, from approximately \$1,923,000 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 \$558,000, an increase in professional fees of approximately \$86,000, an increase in consultant stock option compensation expense of approximately \$214,000, an increase in the provision for doubtful accounts of \$120,000 related to an accounts receivable in that amount from Digital Info Security Co. Inc ("DISC"), an increase in employee compensation and related costs, other than stock option expense, of approximately \$87,000 and an increase in travel expense of approximately \$41,000.

Dividend Income

Dividend income, which was received in connection with the Videocon GDRs we acquired in December 2007, was approximately \$131,000 in the nine months ended July 31, 2008. We received no dividend income in the prior-year period.

Interest Income

Interest income was approximately \$25,000 in the nine-month period ended July 31, 2008, compared to approximately \$25,000 in the comparable prior-year period. The interest income earned on the additional funds available for investment on the current period was offset by a reduction in prevailing interest rates.

Income Tax Expense

Income tax expense for the nine-month period ended July 31, 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.

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Three months ended July 31, 2008 compared with three months ended July 31, 2007

Net Revenue

Net revenue increased by approximately \$768,000 in the three-month period ended July 31, 2008, to approximately \$882,000, as compared to approximately \$114,000 in the comparable prior-year period. Revenue recognized during the current period included display technology license fees related to the License Agreement with Videocon of \$770,000 compared to none in the comparable prior-year period. Revenue from encryption products increased by approximately \$58,000 in the three-month period ended July 31, 2008, to approximately \$112,000, as compared to approximately \$54,000 in the comparable prior-year period. Revenue from encryption services decreased 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 revenue has been limited and is sensitive to individual large transactions. We believe that changes in revenue between periods generally represent the nature of the early stage of our product and sales channel development.

Cost of Encryption Products Sold

The cost of encryption products sold increased by approximately \$18,000 in the nine-month period ended July 31, 2008, to approximately \$35,000, as compared to approximately \$17,000 in the comparable prior-year period. The increase in cost of encryption products sold is primarily due to an increase in unit shipments of encryption products.

Cost of Encryption Services

The cost of encryption services decreased from \$20,000 in the comparable prior-year period to none in the current period as there was no revenue in the current period from encryption services.

Research and Development Expenses

Research and development expenses increased by approximately \$259,000 in the three-month period ended July 31, 2008, to approximately \$930,000, from approximately \$671,000 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 \$306,000, offset by a decrease in outside research and development expense, of approximately \$72,000.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately \$190,000 to approximately \$659,000 in the three-month period ended July 31, 2008, from approximately \$469,000 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 \$85,000, an increase in employee compensation and related costs, other than stock option expense, of approximately \$48,000, an increase in the provision for doubtful accounts of \$60,000 related to an accounts receivable in that amount from DISC, offset by a decrease in professional fees of approximately \$31,000.

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Interest Income

Interest income was approximately \$12,000 in the three-month period ended July 31, 2008, compared to approximately \$7,000 in the comparable prior-year period. The increase in interest income was primarily due to an increase in funds available for investment, which was partially offset by a reduction in prevailing interest rates.

LIQUIDITY AND CAPITAL RESOURCES

From our inception, we have met our liquidity and capital expenditure needs primarily through the proceeds from sales of common stock in our initial public offering, in private placements, upon exercise of warrants issued in connection with the private placements and public offering, and upon the exercise of stock options. In 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 nine months ended July 31, 2008, our cash used in operating activities was approximately \$267,000. This resulted from payments to suppliers, employees and consultants of approximately \$2,545,000, which was offset by cash of approximately \$122,000 received from collections of accounts receivable related to sales of encryption products, cash received from display technology licensing fee of \$2,000,000 and approximately \$25,000 of interest income and approximately \$131,000 of dividend income received. Our cash used in investing activities during the nine months ended July 31, 2008 was approximately \$18,252,000, which resulted from a disbursement of \$16,200,000 for the purchase of Videocon GDRs, a purchase of a long-term investment consisting of long-term U.S. government securities of approximately \$1,000,000, purchases of short-term investments consisting of certificates of deposit and short-term U.S. government securities of approximately \$1,881,000 and purchases of approximately \$12,000 of equipment, offset by \$841,000 received upon maturities of short-term investments consisting of certificates of deposit. Our cash provided by financing activities during the nine months ended July 31, 2008 was approximately \$18,307,000, 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 \$2,107,000, offset by a disbursement of \$5,000,000 to issue a loan to Mars Overseas. Accordingly, during the nine months ended July 31, 2008, our cash and cash equivalents decreased by approximately \$212,000 and investments in certificates of deposits and government securities increased by approximately \$2,040,000. As a result, our cash, cash equivalents and investments in certificates of deposits and government securities at July 31, 2008 increased to approximately \$2,897,000 from approximately \$1,069,000 at the end of fiscal 2007.

Net accounts receivable increased by approximately \$87,000, from \$120,000 at the end of fiscal 2007 to approximately \$207,000 at July 31, 2008. The increase is primarily the result of an account receivable from one customer of approximately \$206,000, offset by a provision for doubtful accounts of \$120,000 related to accounts receivable from DISC.

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Inventories increased by approximately \$7,000 from approximately \$192,000 at October 31, 2007 to approximately \$185,000 at July 31, 2008, primarily as a result of the timing of shipments and production schedules. Investment in Videocon is recorded at fair value and increased to approximately \$10,052,000 at July 31, 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 \$6,148,000 as of July 31, 2008. Investment in DISC increased by \$803,000 as a result of recording the investment at fair value of \$1,220,000 as of July 31, 2008 compared to recording the investment at cost of \$417,000 the end of fiscal 2007. Loan receivable increased to \$5,000,000 at July 31, 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 \$315,000 from approximately \$679,000 at the end of fiscal 2007 to approximately \$364,000 at July 31, 2008, as a result of the timing of payments. Deferred revenue increased by approximately \$1,230,000 at July 31, 2008 from zero at the end of fiscal 2007, as a result of the receipt of the display technology license fee of \$2,000,000 in May 2008 reduced by the license fee revenue recognized during the three-month period ended July 31, 2008. Loan payable increased to \$5,000,000 at July 31, 2008 from zero at the end of fiscal 2007, as a result of obtaining a loan from Mars Overseas in December 2007.

Working capital at July 31, 2008 increased to approximately \$722,000 from approximately \$737,000 at the end of fiscal 2007. Our working capital includes inventory of approximately \$185,000 at July 31, 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 nine-month periods ended July 31, 2008 and 2007, we issued 1,453,060 shares and 2,191,730 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 nine-month periods ended July 31, 2008 and 2007 of approximately \$1,437,000 and \$1,473,000, respectively, and for the three-month periods ended July 31, 2008 and 2007 of approximately \$396,000 and \$404,000, respectively for the shares of common stock issued to employees. In addition, during the nine-month periods ended July 31, 2008 and 2007, we issued 85,171 shares and 164,020 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 July 31, 2008 and 2007 of approximately \$92,000 and \$114,000, respectively, and for the three-month period ended July 31, 2008 and 2007 of \$17,000 and approximately \$9,000, respectively, for the shares of common stock issued to consultants.

During the nine-month periods ended July 31, 2008 and 2007, we granted options to purchase 5,005,000 shares and 2,880,000 shares, respectively, to employees, non-employee directors and consultants of common stock at weighted average exercise prices of \$0.92 and \$0.66 per share, respectively, pursuant to the 2003 Share Plan. During the nine-month periods ended July 31, 2008 and 2007, stock options to purchase 2,679,200 shares and 2,997,230 shares, respectively, of common stock were exercised with aggregate proceeds of approximately \$2,107,000 and \$1,607,000, respectively.

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During the nine-month period ended July 31, 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, investments in certificates of deposit, investments in government securities 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 nine-month period ended July 31, 2008, we have recognized revenue from sales of encryption products of approximately \$330,000 and we received the first installment of the license fee from Videocon of \$2,000,000.

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The following table presents our expected cash requirements for contractual obligations outstanding as of July 31, 2008:

<TABLE>
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Contractual Obligations	Payments Due by Period				
	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
<S>	<C>	<C>	<C>	<C>	<C>
Consulting Agreement	\$ 42,500	-	-	-	\$ 42,500
Noncancelable Operating Leases	\$ 284,130	\$ 593,424	\$ 101,290	-	\$ 978,844
Loan Payable	-	-	-	\$5,000,000	\$5,000,000
Total Contractual Cash Obligations	\$ 326,630	\$ 593,424	\$ 101,290	\$5,000,000	\$6,021,344

</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 short-term 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.

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We also have investments in U.S. government securities recorded at amortized cost of approximately \$1,000,000, having a length of time until maturity of eighteen months. We do not consider this investment to have a market risk since our existing cash on hand and expected cash flows indicate that this can be held until maturity.

At July 31, 2008, our investment in Videocon GDRs is recorded at fair value of approximately \$10,052,000 including an unrealized loss of approximately \$6,148,000 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 July 31, 2008 amounts to approximately \$1,005,000.

Our investment in DISC common stock at July 31, 2008 is recorded at fair value of approximately \$1,220,000 including an unrealized gain of \$803,000 and has exposure to price risk. DISC's common stock is not registered under the Securities Exchange Act of 1934, but is quoted on the Pink Sheets. Accordingly, the fair value of DISC's common stock is subject to price risk. The potential loss in fair value resulting from a hypothetical 10% adverse change in price of this investment, as of July 31, 2008 amounts to approximately \$122,000.

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 July 31, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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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.

- 10.1 Amended and Restated Technology License Agreement, dated May 16, 2008, between CopyTele, Inc. and Videocon Industries Limited.
- 31.1 Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated September 18, 2008.
- 31.2 Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated

September 18, 2008.

- 32.1 Statement of Chief Executive Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated September 18, 2008.
- 32.2 Statement of Chief Financial Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated September 18, 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)

September 18, 2008

By: /s/ Henry P. Herms

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

September 18, 2008

AMENDED AND RESTATED TECHNOLOGY LICENSE AGREEMENT

THIS AMENDED AND RESTATED TECHNOLOGY LICENSE AGREEMENT (the "Agreement"), made as of the 16th day of May, 2008, by and between CopyTele, Inc., a Delaware corporation having an address at 900 Walt Whitman Road, Melville, New York 11747 ("CopyTele"), and Videocon Industries Limited, a company existing under the laws of India, having its principal place of business at 2nd Floor Fort House, D.N. Road, Fort, Mumbai - 400 001 (INDIA) ("Videocon").

W I T N E S S E T H:

WHEREAS CopyTele has developed and is the owner of technology (the "CopyTele Technology"), variously protected by patents, patent applications, know-how and trade secrets, relating to thin flat Low Voltage Phosphor displays ("Displays"); and

WHEREAS, Videocon is in the business of developing, manufacturing, and selling CRT, LCD and Plasma displays; and

WHEREAS, Videocon and CopyTele propose jointly to further develop the CopyTele Technology to make it suitable to be utilized in commercial applications such as television displays; and

WHEREAS, the Parties desire to set forth their agreement for manufacturing and selling Modules containing Displays; and

WHEREAS, Videocon desires to receive a transfer of the CopyTele Technology and a license under the CopyTele Technology for the manufacture and distribution of such Modules; and

WHEREAS, CopyTele is willing to transfer such CopyTele Technology and grant Videocon such a license, subject to the terms and conditions of this Agreement;

WHEREAS, CopyTele and Videocon had entered into a Technology License Agreement on 2nd November 2007 which will be amended, restated and replaced by this Agreement.

WHEREAS, Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, Secretariat for Industrial Assistance (PAB - IL Section) has granted its approval to certain terms and conditions of this Agreement vide letter No. 27 (2008) / 7 (2008) / PAB - IL, which shall form an integral part of this Agreement and has been incorporated in this Agreement in the form of Exhibit F.

NOW, THEREFORE, in consideration of their mutual covenants herein contained, and for other good and valuable consideration, and intending to be legally bound hereby, the parties hereto agree as follows:

Article I. DEFINITIONS

Section 1.01 "Copyright Rights" shall mean all rights in works of authorship, including diagrams, schematics, flow charts, manuals, and documentation, relating to the CopyTele Technology (all of the foregoing works being referred to herein as the "Works"), including registrations of copyright in the Works.

Section 1.02 "CopyTele Technology" shall have the meaning set forth in the preamble, and shall include nanotube devices for use in displays, as well as thin film electron emitters and shall also include the technical information, know-how, manufacturing techniques, engineering data, specification of materials and other information in the possession of CopyTele relating to or in respect of manufacture and use of the Products and all or part of which may be necessary to enable Videocon to manufacture the Products to a standard and quality similar to the standard and quality of Modules.

Section 1.03 "Dhoot Family" shall mean Mr. V.N. Dhoot, Mr. P.N. Dhoot, Mr. R.N.

Dhoot and any of their spouses and children.

Section 1.04 "Effective Date" shall mean May 16, 2008.

Section 1.05 "Ex-Factory Price" shall have the meaning set forth in Exhibit E.

Section 1.06 "Modules" shall have the meaning set forth in Exhibit A.

Section 1.07 "Products" shall mean Modules that are (a) within the scope of any claim of the Patent Rights or (b) made with the use of or embody any of the Trade Secrets or the Works.

Section 1.08 "Patent Rights" shall mean those United States and foreign patents and patent applications and design applications and registrations identified in Exhibit B, and patents and patent applications in the same and other countries having the same substantive disclosure and claiming the benefit of such applications, including continuations, divisionals, re-examinations, re-issues and extensions thereof.

Section 1.09 "Trade Secrets" shall mean all confidential and proprietary technical information of CopyTele relating to the CopyTele Technology and disclosed by CopyTele to Videocon in connection with this Agreement.

Section 1.10 "Videocon Group Company" shall mean a company in which Videocon, the Dhoot Family, or both hold either directly or indirectly at least 50% of the share capital or have management control.

Article II. LICENSE

Section 2.01 CopyTele hereby grants to Videocon, subject to the provisions of Section 2.04 below, a non-transferable, worldwide, royalty-bearing right and license under the Patent Rights, the Trade Secrets, the Copyright Rights and other CopyTele Technology to manufacture, use, sell, and offer for sale Products or other Products that CopyTele and Videocon may mutually agree upon in writing. CopyTele shall continue to have the right to produce and market, and to utilize the entities listed in Exhibit C to produce and market, Products utilizing the CopyTele Technology.

Section 2.02 Joint agreement of CopyTele and Videocon in writing shall be necessary in case of grant of licenses to third parties under the CopyTele Technology, upon reasonable terms and conditions as agreed by CopyTele and Videocon.

Section 2.03 The license granted herein does not include the right to have Products made by another.

Section 2.04 Videocon shall be entitled to grant sublicense of the Patent Rights, Trade Secrets, Copyright Rights and other CopyTele Technology only to other Videocon Group Company/ies (any such Videocon Group Company to which Videocon has granted such a sublicense, a "Sublicensee"), and any such sublicense shall be subject to the terms and conditions of this Section 2.04. In the event that Videocon sublicenses the Patent Rights, the Trade Secrets, the Copyright Rights or other CopyTele Technology to any Sublicensee, such Sublicensee shall be bound by the terms of this Agreement, including, without limitation, that it shall be liable to pay to CopyTele royalty for the Products sold by it on the same terms and at the same rate as provided in Article VI. In the event of any such sublicense, Videocon shall procure in writing from such Sublicensee a sublicense agreement confirming the payment of royalty and adherence of the terms and conditions of this Agreement as applicable to it, and shall provide to CopyTele a copy of such sublicense agreement. Videocon shall give to CopyTele prompt written notice of such sublicense, setting forth the name and address of such Sublicensee, jurisdiction of incorporation or formation, and precise amount and nature of Videocon's and the Dhoot Family's ownership interest therein. In the event any Sublicensee to whom such sub-license is granted ceases to qualify as Videocon Group Company, the sublicense granted to such Sublicensee shall forthwith stand terminated. Videocon shall be responsible for the performance by any permitted Sublicensee, and any breach by any permitted Sublicensee shall be deemed a breach by Videocon.

Section 2.05 The license granted herein includes the right only to sell and offer for sale completed Products, and not components or sub-assemblies thereof, to any third party or Videocon Group Company. However, Videocon or any

Sublicensee shall be entitled to sell the components or sub-assemblies to any other Videocon Group Company.

Section 2.06 The rights licensed under the Copyright Rights include the rights to copy and modify the Works for the internal use of Videocon in connection with the manufacture, use, sale and offer for sale of Products, but not the right to publish, distribute, transmit or publicly display the Works, or any combination thereof, in whole or in part.

Article III. DISCLOSURE AND TARGET JOINT DEVELOPMENT PROGRAM

Section 3.01 CopyTele shall use its commercially reasonable efforts to disclose to Videocon the CopyTele Technology to the extent required for suitably qualified and experienced (in the reasonable judgment of CopyTele) personnel of Videocon to understand the CopyTele Technology. Such efforts shall consist of furnishing to Videocon such copies of existing documentation of the CopyTele Technology as CopyTele deems reasonable, and providing reasonable training of suitably qualified and experienced (in the reasonable judgment of CopyTele) Videocon personnel at CopyTele's facility in Melville, New York, or at Videocon's facilities at mutually agreeable times.

Section 3.02 CopyTele and Videocon shall jointly cooperate, prior to production, to jointly implement the CopyTele Technology to produce prototypes of the Modules in accordance with the target task & schedule as indicated in Exhibit D. Any patent required to be registered in respect of such implementation of the CopyTele Technology shall be jointly applied for by CopyTele and Videocon.

Article IV. PRODUCTION

Section 4.01 To prepare for the production and manufacture of the Products, Videocon, at Videocon's sole expense, with the assistance of CopyTele, shall undertake the following:

- (a) Videocon shall provide all design and process engineering required to produce the Products based on the CopyTele Technology.
- (b) CopyTele and Videocon shall hold joint design reviews as required from time to time.
- (c) CopyTele and Videocon shall jointly agree, in writing, concerning Product acceptance and testing criteria for engineering samples.
- (d) Videocon and CopyTele shall each record all progress and achievements in preparation for production and deliver progress reports to the other within one week after the end of each calendar month until the commencement of commercial production of the Products.
- (e) Videocon shall purchase, at its sole expense, all tooling and fixtures for the production of Products.

Section 4.02 Throughout the term of this Agreement, Videocon shall deliver (and/or cause to be delivered by a Sublicensee) to CopyTele such information as CopyTele shall reasonably request regarding Videocon's (or such Sublicensee's) testing of the Products.

Section 4.03 After commencement of commercial production of the Products, Videocon and any permitted Sublicensee shall provide CopyTele with production samples from time to time as may be reasonably requested by CopyTele. Videocon and CopyTele shall hold joint reviews of such production as may be reasonably necessary to ensure quality of the Product from time to time.

Section 4.04 Videocon may purchase raw materials for use in production of Products from any source, including CopyTele, as elected by Videocon.

Article V. IMPROVEMENTS

Section 5.01 All developments and improvements subsequent to the Effective Date in the Products, design changes, modifications, revisions, additions and the like to CopyTele Technology ("Improvements") developed, conceived or reduced to practice jointly or severally by employees of Videocon (or contractors or agents of Videocon), or employees of CopyTele (or contractors or agents of CopyTele), shall be jointly owned, in equal undivided shares, by Videocon and CopyTele. The parties shall decide jointly on seeking patent protection in any Improvements

and in strategy in filing and prosecuting patent applications, and shall share equally in the expense of patent application preparation and prosecution, and patent maintenance.

Section 5.02 Each party shall execute, and shall cause its employees, contractors and agents to execute, such assignments of patent applications, confirmatory licenses, and other documents that the other or its counsel may reasonably request to assure that the rights licensed and granted under this Article V fully vest in the other party.

Section 5.03 Videocon represents, warrants and covenants that there now are and will be throughout the term of this Agreement valid and enforceable written agreements, between Videocon and its employees, contractors and agents, pursuant to which Videocon will have sole ownership of any Improvement and sole ownership of any contribution of such employee, contractor or agent to any Improvement, and further obligating such employees, contractors and agents to provide cooperation, execute documents, and otherwise perform those acts as may be required for Videocon to fulfill its obligations under Sections 5.01 and 5.02 hereof. Videocon further warrants that the grant of Improvements to CopyTele shall be free of any claims for compensation by any Videocon employee, contractor or agent.

Article VI. PAYMENTS; INSEPTION; REFERRAL

Section 6.01 FEE AMOUNTS. In consideration of the disclosure of CopyTele Technology under this Agreement, Videocon agrees to pay CopyTele the technology transfer fees ("Technology Transfer Fees") in the amounts and on the dates set forth in Exhibit E. In consideration of the license granted herein, Videocon agrees to pay CopyTele a royalty (the "Percentage Royalty") equal to the Percentage Royalty Rate, as set forth in Exhibit E, of the Ex-Factory Price of all Products sold by Videocon or any permitted Sublicensee to any party. In the event of any sublicense, Videocon shall ensure that such Sublicensee pays to CopyTele the Percentage Royalty as set forth in Exhibit E.

Section 6.02 TIME OF PAYMENT. Videocon shall pay to CopyTele the Technology Transfer Fees at the times set forth in Exhibit E. Videocon shall pay, and cause each Sublicensee, as applicable, to pay, to CopyTele the Percentage Royalties with respect to sales in each calendar quarter on or before the 90th day following the end of such calendar quarter.

Section 6.03 MANNER OF PAYMENT. Payments shall be made, in U.S. dollars, by electronic transfer to an account, designated by CopyTele in writing, no later than the due date.

Section 6.04 LATE PAYMENTS; INTEREST. If Videocon or any Sublicensee fails to make any payment of Percentage Royalties, Technology Transfer Fees or other amount due under this Agreement to CopyTele within ten business days of its due date, Videocon or such Sublicensee shall, in addition to and without limitation of CopyTele's other remedies hereunder, pay to CopyTele interest thereon from the date ten business days after its due date until paid at the annual rate equal to LIBOR then in effect plus 5% per annum; provided that in no event shall the rate of interest required hereunder exceed the maximum rate permitted under applicable law.

Section 6.05 AUDIT. Videocon shall deliver to CopyTele a statement of the royalty calculations as certified by its statutory auditors (and those of any Sublicensee that is liable to pay a royalty in accordance with this Article VI), stating the amount of the license fees payable to CopyTele under this Agreement. Such statement of royalty calculations shall be delivered by Videocon to CopyTele on or before 20th July for each period of January to June and on or before 20th January for each period of July to December. In the event CopyTele requires any further details in respect of any amounts stated in the calculations statements, Videocon shall within 7 (seven) working days of such request furnish such required details and/or invoice, as the case may be including extracts from its books of records duly certified by the statutory auditors. In the event Videocon and CopyTele are unable to resolve any differences as regards payment of royalty, the matter will be referred to CEO of CopyTele and Videocon. In the event the matter remains unresolved after such reference to CEOs of CopyTele and Videocon, the differences shall be referred to arbitration under the provisions of Section 15.09. Such submission of accounts statement and furnishing of additional details, invoices and extracts, as the case may be shall be at CopyTele's expense, provided, however, that if underpayment by Videocon is determined to be more than 10% of the total payments

owed for the relevant period, Videocon shall repay and/or reimburse to CopyTele the cost incurred for preparation of the accounts statement and furnishing of the required details, invoices and extracts.

Section 6.06 COMPUTATION OF ROYALTIES. Royalties shall be payable based on the invoicing of all Products, whether to third parties or to any Videocon Group Company, whether by Videocon or by any other Videocon Group Company, and whether or not for captive consumption by Videocon, at the Percentage Royalty rate as set forth in Exhibit E.

Section 6.07 REFERRALS. If CopyTele receives any orders for Products, it may, in its sole discretion, refer any such orders to Videocon. Videocon shall use its best efforts to sell, or cause a Videocon Group Company to sell, in accordance with this Agreement, such Products as may be necessary to fulfill any orders referred to Videocon by CopyTele and any orders that CopyTele places provided, however, the price to be paid to Videocon (or the Sublicensee as the case may be), shall not be less than the price at which Videocon (or the Sublicensee, as the case may be) is selling the same product otherwise to other customers.

Article VII. EFFORTS TO MARKET

Videocon shall use its best efforts to exploit the rights granted to it hereby and to sell the Products therein consistent with the limitations of this Agreement. Videocon shall be entitled to advertise the manufacture and/or sale of the Products by them through any media as Videocon may deem appropriate.

Article VIII. TAXES

Any sales, use, rental, receipt, personal property, value-added, consumption, goods and services, customs, excise or other tax or duty which may be levied or assessed in connection with the licenses granted under this Agreement, the disclosure and/or transfer of CopyTele Technology, and/or the payment of fees under this Agreement, shall be the sole responsibility of Videocon or its Sublicensee as the case may be. Videocon shall indemnify CopyTele from and against any charge or assessment for any such tax or duty. Notwithstanding the foregoing, if the Government of India or of the country of any Sublicensees imposes a tax on royalties payable hereunder to CopyTele, then Videocon or such Sublicensee shall pay such tax on behalf of CopyTele, shall deduct and adjust such tax paid from the royalty payable to CopyTele and shall submit a Tax Deduction Certificate to CopyTele. In the event CopyTele requires any assistance in seeking credit or deduction of such payments made in connection with CopyTele's taxes in the United States, Videocon or the Sublicensee as the case may be, shall render all its co-operation and assistance therefore.

Article IX. CONFIDENTIAL INFORMATION.

Section 9.01 DEFINITION. The Trade Secrets and all information communicated by either of CopyTele or Videocon (a "disclosing party") to the other (a "receiving party"), in oral, written or electronic form, which is confidential to the disclosing party and provides value to the disclosing party at least in part by virtue of its confidential status, shall be deemed Confidential Information pursuant to this Agreement. In addition, and without limitation, the terms and conditions of this Agreement shall be deemed Confidential Information.

Section 9.02 CONFIDENTIAL NATURE. Each party, as a receiving party, acknowledges that the Confidential Information of the disclosing party is valuable and confidential proprietary information of the disclosing party, and that the value of the Confidential Information derives at least in part from its confidential status.

Section 9.03 MAINTENANCE OF CONFIDENTIALITY. Each party, as a receiving party, agrees to engage in efforts to maintain Confidential Information of the disclosing party in strict confidence at least as stringent as the efforts that the receiving party engages in to protect its own confidential information, and in any event no less than commercially reasonable efforts. Without limiting the foregoing, the receiving party shall restrict access to the Confidential Information of the disclosing party, by electronic security measures in the case of electronic files, and by physical security measures in the case of hard copies, to those employees who have a need to know such Confidential Information and shall advise those employees of the restrictions of this Agreement prior to any such disclosure. The receiving party shall immediately advise the disclosing party of any threatened, actual or apprehended disclosure of any Confidential Information.

Section 9.04 EXCEPTIONS. As used in this Agreement, Confidential Information shall not include:

- (a) Information which is now available to the public or hereafter becomes available to the public without any violation of this Agreement;
- (b) Information disclosed in good faith to the receiving party by a third party legally entitled to disclose the same; and
- (c) Information is required to be disclosed to any government agency or any regulatory authority or a court of competent jurisdiction provided that the parties agree to use their best efforts to minimize the disclosure of such information and shall consult with and assist the other party.

provided, however, that specific information shall not be deemed to be within any of the foregoing exceptions merely because it is in the scope of more general information within any such exceptions and a combination of features shall not be deemed to be within any such exceptions merely because individual features are within such exception.

Section 9.05 DISCLOSURES. Under no circumstances shall the receiving party, without the prior written approval of the disclosing party, acknowledge to any third party what is or is not a part of Confidential Information of the disclosing party. In the event disclosure is required of the receiving party under provisions of any law or court order, the receiving party will notify the disclosing party of the obligation to make such disclosure upon receipt of such notification or order to disclose under any law or court order. The disclosing party may make necessary application to the concerned government department and/or court objecting to such disclosure of Confidential Information. However, in the event the receiving party is required to make disclosures irrespective of the outcome of any such application, it shall do so and notify the disclosing party accordingly. In the event of required disclosure, the receiving party will assert confidentiality to all Confidential Information of the disclosing party not directly required to be disclosed.

Section 9.06 PUBLIC DISCLOSURES. Notwithstanding the foregoing, each receiving party shall be allowed to disclose Confidential Information of the disclosing party to make any necessary announcement or reporting required by the U.S. Securities and Exchange Commission, any stock exchange, the NASDAQ Stock Market, the Securities and Exchange Board of India. However, the party making the disclosure shall use reasonable efforts to notify the other party in advance of the contents of the announcement or the reporting.

Article X. MARKING.

Videocon and its permitted Sublicensees shall include proprietary markings on all Products, in a form reasonably specified by CopyTele in writing from time to time, and including a patent notice in the form "Pat. X,XXX,XXX" and/or "Pat. Pending."

Article XI. TERM; TERMINATION

Section 11.01 TERM. The license and other rights herein granted shall commence upon the Effective Date and shall continue unless terminated by either party as provided in clause 11.02 hereafter; provided, however, that the parties' obligations under Article IX shall commence immediately.

Section 11.02 TERMINATION. This Agreement and the licenses and other rights granted hereunder may be terminated by either party by written notice upon: (a) a material breach by the other party of its obligations hereunder, which material breach remains unremedied 90 (ninety) days after written notice thereof to the breaching party by the aggrieved party; (b) a filing by or against either party for protection, receivership, reorganization or dissolution under the Federal Bankruptcy Code or similar laws of any state or foreign country relating to insolvency, bankruptcy or the protection of debtors; (c) a cessation by either party of the conduct of its business in the ordinary course; (d) at any time prior to the Effective Date (and in such case, this Agreement shall be of no further force or effect, other than Articles IX and XII hereof, which shall continue); or (e) or as otherwise mutually decided by the parties.

Article XII. RIGHTS AND DUTIES ON TERMINATION.

Upon the termination for any reason of the license and other rights herein granted, Videocon agrees immediately to, and to cause all permitted Sublicensees to: (a) cease and desist from any and all activities requiring use of the rights granted hereunder, including without limitation the manufacture, use, sale or offer for sale of Products, provided, however, that Videocon may sell in the ordinary course of business Products completely manufactured as of the effective date of termination, subject to all applicable terms and conditions of this Agreement; (b) destroy or return to CopyTele all papers, documents, notebooks, charts, computer programs, computer files, records and all other stored information in any form incorporating any portion of the Confidential Information; (c) direct any and all employees of Videocon and/or employees of Sublicensee who have or have had access to any portion of the Confidential Information not to make any further use or disclosure of any portion of the Confidential Information for any purpose; and (d) submit a certificate confirming having complied with (a), (b) and (c) above.

Article XIII. PATENT PROSECUTION AND MAINTENANCE; INFRINGEMENTS.

Section 13.01 GENERAL. The prosecution and maintenance of patents and applications within the Patent Rights shall be conducted by CopyTele at CopyTele's sole expense, in the sole and absolute discretion of CopyTele, by counsel selected by CopyTele.

Section 13.02 ACTIONS. In the event that either party, or any permitted Sublicensee, becomes aware of an actual, apprehended or suspected infringement of any of the rights licensed hereunder, the parties shall promptly consult with respect thereto. In event of an infringement, both parties must consent to any grant of a license to the infringer. If either party refuses, in its sole and absolute discretion, to grant a license to the infringer, then both parties must join in an infringement suit; the parties shall jointly select counsel, shall jointly approve any settlement, and shall share equally in expenses and any recovery. If either party refuses, in its sole and absolute discretion, to join in an infringement suit, then the other party may file suit for infringement and if necessary make the other party a party defendant at the cost of the party filing suit. The party pursuing the suit shall select counsel, approve any settlement, and shall bear all of the costs of enforcement and retain any recovery in its entirety. The party not joining the suit shall, at the reasonable request and expense of the party pursuing the suit, provide such information, documents and assistance as may be deemed necessary or appropriate by the party pursuing the suit or its counsel in connection with enforcement against such infringement.

Section 13.03 NOTICES. Videocon shall notify CopyTele immediately in writing of any infringement or possible infringements made known to Videocon or any permitted Sublicensee of any right of CopyTele. Videocon shall provide at the reasonable request and expense of CopyTele and at CopyTele's expense, such information, document and assistance as may be deemed necessary or appropriate by CopyTele or its counsel in connection with enforcement against such infringement.

Article XIV. REPRESENTATIONS AND WARRANTIES.

Section 14.01 NO CONFLICTS. CopyTele represents and warrants that it has the right to enter into this Agreement, to grant the rights granted herein, and to perform its obligations hereunder, and that to do so will not violate or conflict with any agreement to which CopyTele is a party or by which CopyTele is bound, and that the Copyright Rights and Patent Rights do not violate the rights of any third party.

Section 14.02 AUTHORITY. Videocon represents and warrants that it has the right, power and authority to enter into this Agreement and to perform its obligations hereunder, and to do so will not violate or conflict with any agreement to which Videocon is a party or by which Videocon is bound.

Section 14.03 NO OTHER WARRANTIES. COPYTELE HEREBY DISCLAIMS ANY AND ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, RELATING TO THE COPYTELE TECHNOLOGY AND THE RIGHTS GRANTED UNDER THIS AGREEMENT, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WARRANTIES OF VALIDITY, ENFORCEABILITY AND/OR NON-INFRINGEMENT.

Section 14.04 NO INDIRECT, SPECIAL, OR CONSEQUENTIAL DAMAGES. IN NO EVENT SHALL COPYTELE BE LIABLE TO VIDEOCON OR ANY THIRD PARTY FOR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION WORK DELAYS OR LOST PROFITS,

RESULTING FROM THE USE OF THE COPYTELE TECHNOLOGY AND/OR PRODUCTS.

Section 14.05 INDEMNITY BY VIDEOCON. Videocon shall indemnify and hold harmless CopyTele and its directors, officers, agents and employees from and against all claims, suits, and damages whatsoever, including but not limited to incidental costs, attorney's fees and punitive damages, arising from or in connection with the breach or alleged breach by Videocon of any covenant, representation or warranty under this Agreement or the use of the CopyTele Technology by Videocon or any permitted Sublicensee, including the manufacture, distribution, marketing, sale and use of Products, and including without limitation all claims for false or misleading advertising, personal injury or property damage relating to Products; provided, however, that CopyTele shall (a) promptly notify Videocon in writing of such claims, and (b) provide to Videocon all reasonably available information, assistance and authority to defend, however, reserving unto CopyTele the right to: participate in any defense to the extent that, in its judgment, CopyTele may be prejudiced thereby, and approve any settlement offer made by or to Videocon which may affect CopyTele's rights or interests.

Section 14.06 INDEMNITY BY COPYTELE. CopyTele shall indemnify and hold harmless Videocon and its directors, officers, agents and employees from and against all claims, suits, and damages whatsoever, including but not limited to incidental costs, attorney's fees and punitive damages, arising from or in connection with the breach or alleged breach by CopyTele of any covenant, representation or warranty under this Agreement or the use of CopyTele Technology by Videocon; provided, however, that Videocon shall (a) promptly notify CopyTele in writing of such claims, and (b) provide to CopyTele all reasonably available information, assistance and authority to defend, however, reserving unto Videocon the right to: participate in any defense to the extent that, in its judgment, Videocon may be prejudiced thereby, and approve any settlement offer made by or to CopyTele which may affect Videocon's rights or interests.

Section 14.07 NOTICE OF ACTIONS. Videocon agrees to notify CopyTele immediately of any actions, claims or demands brought or made against Videocon whose outcome may affect the rights of CopyTele in any of the rights licensed or otherwise granted under this Agreement.

Article XV. MISCELLANEOUS.

Section 15.01 ENTIRE AGREEMENT; AMENDMENTS. This Agreement is the entire agreement of the parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous agreements, arrangements, and understandings, whether oral or written, regarding the subject matter hereof. This Agreement may be amended only by a written instrument signed on behalf of the parties by their duly authorized representatives.

Section 15.02 BINDING AGREEMENT; ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, legal representatives and assigns. This Agreement and the license herein granted shall be assignable and transferable by CopyTele, upon written notice to Videocon. Videocon shall have no right to assign this Agreement or the license granted herein except with the written consent of CopyTele. For purposes of this Section 15.02, a change in control of Videocon or a merger in which Videocon does not survive shall be deemed an assignment.

Section 15.03 RELATIONSHIP OF PARTIES. In making and performing this Agreement, CopyTele and Videocon act and shall act at all times as independent contractors and nothing contained in this Agreement shall be construed or implied to create an agency or partnership relationship between the parties. At no time shall either party make commitments or incur any charges or expenses for or in the name of the other.

Section 15.04 SURVIVAL. It is expressly understood and agreed that Article V (but only as to Improvements conceived, developed and reduced to practice prior to termination or cancellation), Article VI, Article VIII, Article IX, Article XII, Article XIV, and Article XV hereof shall survive the termination of this Agreement and of the license herein granted and shall remain in full force and effect.

Section 15.05 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of India, without giving effect to conflict of laws.

Section 15.06 APPROVAL. Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, Secretariat for Industrial

Assistance (PAB - IL Section) has granted its approval to certain terms and conditions of this Agreement vide letter No. 27 (2008) / 7 (2008) / PAB - IL, which shall form an integral part of this Agreement and has been incorporated in this Agreement in the form of Exhibit F.

Section 15.07 NOTICES. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be given by Federal Express, Express Mail, or similar overnight delivery or courier service or delivered (in person or by telecopy or similar telecommunications equipment) against receipt to the party to whom it is to be given at the address of such party set forth for such party below (or to such other address as the party shall have furnished in writing in accordance with the provisions of this Section 15.07), with a copy to each of the other parties hereto. Any notice shall be deemed given at the time of receipt thereof.

If to CopyTele:

CopyTele, Inc.
900 Walt Whitman Road
Melville, New York 11747
United States of America
Attention: Denis A. Krusos, Chairman & CEO
Fax: 631-549-3813

If to Videocon:

Videocon Industries Limited
2nd Floor, Fort House, D.N.Road
Fort, Mumbai 400 001, INDIA
Attention: Venugopal N. Dhoot, Director / Naveen Mandhana,
Sr. Vice President
Fax: 91-22-66551985

Section 15.08 SEVERABILITY. If any provision of this Agreement is invalid, illegal, or unenforceable, the balance of this Agreement shall remain in effect, and if any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances.

Section 15.09 DISPUTES. Any dispute, difference or controversy arising out of or relating to this Agreement, any document or instrument delivered pursuant to, in connection with, or simultaneously with this Agreement, or any breach of this Agreement or any such document or instrument, with the exception of an actual or apprehended unlawful disclosure or misappropriation of Confidential Information, shall be subject to settlement proceedings under the then-applicable International Chamber of Commerce ("ICC") ADR Rules (or successor rules). If the dispute has not been settled pursuant to the said Rules within 45 days following the filing of a Request for ADR or within such other period as the parties may agree in writing, such dispute shall be finally settled by arbitration under the then-applicable Rules of Arbitration of the ICC (or successor rules), by a proceeding conducted in London, England, United Kingdom, in the English language, by a single arbitrator appointed in accordance with the said Rules of Arbitration. The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive, and binding on the parties to the arbitration. Judgment may be entered on the arbitrator's decision in any court having jurisdiction, and the parties irrevocably consent to the jurisdiction of the courts of the State of New York and of any federal court located in such State for this purpose. In any such arbitration, the parties waive personal service of any process or other papers and agree that service thereof may be made in accordance with Section 15.07. Each party shall pay one-half of the costs and expenses of such arbitration, and each shall separately pay its own attorneys' fees and expenses. Notwithstanding the foregoing, either party may apply to any court of the State of New York or any federal court located in such State for injunctive relief to maintain the status quo until the arbitration award is rendered or the controversy is otherwise resolved, and each party hereby consents to the exclusive jurisdiction and venue of such courts for such purpose.

Section 15.10 INJUNCTIONS. Each party agrees that any actual, apprehended or threatened disclosure of any portion of the Confidential Information of the other to any third party will actually, materially and irreparably damage the disclosing party, in an amount and a manner that is not capable of remedy by the payment of damages alone, and each party shall have the right to obtain injunctions, both permanent and preliminary or temporary restraining orders,

either on notice or ex parte, without the need to post bond, against continuing any such violation or commencing any threatened violation.

Section 15.11 WAIVER. Any waiver by any party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. The failure of a party to insist upon strict adherence to any term of this Agreement on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any waiver must be in writing.

Section 15.12 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 15.13 HEADINGS. The headings in this Agreement are solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above set forth.

COPYTELE, INC.

VIDEOCON INDUSTRIES LTD.

By: /s/ Denis A. Krusos

Denis A. Krusos
Chairman & CEO

By: /s/ Venugopal N. Dhoot

Venugopal N. Dhoot
Chairman & Managing Director

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of CopyTele, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves

management or other employees who have a significant role in
the registrant's internal control over financial reporting.

/s/ Denis A. Krusos

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

September 18, 2008

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of CopyTele, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves

management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Henry P. Herms

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

September 18, 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 July 31, 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

September 18, 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 July 31, 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

September 18, 2008