

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 30, 2009

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 X No  
--- ---

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (ss.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No  
--- ---

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

<TABLE>

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<S> <C> <C> <C> <C> <C> <C>

Large accelerated filer [ ]

Accelerated filer [X]

Non-accelerated filer [ ] (Do not check if a smaller reporting company)

Smaller Reporting Company [ ]

</TABLE>

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

Yes No X  
--- ---

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

On June 11, 2009, the registrant had outstanding 140,057,453 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

<TABLE>  
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| ASSETS  | <C><br>(Unaudited)<br>April 30,<br>2009 | <C><br>October 31,<br>2008* |
|---|---|-----------------------------|
| CURRENT ASSETS:   |   |                             |
| Cash and cash equivalents   | \$ 1,291,186                            | \$ 478,599                  |
| Short-term investments in certificates of deposit and U.S. government securities  | 749,827                                 | 1,442,484                   |
| Accounts receivable, net of allowance for doubtful accounts of \$223,000  | 106,000                                 | 103,000                     |
| Inventories   | 176,087                                 | 178,144                     |
| Prepaid expenses and other current assets   | 63,332                                  | 54,348                      |
| Total current assets  | 2,386,432                               | 2,256,575                   |
| INVESTMENT in U. S. government securities, noncurrent, at amortized cost  | -                                       | 749,711                     |
| INVESTMENT in Videocon Industries Limited global depository receipts, at fair value   | 3,260,942                               | 3,619,945                   |
| INVESTMENT in Digital Info Security Co. Inc. common stock, at fair value  | 336,000                                 | 841,800                     |
| PROPERTY AND EQUIPMENT, net   | 24,277                                  | 29,838                      |
|   | \$ 6,007,651                            | \$ 7,497,869                |
| LIABILITIES AND SHAREHOLDERS' EQUITY  |   |                             |
| CURRENT LIABILITIES:  |   |                             |
| Accounts payable  | \$ 294,251                              | \$ 384,896                  |
| Accrued liabilities   | 161,362                                 | 69,364                      |
| Deferred revenue, non-refundable license fee  | -                                       | 313,332                     |
| Total current liabilities   | 455,613                                 | 767,592                     |
| LOAN PAYABLE TO RELATED PARTY   | 5,000,000                               | 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; 139,037,498 and 132,497,881 shares issued and outstanding, respectively | 1,390,375                               | 1,324,979                   |
| Additional paid-in capital  | 111,654,723                             | 109,348,894                 |
| Loan receivable from related party  | (5,000,000)                             | (5,000,000)                 |
| Accumulated deficit   | (94,507,202)                            | (91,788,341)                |
| Accumulated other comprehensive loss  | (12,985,858)                            | (12,155,255)                |
|   | 552,038                                 | 1,730,277                   |
|   | \$ 6,007,651                            | \$ 7,497,869                |

</TABLE>

\* Derived from audited balance sheet included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2008.

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

COPYTELE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

<TABLE>  
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|  | <C><br>For the Six Months Ended<br>April 30, |                |
|--|--|----------------|
|  | 2009   | 2008           |
| NET REVENUE                                    |  |                |
| Revenue from sales of encryption products, net | \$ 21,540                                    | \$ 217,580     |
| Revenue from display engineering services, net | 52,000                                       | -              |
| Display technology license fee                 | 563,332                                      | -              |
| Total net revenue                              | 636,872                                      | 217,580        |
| COST AND OPERATING EXPENSES                    |  |                |
| Cost of encryption products sold               | 5,518  | 50,170         |
| Cost of display engineering services           | 18,200                                       | -              |
| Research and development expenses              | 1,883,830                                    | 2,444,004      |
| Selling, general and administrative expenses   | 1,489,545                                    | 2,394,050      |
| Total cost and operating expenses              | 3,397,093                                    | 4,888,224      |
| LOSS FROM OPERATIONS                           | (2,760,221)                                  | (4,670,644)    |
| DIVIDEND INCOME                                | 29,468                                       | 130,887        |
| INTEREST INCOME                                | 11,892                                       | 13,081         |
| NET LOSS                                       | \$ (2,718,861)                               | \$ (4,526,676) |
| PER SHARE INFORMATION:                         |  |                |
| Net loss per share:                            |  |                |
| Basic and Diluted                              | \$ (0.02)                                    | \$ (0.04)      |
| Shares used in computing net loss per share:   |  |                |
| Basic and Diluted                              | 135,546,867                                  | 127,984,960    |

</TABLE>  
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)

<TABLE>  
<CAPTION>  
<S>

|  | <C><br>For the Three Months Ended<br>April 30, |                |
|--|--|----------------|
|  | 2009   | 2008           |
| NET REVENUE                                    |  |                |
| Revenue from sales of encryption products, net | \$ 12,750                                      | \$ 165,355     |
| Display technology license fee                 | 250,000  | -              |
| Total net revenue                              | 262,750  | 165,355        |
| COST AND OPERATING EXPENSES                    |  |                |
| Cost of encryption products sold               | 4,107  | 37,272         |
| Research and development expenses              | 1,062,049                                      | 1,131,302      |
| Selling, general and administrative expenses   | 574,823  | 974,893        |
| Total cost and operating expenses              | 1,640,979                                      | 2,143,467      |
| LOSS FROM OPERATIONS                           | (1,378,229)                                    | (1,978,112)    |
| DIVIDEND INCOME                                | 29,468   | 130,887        |
| INTEREST INCOME                                | 4,610  | 5,874          |
| NET LOSS                                       | \$ (1,344,151)                                 | \$ (1,841,351) |
| 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                              | 137,273,734                                    | 129,258,495    |

</TABLE>

The accompanying notes are an integral part of these condensed statements

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COPYTELE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS APRIL 30, 2009 (UNAUDITED)

<TABLE>

<CAPTION>

| <S>   | <C>         | <C>                | <C>                              | <C>   | <C>                    | <C>   | <C>                              | <C> |
|---|-------------|--------------------|----------------------------------|---|------------------------|---|----------------------------------|-----|
|   | Shares      | Stock<br>Par Value | Additional<br>Paid-in<br>Capital | Loan<br>Receivable<br>From<br>Related Party | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Shareholder's<br>Equity |     |
| BALANCE, October 31, 2008   | 132,497,881 | \$ 1,324,979       | \$109,348,894                    | \$ (5,000,000)                              | \$ (91,788,341)        | \$ (12,155,255)                               | \$ 1,730,277                     |     |
| Stock option compensation to employees  | -           | -                  | 400,851                          | -   | -                      | -   | 400,851                          |     |
| Stock option compensation to consultants  | -           | -                  | 6,612                            | -   | -                      | -   | 6,612                            |     |
| Common stock issued upon exercise of stock options under stock option plans             | 2,700,000   | 27,000             | 729,600                          | -   | -                      | -   | 756,600                          |     |
| Common stock issued to employees pursuant to stock incentive plans                      | 3,722,825   | 37,228             | 1,134,686                        | -   | -                      | -   | 1,171,914                        |     |
| Common stock issued to consultants pursuant to stock incentive plans                    | 116,792     | 1,168              | 34,080                           | -   | -                      | -   | 35,248                           |     |
| Unrealized loss on investment in Videocon Industries Limited global depository receipts | -           | -                  | -                                | -   | -                      | (359,003)                                     | (359,003)                        |     |
| Unrealized loss on investment in Digital Info Security Co., Inc.                        | -           | -                  | -                                | -   | -                      | (471,600)                                     | (471,600)                        |     |
| Net loss  | -           | -                  | -                                | -   | (2,718,861)            | -   | (2,718,861)                      |     |
| BALANCE, April 30, 2009   | 139,037,498 | \$ 1,390,375       | \$111,654,723                    | \$ (5,000,000)                              | \$ (94,507,202)        | \$ (12,985,858)                               | \$ 552,038                       |     |

</TABLE>

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)

<TABLE>

<CAPTION>

| <S>   | <C>                                   | <C>            |
|---|---------------------------------------|----------------|
|   | For the Six Months Ended<br>April 30, |                |
|   | 2009                                  | 2008           |
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                                       |                |
| Payments to suppliers, employees and consultants  | \$ (1,530,966)                        | \$ (1,782,720) |
| Cash received from encryption and display products and services   | 70,540                                | 87,080         |
| Dividend received   | 29,468                                | 130,887        |
| Interest received   | 15,812                                | 13,081         |
| Net cash used in operating activities   | (1,415,146)                           | (1,551,672)    |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |                                       |                |
| Disbursements to acquire Videocon Industries Limited global depository receipts                             | -                                     | (16,200,000)   |
| Disbursements to acquire short-term investments (certificates of deposit And U.S. government securities)    | -                                     | (441,000)      |
| Proceeds from maturities of short-term investments (certificates of deposit And U.S. government securities) | 1,443,000                             | 400,000        |
| Proceeds from sale of Digital Info Security Co., Inc. common stock  | 28,133                                | -              |
| Payments for purchases of property and equipment  | -                                     | (11,322)       |
| Net cash provided by (used in) investing activities   | 1,471,133                             | (16,252,322)   |
| 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   | 756,600                               | 1,698,605      |
| Net cash provided by financing activities   | 756,600                               | 17,898,605     |
| NET INCREASE IN CASH AND CASH EQUIVALENTS   | 812,587                               | 94,611         |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD  | 478,599                               | 669,141        |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD  | \$ 1,291,186                          | \$ 763,752     |

RECONCILIATION OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:

|   |                |                |
|---|----------------|----------------|
| Net loss  | \$ (2,718,861) | \$ (4,526,676) |
| Stock option compensation to employees                                | 400,851        | 1,909,771      |
| Stock option compensation to consultants                              | 6,612          | 210,282        |
| Stock awards granted to employees pursuant to stock incentive plans   | 1,171,914      | 1,041,017      |
| Stock awards granted to consultants pursuant to stock incentive plans | 35,248         | 75,153         |
| Provision for doubtful accounts                                       | -              | 60,000         |
| Recovery of slow moving inventory reserve                             | (921)          | (16,440)       |
| Depreciation and amortization   | 5,561          | 5,000          |
| Amortized discount on investments (U.S. government securities)        | (632)          | -              |
| Loss on sale of Digital Info Security Co., Inc. common stock          | 6,067          | -              |
| Change in operating assets and liabilities:                           |                |                |
| Accounts receivable   | (3,000)        | (130,500)      |
| Inventories   | 2,977          | 12,055         |
| Prepaid expenses and other current assets                             | (8,984)        | 4,226          |
| Accounts payable and accrued liabilities                              | 1,354          | (195,560)      |
| Deferred revenue  | (313,332)      | -              |
| Net cash used in operating activities                                 | \$ (1,415,146) | \$ (1,551,672) |

</TABLE>

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 six-month and three-month periods ended April 30, 2009 and 2008. In management's opinion, all adjustments (consisting only of normal recurring adjustments considered necessary for a fair presentation of the results of operations for such periods) have been included herein. Certain prior year amounts have been reclassified to conform with current year presentation.

The condensed consolidated financial statements include the accounts of CopyTele, Inc. and its wholly owned subsidiaries, CopyTele International Ltd. ("CopyTele International") and CopyTele Marketing Inc. ("CopyTele Marketing"). CopyTele International and CopyTele Marketing were incorporated in the British Virgin Islands in July 2007 and September 2007, respectively. CopyTele International was formed for the purpose of holding an investment in global depository receipts of Videocon Industries Limited, an Indian company ("Videocon"). As of April 30, 2009, CopyTele Marketing was inactive. All significant intercompany transactions have been eliminated in consolidation.

On November 1, 2008, we adopted Statement of Financial Standards ("SFAS") No. 157, "Fair Value Measurement" ("SFAS No. 157"), except for non financial assets and liabilities measured at fair value on a non-recurring basis, which will be effective for us November 1, 2009. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. In accordance with SFAS No. 157, we have categorized our financial assets, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below. We do not have any financial liabilities that are required to be measured at fair value on a recurring basis. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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Financial assets recorded in the accompanying condensed consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market which we have the ability to access at the measurement date (examples include active exchange-traded equity securities and most U.S. Government and agency securities).

Level 2 - Financial assets whose value are based on quoted market prices in markets where trading occurs infrequently or whose values are based on quoted prices of instruments with similar attributes in active markets. We do not currently have any Level 2 financial assets.

Level 3 - Financial assets whose values are based on prices or valuation

techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset. We do not currently have any Level 3 financial assets.

As of April 30, 2009, our Level 1 financial assets consist of the following:

|  | Fair Value<br>as of<br>April 30, 2009 |
|--|---------------------------------------|
| Money market funds - Cash and cash equivalents         | \$ 109,763                            |
| U.S. government securities - Cash and cash equivalents | 999,751                               |
| U.S. government securities - Short-term investments    | 749,827                               |
| Videocon Industries Limited global depository receipts | 3,260,942                             |
| Digital Info Security Co., Inc. common stock           | 336,000                               |

The adoption of SFAS No. 157 did not have a material effect on our consolidated financial statements. The adoption of the deferred portion of SFAS No. 157 is not expected to have a material effect on our consolidated financial statements. On November 1, 2008, we also adopted 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. The adoption of SFAS No. 159 did not have a material effect on our consolidated financial statements.

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, 2008, for more extensive disclosures than contained in these condensed financial statements.

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#### Funding and Management's Plans

From our inception, we have met our liquidity and capital expenditure needs primarily through the proceeds from sales of common stock in our initial public offering, in private placements, upon exercise of warrants issued in connection with the private placements and public offering, and upon the exercise of stock options. In addition, commencing in the fourth quarter of fiscal 1999, we have generated cash flows from sales of our encryption products and services and in May 2008 commenced receiving license fees related to our display technology from Videocon pursuant to the License Agreement (as defined below).

During the six months ended April 30, 2009, our cash used in operating activities was approximately \$1,415,000. This resulted from payments to suppliers, employees and consultants of approximately \$1,531,000, which was offset by cash of approximately \$71,000 received from collections of accounts receivable related to sales of encryption products and display technology engineering services, approximately \$16,000 of interest income received and approximately \$29,000 of dividend income received. Our cash provided by investing activities during the six months ended April 30, 2009 was approximately \$1,471,000, which resulted from \$1,443,000 received upon maturities of short-term investments consisting of certificates of deposit and U.S. government securities and approximately \$28,000 received upon the sale of Digital Info Security Co. Inc. common stock. Our cash provided by financing activities during the six months ended April 30, 2009 was approximately \$757,000, which resulted from cash received upon the exercise of stock options. Accordingly, during the six-months ended April 30, 2009, our cash and cash equivalents increased by approximately \$813,000 and our short-term and non-current investments in certificates of deposit and U.S. government securities decreased by approximately \$1,442,000. As a result, our cash, cash equivalents, and investments in certificates of deposit and U.S. government securities at April 30, 2009 decreased to approximately \$2,041,000 from approximately \$2,671,000 at the end of fiscal 2008. Our operating cash accounts are maintained at FDIC-insured banks. Our bank accounts and certificates of deposit are maintained within FDIC coverage limits.

Total employee compensation expense for the six-month periods ended April 30, 2009 and 2008 was approximately \$1,922,000 and \$3,287,000, respectively, and for the three-month periods ended April 30, 2009 and 2008 was approximately \$938,000 and \$1,490,000, respectively. During the six-month ended April 30, 2009 and 2008, a significant portion of employee compensation consisted of the issuance of stock and stock options to employees in lieu of cash compensation. We recorded stock-based compensation expense for the six-month periods ended April 30, 2009 and 2008 of approximately \$1,172,000 and \$1,041,000, respectively, and for the three-month periods ended April 30, 2009 and 2008 of approximately \$578,000 and \$484,000, respectively, for shares of common stock issued to employees. We recorded stock-based compensation expense for the six-month periods ended April 30, 2009 and 2008 of approximately \$401,000 and \$1,910,000, respectively, and for the three-month periods ended April 30, 2009 and 2008 of approximately \$172,000 and \$821,000, respectively, related to stock options granted to employees and directors. It is managements' intention to continue to compensate employees by issuing stock or stock options.

We believe that our existing cash, cash equivalents, investments in certificates of deposit, investments in U.S. 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. If current cash and cash that may be generated from operations are insufficient to satisfy our liquidity requirements, we may seek to sell debt or equity securities or to obtain a line of credit. The sale of additional equity securities or convertible debt could result in dilution to our stockholders. It is also management's intention to continue to compensate employees by issuing stock or stock options. 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 satisfy our liquidity requirements 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.

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.

Under the License Agreement, Videocon, with our assistance, is to provide the design and process engineering required to produce 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 prior to production, to produce prototypes of such modules. Videocon is utilizing its display processing technology and facilities and is producing our display matrix. The matrix is the main component of our display, since it contains the structure to accommodate our electron emission technology and the color phosphors that are used to illuminate our display. CopyTele and Videocon are also working together to incorporate another version of our display technology. 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.

Under the License Agreement we continue to have the right to produce and market products utilizing our technology. We also continue to have the right to utilize Volga Svet Ltd., a Russian display company that we have been working with for more than eleven years ("Volga"), and an Asian company that CopyTele has been working with for more than five years, to produce and market, products utilizing the Licensed Technology. Additional licenses of the Licensed Technology to third parties require the joint agreement of CopyTele and 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.

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 sheets at April 30, 2008. During the three months ended July 31, 2008, it was determined that the loan receivable should have been

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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 sheets. 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 six-month period ended 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.

#### 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. License fee payments received from Videocon which are in excess of the amounts recognized as revenue (\$0- as of April 30, 2009 and approximately \$313,000 as of October 31, 2008) are recorded as non-refundable deferred revenue on the accompanying condensed consolidated balance sheets.

During the quarter ended April 30, 2009, we agreed to reimburse Videocon \$250,000 for engineering services related to another version of our display technology and we modified the payment terms from Videocon during the quarter. The license fee revenue recognized during the three months ended April 30, 2009 of \$250,000 represented an offset against amounts due Videocon for the aforementioned engineering services, in lieu of a cash payment. In addition, in June 2009, we received a license fee payment from Videocon of \$250,000, which was due during the quarter ended April 30, 2009, pursuant to the modified payment terms. This June payment will be included in license fee revenue recognized during the three months ending July 31, 2009. However, the license fee of \$11 million remains payable over the 27 month period commencing in May 2008, and Videocon's obligations with respect to production, and CopyTele's assistance, under the License Agreement remain unaffected.

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#### 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 loss, 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 price on the Luxembourg Stock Exchange, which price is based on the underlying price of Videocon's equity shares which are traded on stock exchanges in India with prices quoted in rupees. The cost, unrealized loss and fair value of our investment in Videocon as of April 30, 2009 and October 31, 2008, are as follows:

April 30, 2009      October 31, 2008



|                 |              |              |
|-----------------|--------------|--------------|
| Cost            | \$16,200,000 | \$16,200,000 |
| Unrealized loss | (12,939,058) | (12,580,055) |
| Fair Value      | \$3,260,942  | \$3,619,945  |

SFAS No. 115, "Accounting for Certain Investments in Debt or Equity Securities", requires an evaluation to determine if the decline in fair value of an investment is either temporary or other than temporary. Unless evidence exists to support a realizable value equal to or greater than the cost of the investment, a write-down accounted for as a realized loss should be recorded. We assess at each reporting period our investment in Videocon to determine if a decline that is other than temporary has occurred. In evaluating the realizable value of the investment in Videocon, we considered the requirement that the Videocon GDRs must be held in escrow for seven years from the purchase closing date of December 2007 as security for the loan from Mars Overseas to CopyTele International. Videocon's financial condition and its future potential in both its Consumer Electronics & Home Appliances segment and its Crude Oil & Natural Gas segment are also evaluated. Based on our evaluation, we have determined that the decline in our investment in Videocon is due to the current economic climate and that such decline is temporary. Accordingly, a realized loss was not recognized during the six-months ended April 30, 2009. The unrealized loss recognized during the six-months ended April 30, 2009 is reflected in accumulated other comprehensive loss in the accompanying condensed consolidated statement of shareholder's equity.

## 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 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 \$401,000, and \$1,910,000 during the six-month

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periods ended April 30, 2009 and 2008, respectively, and of approximately \$172,000 and \$821,000 during the three-month periods ended April 30, 2009 and 2008, respectively, in accordance with SFAS No. 123R. Such compensation expense is included in the accompanying statements of operations in either research and development expenses or selling, general and administrative expenses, as applicable based on the functions performed by such employees and directors. Such stock-based compensation expense increased both basic and diluted net loss per share for the six-month periods ended April 30, 2009 and 2008 by \$0.00 and \$0.01, respectively, and for the three-month periods ended April 30, 2009 and 2008 by \$0.00 and \$0.01, respectively.

Included in the stock-based compensation cost related to stock options granted to employees and directors recorded during the six-months periods ended April 30, 2009 and 2008 was approximately \$25,000, and \$-0-, respectively, and during the three-month periods ended April 30, 2009 and 2008 was approximately \$7,000 and \$-0-, respectively, of expense related to the amortization of compensation cost for stock options granted in prior periods but not yet vested. As of April 30, 2009, there was approximately \$10,000 of unrecognized compensation cost related to non-vested share-based compensation arrangements for stock options granted to employees and directors, which is expected to be amortized during the current fiscal year.

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 six-months periods ended April 30, 2009, and 2008, of approximately \$7,000, and \$210,000, respectively, and during the three-month periods ended April 30, 2009 and April 30, 2008, of approximately \$3,000 and \$3,000, respectively. Such consulting expense is included in the accompanying 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. As of April 30, 2009, there was approximately \$7,000 of unrecognized consulting expense related to non-vested share-based compensation arrangements for stock options granted to consultants, which is expected to be amortized during the current fiscal year.

### Fair Value Determination

In accordance with SFAS No. 123R, we estimate the fair value of stock options granted to employees, non-employee directors and consultants on the date of grant using the Black-Scholes pricing model. We separate the individuals we grant stock options to into three relatively homogenous groups, based on exercise and post-vesting employment termination behaviors. To determine the weighted average fair value of stock options on the date of grant, we take a weighted average of the assumptions used for each of these groups. Stock options we granted during the six months ended April 30, 2009 consisted of awards of options with 10-year terms which vested immediately. Stock options granted during the six months ended April 30, 2008 consisted of awards of options with 10-year terms which vested either immediately or over future periods of from three months to three years.

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

|   | <C>                                |        | <C>                                  |        |
|---|------------------------------------|--------|--------------------------------------|--------|
|   | For the Six Months Ended April 30, |        | For the Three Months Ended April 30, |        |
| <S>                                       | 2009                               | 2008   | 2009                                 | 2008   |
| Expected term (in years)                  | 2.1                                | 3.9    | 2.0                                  | 1.7    |
| Volatility                                | 99%                                | 92%    | 103%                                 | 87%    |
| Risk-free interest rate                   | .83%                               | 3.44%  | 1.0%                                 | 1.51%  |
| Dividend yield                            | 0                                  | 0      | 0                                    | 0      |
| Weighted average fair value at grant date | \$0.14                             | \$0.63 | \$0.12                               | \$0.33 |

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 estimated 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. 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.

#### Stock Option Activity

During the six-month periods ended April 30, 2009 and 2008, we granted options to purchase 2,710,000 shares and 3,875,000 shares, respectively, to employees, non-employee directors and consultants of common stock at weighted average exercise prices of \$0.28 and \$0.98 per share, respectively, pursuant to the CopyTele, Inc. 2003 Share Incentive Plan (the "2003 Share Plan"). During the six-month periods ended April 30, 2009 and 2008, stock options to purchase 2,700,000 shares and 2,094,200 shares, respectively, of common stock were exercised with aggregate proceeds of approximately \$757,000 and \$1,699,000, respectively.

#### Stock Option Plans

As of April 30, 2009, we have three stock option plans: the CopyTele, Inc. 1993 Stock Option Plan (the "1993 Plan"), the CopyTele, Inc. 2000 Share Incentive Plan ("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.

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. Information regarding the 1993 Plan for the six months ended April 30, 2009 is

as follows:

|   | Shares   | Current Weighted Average Exercise Price Per Share | Aggregate Intrinsic Value |
|---|----------|---|---------------------------|
| Shares Under Option at October 31, 2008               | 779,000  | \$1.10  |                           |
| Cancelled   | (43,000) | \$1.31  |                           |
| Expired   | (50,000) | \$1.31  |                           |
| Shares Under Option and Exercisable at April 30, 2009 | 686,000  | \$1.07  | \$-0-                     |

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The following table summarizes information about stock options outstanding under the 1993 Plan as of April 30, 2009:

| 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            | 0.55  | \$0.99                          |
| \$1.13 to \$1.56                    | 111,000            | 1.05  | \$1.49                          |

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

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

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

Information regarding the 2000 Share Plan for the six months ended April 30, 2009 is as follows:

<TABLE>  
<CAPTION>

|   | Shares    | Current Weighted Average Exercise Price Per Share | Aggregate Intrinsic Value |
|---|-----------|---|---------------------------|
| Shares Under Option at October 31, 2008               | 1,772,466 | \$0.79  |                           |
| Exercised   | -         | \$-0-   |                           |
| Shares Under Option and Exercisable at April 30, 2009 | 1,772,466 | \$0.79  | \$-0-                     |

</TABLE>

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The following table summarizes information about stock options outstanding under the 2000 Share Plan as of April 30, 2009:

| Options Outstanding      |                    |   |                                 |
|--------------------------|--------------------|---|---------------------------------|
| Range of Exercise Prices | Number Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price |
| \$0.40                   | 445,000            | 2.39  | \$0.40                          |
| \$0.69                   | 505,466            | 1.67  | \$0.69                          |
| \$0.94 - \$1.09          | 822,000            | 1.42  | \$1.06                          |

The exercise price with respect to all of the options granted under the 2000 Share Plan since its inception was equal to the fair market value of the underlying common stock at the grant date. As of April 30, 2009, 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, August 22, 2007 and December 3, 2008, 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, 55,000,000 shares, and 70,000,000 shares respectively. Current and future non-employee directors are automatically granted nonqualified stock options to purchase 60,000 shares of common stock upon their initial election to the Board of Directors and at the time of each subsequent annual meeting of our shareholders at which they are elected to the Board of Directors. The 2003 Share Plan was administered by the Stock Option Committee through June 2004 and since that date has been administered by the Board of Directors, which determines the option price, term and provisions of each option.

Information regarding the 2003 Share Plan for the six months ended April 30, 2009 is as follows:

<TABLE>  
<CAPTION>

|   | Shares      | Current Weighted<br>Average Exercise<br>Price Per Share | Aggregate<br>Intrinsic<br>Value |
|---|-------------|---|---------------------------------|
| <S>                                     | <C>         | <C>   | <C>                             |
| Shares Under Option at October 31, 2008 | 17,217,045  | \$0.79  |                                 |
| Granted                                 | 2,710,000   | \$0.28  |                                 |
| Exercised                               | (2,700,000) | \$0.28  |                                 |
| Cancelled                               | (1,200,000) | \$0.91  |                                 |
| Shares Under Option at April 30, 2009   | 16,027,045  | \$0.78  | \$24,800                        |
| Options Exercisable at April 30, 2009   | 15,917,045  | \$0.78  | \$24,800                        |

</TABLE>

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The following table summarizes information about stock options outstanding under the 2003 Share Plan as of April 30, 2009:

<TABLE>  
<CAPTION>

| Options Outstanding         |                       |   |  | Options Exercisable   |  |  |     |
|-----------------------------|-----------------------|---|--|-----------------------|--|--|-----|
| Range of<br>Exercise Prices | Number<br>Outstanding | Weighted<br>Average<br>Remaining<br>Contractual<br>Life | Weighted<br>Average<br>Exercise<br>Price | Number<br>Exercisable | Weighted<br>Average<br>Remaining<br>Contractual Life | Weighted<br>Average<br>Exercise<br>Price |     |
| <S> <C>                     | <C>                   | <C>   | <C>                                      | <C>                   | <C>  | <C>                                      | <C> |
| \$0.25 - \$0.65             | 5,005,970             | 5.65  | \$0.54                                   | 5,005,970             | 5.65   | \$0.54                                   |     |
| \$0.70 - \$0.84             | 5,251,075             | 7.38  | \$0.79                                   | 5,141,075             | 7.41   | \$0.79                                   |     |
| \$0.86 - \$1.46             | 5,770,000             | 6.71  | \$0.99                                   | 5,770,000             | 6.71   | \$0.99                                   |     |

</TABLE>

The exercise price with respect to all of the options granted under the 2003 Share Plan since its inception was equal to the fair market value of the underlying common stock at the grant date. As of April 30, 2009, 12,083,104 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 six-month periods ended April 30, 2009 and 2008, we issued 3,722,825 shares and 954,875 shares, respectively, of common stock to certain employees for services rendered, principally in lieu of cash compensation, pursuant to the 2003 Share Plan. We recorded compensation expense for the six-month periods ended April 30, 2009 and 2008, of approximately \$1,172,000 and \$1,041,000, respectively, and for the three-month periods ended April 30, 2009 and 2008, of approximately \$578,000 and \$484,000, respectively, for the shares of common stock issued to employees. In addition, during the six-month periods ended April 30, 2009 and 2008, we issued 116,792 shares and 62,306 shares, respectively, of common stock to consultants for services rendered pursuant to the 2003 Share Plan. We recorded consulting expense for the six-month periods ended April 30, 2009 and 2008 of approximately \$35,000 and \$75,000, respectively, and for the three-month periods ended April 30, 2009 and 2008 of approximately \$34,000 and \$15,000, 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 for potential doubtful accounts and maintains an allowance for estimated uncollectible amounts. Generally, no collateral is received from customers for our accounts receivable. During the six months ended April 2009, one customer in the Display Technology Segment represented 88% of total net revenue. During the six months ended April 30, 2008, one customer in the Encryption Products and Services Segment represented 60% of total net revenue. At April 30, 2009, one

customer in the Encryption Products and Services Segment represented 97% of net accounts receivable. At October 31, 2008, 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 April 30, 2009 and October 31, 2008, 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:

|  | April 30,<br>2009 | October 31,<br>2008 |
|--|-------------------|---------------------|
| Current:                                     |                   |                     |
| U.S. Government securities                   | \$ 749,827        | \$ 999,484          |
| Certificates of deposit                      | --                | 443,000             |
| Total current held-to-maturity securities    | \$ 749,827        | \$1,442,484         |
| Noncurrent:                                  |                   |                     |
| U.S. Government securities                   | \$ --             | \$ 749,711          |
| Total noncurrent held-to-maturity securities | \$ --             | \$ 749,711          |
| Total held-to-maturity securities            | \$ 749,827        | \$2,192,195         |

At April 30, 2009 and October 31, 2008, the length of time until maturity of current held-to-maturity securities was less than twelve months. At October 31, 2008, the length of time until maturity of noncurrent held-to-maturity securities was fifteen months. At April 30, 2009, and October 31, 2008, 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 DISC License Agreement expired in February 2009. 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.

During the six months ended April 30, 2009, we sold 1,000,000 shares of DISC's common stock for approximately \$28,000 and recorded a loss on such sale of approximately \$6,000. As of April 30, 2009, we held 11,200,000 shares of DISC's common stock. DISC's common stock is not registered under the Securities Exchange Act of 1934, but is quoted on the Pink Sheets. Based on the number of DISC shares outstanding as set forth in DISC's September 30, 2008 public financial report, the most recent available, as of April 30, 2009 we held approximately 11% of the outstanding common stock of DISC.

Our investment in DISC 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 loss, net of the related tax effects, in shareholders' equity. Cost is determined using the specific identification method. The fair value of DISC's common stock is based on the closing price on the Pink Sheets. The cost, unrealized (loss) gain and fair value of our investment in DISC as of April 30, 2009 and October 31, 2008, are as follows:

|                        | April 30, 2009 | October 31, 2008 |
|------------------------|----------------|------------------|
| Cost                   | \$ 382,800     | \$ 417,000       |
| Unrealized (loss) gain | (46,800)       | 424,800          |
| Fair Value             | \$ 336,000     | \$ 841,800       |

6. INVENTORIES

Inventories consist of the following as of:

|                   | April 30, 2009 | October 31, 2008 |
|-------------------|----------------|------------------|
| Component parts   | \$ 69,345      | \$ 67,853        |
| Work-in-process   | 4,840          | 5,079            |
| Finished products | 101,902        | 105,212          |
|                   | \$ 176,087     | \$ 178,144       |

7. NET LOSS PER SHARE OF COMMON STOCK

In accordance with SFAS No. 128, "Earnings Per Share" ("SFAS No. 128"), basic net loss per common share ("Basic EPS") is computed by dividing net loss by the weighted average number of common shares outstanding. Diluted net loss per common share ("Diluted EPS") is computed by dividing net loss by the weighted average number of common shares and dilutive common share equivalents and convertible securities then outstanding. Diluted EPS for all periods presented is the same as Basic EPS, as the inclusion of the effect of common share equivalents then outstanding would be anti-dilutive. For this reason, excluded from the calculation of Diluted EPS for the six-month and three-month periods ended April 30, 2009 and 2008, were options to purchase 18,485,511 shares and 20,018,511 shares, respectively.

8. EFFECT OF RECENTLY ISSUED PRONOUNCEMENTS

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 consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2008. The adoption of SFAS No. 160 is not expected to have a material effect on our consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS No. 165"). SFAS No. 165 establishes accounting and reporting standards for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 is effective for fiscal years and interim periods ending after June 15, 2009. The adoption of SFAS No. 165 is not expected to have a material effect on our consolidated financial statements.

9. INCOME TAXES

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, 1994. We account for interest and penalties related to income tax matters in selling, general and administrative expenses.

On November 1, 2007, we adopted 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 six-month and three-month periods ended April 30, 2009 and 2008:

<TABLE>  
<CAPTION>

| Segment Data                     | Display<br>Technology | Encryption<br>Products and<br>Services | Total       |
|----------------------------------|-----------------------|--|-------------|
| Six Months Ended April 30, 2009: |                       |  |             |
| Net revenue                      | \$ 615,332            | \$ 21,540                              | \$ 636,872  |
| Net loss                         | (1,003,642)           | (1,715,219)                            | (2,718,861) |
| Six Months Ended April 30, 2008: |                       |  |             |
| Net revenue                      | \$ -                  | \$ 217,580                             | \$ 217,580  |
| Net loss                         | (2,551,223)           | (1,975,453)                            | (4,526,676) |

<CAPTION>

| Segment Data                       | Display<br>Technology | Encryption<br>Products and<br>Services | Total       |
|------------------------------------|-----------------------|--|-------------|
| -----                              |                       |  |             |
| <S>                                | <C>                   | <C>                                    | <C>         |
| Three Months Ended April 30, 2009: |                       |  |             |
| Net revenue                        | \$ 250,000            | \$ 12,750                              | \$ 262,750  |
| Net loss                           | (595,834)             | (748,317)                              | (1,344,151) |
| Three Months Ended April 30, 2008: |                       |  |             |
| Net revenue                        | \$ -                  | \$ 165,355                             | \$ 165,355  |
| Net loss                           | (1,054,950)           | (786,401)                              | (1,841,351) |

</TABLE>

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Item 2. Management's Discussion and Analysis of Financial Condition and Results  
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of Operations.  
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GENERAL  
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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 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. The Videocon Group has sales and service networks throughout India and operates facilities in Europe and elsewhere in the world.

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, 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 are providing technical support to Videocon's technical team. We are also cooperating with Videocon to jointly implement the CopyTele technology prior to production to produce prototypes of such modules. Videocon is utilizing its display processing technology and facilities to continue to produce our display matrix, and has improved performance of the matrix. The matrix is the main component of our display, since it contains the structure to accommodate our electron emission technology and the color phosphors that are used to illuminate our display. CopyTele and Videocon are also working together to incorporate another version of our display technology. Improvements to the technology are to be jointly owned by CopyTele and Videocon.

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Under the License Agreement we continue to have the right to produce and market products utilizing the Licensed Technology. We also continue to have the right to utilize Volga Svet Ltd., a Russian display company that we have been working with for more than eleven years ("Volga"), and an Asian company that CopyTele has been working with for more than five years, to produce and market products utilizing the Licensed Technology. Additional licenses of the Licensed 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 technology improves on 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:

- 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.

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- 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 are also further developing our patented extremely low power non-phosphor passive display technologies for use in portable devices. This includes providing higher contrast and response times and color capabilities without use of higher cost TFT based technology. This technology supplements our phosphor based technology for certain portable applications.

We have also continued to pursue our encryption business of landline and wireless telephone systems and networks. 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 expansion plans to provide its mobile satellite services in



Our three year agreement with Boeing continued into fiscal 2009. Boeing 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 in addition to Boeing. 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, as well as domestic and international non-governmental organizations (NGOs) in the Middle East, Europe, Far East and Africa.

Asia Pacific Satellite Industries ("APSI") has manufactured new Thuraya handsets and docking units that allow satellite communications both outdoors and indoors. CopyTele has created devices allowing customers to easily set up and engage in secure communications over the Thuraya network compatible with landline telephone systems. APSI's FDU-3500 docking unit for its SO-2510 phone allows for outdoor and indoor operation of the satellite phone on the Thuraya network. Our 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. Together with APSI, we have continued to develop the DCS-2500 integrated encryption system, which is designed for convenience, portability and easy of use with the Thuraya phone.

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 are in consultation with specialists of the Inmarsat BGAN system and the new Iridium satellite phone developing compliant encryption solutions that offer new opportunity and an increased customer base.

We have added Voice over Internet Protocol (VoIP) functions to the DCS-1200 for corporate utilization over popular new telephone systems.

We continue to seek opportunities to market our products for securing landline and wireless voice and fax communications. Our USS-900 and specific Thuraya products are being evaluated for use by a Middle Eastern government and an African government for encrypting voice and fax communications. Also, a Far Eastern government is in the process of determining the system requirements necessary to encrypt voice communications utilizing our USS-900, 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 to market products to Middle Eastern and Far Eastern governments to secure voice and fax communications. In addition, in fiscal 2008, we entered into the License Agreement with Videocon and in May 2008, we commenced receiving from Videocon license fees related to our display technology.

CRITICAL ACCOUNTING POLICES  
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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, 2008.

Revenue Recognition  
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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.

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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. License fee payments received from Videocon which are in excess of the amounts recognized as revenue (\$-0- as of April 30, 2009 and approximately \$313,000 as of October 31, 2008) are recorded as non-refundable deferred revenue on the accompanying condensed consolidated balance sheets.

During the quarter ended April 30, 2009, we agreed to reimburse Videocon \$250,000 for engineering services related to another version of our display technology and we modified the payment terms from Videocon during the quarter. The license fee revenue recognized during the three months ended April 30, 2009 of \$250,000 represented an offset against amounts due Videocon for the aforementioned engineering services, in lieu of a cash payment. In addition, in June 2009, we received a license fee payment from Videocon of \$250,000, which was due during the quarter ended April 30, 2009, pursuant to the modified payment terms. This June payment will be included in license fee revenue recognized during the three months ending July 31, 2009. However, the license fee of \$11 million remains payable over the 27 month period commencing in May 2008, and Videocon's obligations with respect to production, and CopyTele's assistance, under the License Agreement remain unaffected.

#### Investment Securities

We classify our investment securities in one of two categories: available-for-sale or held-to-maturity. Available-for-sale securities are recorded at fair value. Unrealized gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a component of accumulated other comprehensive income (loss) until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis. Held-to-maturity securities, which are investment securities that the company has the intent and ability to hold to maturity, are carried at amortized cost. The amortization of premiums and accretion of discounts are recorded on the level yield (interest) method, over the period from the date of purchase to maturity. When sales do occur, gains and losses are recognized at the time of sale and the determination of cost of securities sold is based upon the specific identification method. Dividend and interest income are recognized when earned.

We monitor the value of our investments for indicators of impairment, including changes in market conditions and the operating results of the underlying investment that may result in the inability to recover the carrying value of the investment. We will record an impairment charge if and when we believe any such investment has experienced a decline that is other than temporary.

#### 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. We recorded stock-based compensation expense, related to stock options granted to employees and non-employee directors, of approximately \$401,000 and \$1,910,000 during the six-month periods ended April 30, 2009 and 2008, respectively, and of approximately \$172,000 and \$821,000 during the three-month periods ended April 30, 2009 and 2008, respectively, in accordance with SFAS 123R. We recognize

consulting expense for options granted to non-employee consultants, during the six-month periods ended April 30, 2009 and 2008, of approximately \$7,000 and \$210,000, respectively, and during the three-month periods ended April 30, 2009 and 2008, of approximately \$3,000 and \$3,000, respectively. See Note 2 to the Condensed Consolidated Financial Statements for additional information.

Determining the appropriate fair value model and calculating the fair value of stock-based awards requires judgment, including estimating stock price volatility, forfeiture rates and expected life. If factors change and we employ different assumptions in the application of SFAS No. 123R in future periods, the compensation expense that we record under SFAS No. 123R may differ significantly from what we have recorded in the current period.

#### RESULTS OF OPERATIONS

Six months ended April 30, 2009 compared with six months ended April 30, 2008

##### Net Revenue

Net revenue increased by approximately \$419,000 in the six months ended April 30, 2009, to approximately \$637,000, as compared to approximately \$218,000 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 approximately \$563,000, as compared to none in the comparable prior-year period and revenue from display technology engineering services of \$52,000, as compared to none in the comparable prior-year period. The revenue from display technology engineering services resulted from engineering services billed to Volga. Revenue from sales of encryption products decreased by approximately \$196,000 in the six months ended April 30, 2009, to approximately \$22,000, as compared to approximately \$218,000 in the comparable prior-year period. Our encryption revenue has been limited and is sensitive to individual large transactions.

##### Cost of Encryption Products Sold

The cost of encryption products sold decreased by approximately \$44,000 in the six months ended April 30, 2009, to approximately \$6,000, as compared to approximately \$50,000 in the comparable prior-year period. The decrease in cost of encryption products sold was primarily due to a decrease in unit shipments of encryption products.

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##### Cost of Display Engineering Services

The cost of display engineering services increased to approximately \$18,000 in the six months ended April 30, 2009, as compared to none in the comparable prior year period, as there was no revenue from display engineering services in the prior year period.

##### Research and Development Expenses

Research and development expenses decreased by approximately \$560,000 in the six months ended April 30, 2009, to approximately \$1,884,000, from approximately \$2,444,000 in the comparable prior-year period. The decrease in research and development expenses was principally due to a decrease in employee stock option compensation expense of approximately \$831,000, which resulted from a decrease in the number of options granted and a decrease in the weighed average fair value at grant dates, a decrease in consultant stock option expense of approximately \$44,000, offset by an increase in outside research and development expense of approximately \$175,000, which primarily resulted from engineering services performed by Videocon related to another version of our display technology, an increase in employee compensation and related costs, other than stock option expense, of approximately \$96,000, an increase in travel expense of approximately \$44,000, and an increase in engineering supplies of approximately \$33,000.

##### Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by approximately \$904,000 to approximately \$1,490,000 in the six months ended April 30, 2009, from approximately \$2,394,000 in the comparable prior-year period. The decrease in selling, general and administrative expenses was principally due to a decrease in employee stock option compensation expense of approximately \$678,000, which resulted from a decrease in the number of options granted and a decrease in the weighed average fair value at grant dates, a decrease in consultant stock option expense of approximately \$159,000, a decrease in travel expense of approximately \$63,000, and a decrease in the provision for doubtful accounts of approximately \$60,000.

##### Dividend Income

Dividend income, which was received in connection with the Videocon GDRs we acquired in December 2007, decreased by approximately \$102,000 to approximately \$29,000 in the six months ended April 30, 2009, compared to approximately \$131,000 in the comparable prior-year period. The decrease in dividend income was due to a reduction by Videocon of dividends paid.

##### Interest Income

Interest income was approximately \$12,000 in the six months ended April 30, 2009, compared to approximately \$13,000 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.

Three months ended April 30, 2009 compared with three months ended April 30,

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2008  
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#### Net Revenue

Net revenue increased by approximately \$98,000 in the three months ended April 30, 2009, to approximately \$263,000, as compared to approximately \$165,000 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 \$250,000, as compared to none in the comparable prior-year period. Revenue from sales of encryption products decreased by approximately \$152,000 in the three months ended April 30, 2009, to approximately \$13,000, as compared to approximately \$165,000 in the comparable prior-year period. Our encryption revenue has been limited and is sensitive to individual large transactions.

#### Cost of Encryption Products Sold

The cost of encryption products sold decreased by approximately \$33,000 in the three months ended April 30, 2009, to approximately \$4,000, as compared to approximately \$37,000 in the comparable prior-year period. The decrease in cost of encryption products sold was primarily due to a decrease in unit shipments of encryption products.

#### Research and Development Expenses

Research and development expenses decreased by approximately \$69,000 in the three months ended April 30, 2009, to approximately \$1,062,000, from approximately \$1,131,000 in the comparable prior-year period. The decrease in research and development expenses was principally due to a decrease in employee stock option compensation expense of approximately \$335,000, which resulted from a decrease in the weighed average fair value of options at grant dates, and a decrease in patent related expenses of approximately \$30,000, offset by an increase in outside research and development expense of approximately \$191,000, which primarily resulted from engineering services performed by Videocon related to another version of our display technology, an increase in employee compensation and related costs, other than stock option expense, of approximately \$67,000, and an increase in engineering supplies of approximately \$31,000.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by approximately \$400,000 to approximately \$575,000 in the three months ended April 30, 2009, from approximately \$975,000 in the comparable prior-year period. The decrease in selling, general and administrative expenses was principally due to a decrease in employee stock option compensation expense of approximately \$314,000, which resulted from a decrease in the weighed average fair value of options at grant dates, a decrease in travel expense of approximately \$58,000, and a decrease in professional fees of approximately \$40,000, offset by an increase in employee compensation and related costs, other than stock option expense, of approximately \$30,000.

#### Dividend Income

Dividend income, which was received in connection with the Videocon GDRs we acquired in December 2007, decreased by approximately \$102,000 to approximately \$29,000 in the three months ended April 30, 2009, compared to approximately \$131,000 in the comparable prior-year period. The decrease in dividend income was due to a reduction by Videocon of dividends paid.

#### Interest Income

Interest income was approximately \$5,000 in the three months ended April 30, 2009, compared to approximately \$6,000 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.

#### LIQUIDITY AND CAPITAL RESOURCES

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From our inception, we have met our liquidity and capital expenditure needs primarily through the proceeds from sales of common stock in our initial public offering, in private placements, upon exercise of warrants issued in connection with the private placements and public offering, and upon the exercise of stock options. In addition, commencing in the fourth quarter of fiscal 1999, we have generated cash flows from sales of our encryption products and in May 2008, we commenced receiving license fees related to our display technology from Videocon pursuant to the License Agreement.

During the six months ended April 30, 2009, our cash used in operating activities was approximately \$1,415,000. This resulted from payments to suppliers, employees and consultants of approximately \$1,531,000, which was offset by cash of approximately \$71,000 received from collections of accounts receivable related to sales of encryption products and display technology engineering services, approximately \$16,000 of interest income received and approximately \$29,000 of dividend income received. Our cash provided by investing activities during the six months ended April 30, 2009 was approximately \$1,471,000, which resulted from \$1,443,000 received upon maturities of short-term investments consisting of certificates of deposit and U.S. government securities and approximately \$28,000 received upon the sale of

Digital Info Security Co. Inc. common stock. Our cash provided by financing activities during the six months ended April 30, 2009 was approximately \$757,000, which resulted from cash received upon the exercise of stock options. Accordingly, during the six-months ended April 30, 2009, our cash and cash equivalents increased by approximately \$813,000 and our short-term and non-current investments in certificates of deposit and U.S. government securities decreased by approximately \$1,442,000. As a result, our cash, cash equivalents, and investments in certificates of deposit and U.S. government securities at April 30, 2009 decreased to approximately \$2,041,000 from approximately \$2,671,000 at the end of fiscal 2008. Our operating cash accounts are maintained at FDIC-insured banks. Our bank accounts and certificates of deposit are maintained within FDIC coverage limits.

Net accounts receivable increased by \$3,000 from \$103,000 at the end of fiscal 2008 to \$106,000 at April 30, 2009, as a result the timing of receipts. Inventories decreased by approximately \$2,000 from approximately \$178,000 at October 31, 2008 to approximately \$176,000 at April 30, 2009, primarily as a result of the timing of shipments and production schedules. Investment in Videocon is recorded at fair value and decreased to approximately \$3,261,000 at April 30, 2009 from \$3,620,000 at the end of fiscal 2008, as a result of an increase in unrealized loss of approximately \$359,000 during the six months ended April 30, 2009. Investment in DISC is recorded at fair value and decreased to \$336,000 at April 30, 2009 from \$842,000 at the end of fiscal 2008, as a result of a decrease in the price of the DISC common stock on the Pink Sheets during the six months ended April 30, 2009 and the sale of 1,000,000 shares of DISC common stock with a cost of approximately \$34,000. Accounts payable and accrued liabilities increased by approximately \$2,000 from approximately \$454,000 at the end of fiscal 2008 to approximately \$456,000 at April 30, 2009, as a result the timing of payments. Deferred revenue decreased to \$-0- at April 30, 2009 from \$313,000 at the end of fiscal 2008, as a result of the license fee revenue recognized during the six months ended April 30, 2009.

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Working capital at April 30, 2009 increased to approximately \$1,931,000 from approximately \$1,489,000 at the end of fiscal 2008. Our working capital includes inventory of approximately \$176,000 at April 30, 2009. 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.

Total employee compensation expense for the six-month periods ended April 30, 2009 and 2008 was approximately \$1,922,000 and \$3,287,000, respectively, and for the three-month periods ended April 30, 2009 and 2008 was approximately \$938,000 and \$1,490,000, respectively. During the six-month periods ended April 30, 2009 and 2008, a significant portion of employee compensation consisted of the issuance of stock and stock options to employees in lieu of cash compensation. During the six-month periods ended April 30, 2009 and 2008, we issued 3,722,825 shares and 954,875 shares, respectively, of common stock to certain employees for services rendered. We recorded stock-based compensation expense for the six-month periods ended April 30, 2009 and 2008 of approximately \$1,172,000 and \$1,041,000, respectively, and for the three-month periods ended April 30, 2009 and 2008 of approximately \$578,000 and \$484,000, respectively, for shares of common stock issued to employees. We recorded stock-based compensation expense for the six-month periods ended April 30, 2009 and 2008 of approximately \$401,000 and \$1,910,000, respectively, and for the three-month periods ended April 30, 2009 and 2008 of approximately \$172,000 and \$821,000, respectively, related to stock options granted to employees and directors. It is managements' intention to continue to compensate employees by issuing stock or stock options.

In addition, during the six-month periods ended April 30, 2009 and 2008, we issued 116,792 shares and 62,306 shares, respectively, of common stock to non-employee consultants for services rendered. We recorded consulting expense for the six-month periods ended April 30, 2009 and 2008 of approximately \$35,000 and \$75,000, respectively, and for the three-month periods ended April 30, 2009 and 2008 of approximately \$34,000 and \$15,000, respectively, for shares of common stock issued to consultants. In addition, we recorded consulting expense for stock options granted to non-employee consultants, during the six-month periods ended April 30, 2009 and 2008, of approximately \$7,000 and \$210,000, respectively, and during the three-month periods ended April 30, 2009 and 2008, of approximately \$3,000 and \$3,000, respectively. It is also managements' intention to continue to compensate consultants by issuing stock or stock options.

During the six-month periods ended April 30, 2009 and 2008, stock options to purchase 2,700,000 shares and 2,094,200 shares, respectively, of common stock were exercised with aggregate proceeds of approximately \$757,000 and \$1,699,000, respectively.

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During the six months ended April 30, 2008, we issued 20,000,000 shares of our common stock to an affiliate of Videocon for an aggregate purchase price of \$16,200,000 and we purchased 1,495,845 Videocon GDRs for an aggregate purchase price of \$16,200,000. In April 2009 and April 2008, we received dividends of approximately \$29,000 and \$131,000, respectively, 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 U.S. 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. If current cash and cash that may be generated from operations are insufficient to satisfy our liquidity requirements, we may seek to sell debt or equity securities or to obtain a line of credit. The sale of additional equity securities or convertible debt could result in dilution to our stockholders. It is also management's intention to continue to compensate employees by issuing stock or stock options. 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 satisfy our liquidity requirements or sustain future operations, that our production capabilities will be adequate, that other products will not be produced by other companies that will render our products obsolete, or that other sources of funding would be available, if needed, on favorable terms or at all. If we cannot obtain such funds if needed, we would need to curtail or cease some or all of our operations.

We are seeking to improve our liquidity through increased sales or license of products and technology. In an effort to generate sales, we have marketed our encryption products directly to U.S. and international distributors, dealers and original equipment manufacturers that market our encryption products and to end-users. In fiscal 2008, we entered into the License Agreement with Videocon. Under the License Agreement, we will receive a license fee of \$11 million from Videocon, payable in installments over a 27 month period and an agreed upon royalty from Videocon based on display sales by Videocon. During the six months ended April 30, 2009, we have recognized revenue from sales of encryption products of approximately \$22,000, revenue from display technology engineering services of \$52,000 and revenue from display technology license fee of approximately \$563,000.

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The following table presents our expected cash requirements for contractual obligations outstanding as of April 30, 2009:

<TABLE>  
<CAPTION>

| Contractual Obligations            | Payments Due by Period |            |           |               | Total        |
|------------------------------------|------------------------|------------|-----------|---------------|--------------|
|                                    | Less than 1 year       | 1-3 years  | 4-5 years | After 5 years |              |
| <S>                                | <C>                    | <C>        | <C>       | <C>           | <C>          |
| Noncancelable Operating Leases     | \$ 291,000             | \$ 478,000 | \$ -      | \$ -          | \$ 769,000   |
| Loan Payable                       | -                      | -          | -         | \$ 5,000,000  | \$ 5,000,000 |
| Total Contractual Cash Obligations | \$ 291,000             | \$ 478,000 | \$ -      | \$ 5,000,000  | \$ 5,769,000 |

</TABLE>

EFFECT OF RECENTLY ISSUED PRONOUNCEMENTS

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 consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2008. The adoption of SFAS No. 160 is not expected to have a material effect on our consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS No. 165"). SFAS No. 165 establishes accounting and reporting standards for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 is effective for fiscal years and interim periods ending after June 15, 2009. The adoption of SFAS No. 165 is not expected to have a material effect on our consolidated financial statements.

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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 the Condensed Consolidated Financial Statements. You should read this discussion and analysis along with our Annual Report on Form 10-K for the year ended October 31, 2008 and the condensed consolidated 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.  
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As of April 30, 2009, we had 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.

At April 30, 2009, our investment in Videocon GDRs is recorded at fair value of approximately \$3,261,000 including an unrealized loss of approximately \$12,939,000 and has exposure to price risk. The fair value of the Videocon GDRs is based on the underlying price of Videocon's equity shares which are traded on stock exchanges in India with prices quoted in rupees. Accordingly, the fair value of the Videocon GDRs is subject to price risk and foreign exchange risk. The potential loss in fair value resulting from a hypothetical 10% adverse change in prices of Videocon equity shares quoted by Indian stock exchanges and in foreign currency exchange rates, as of April 30, 2009 amounts to approximately \$326,000.

Our investment in DISC common stock at April 30, 2009 is recorded at fair value \$336,000 including an unrealized loss of \$47,000 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 April 30, 2009 amounts to approximately \$34,000.

Item 4. Controls and Procedures.  
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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.

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There was no change in our internal control over financial reporting during the quarter ended April 30, 2009 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  
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Item 1A. Risk Factors.  
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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, 2008.

Item 6. Exhibits.  
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31.1 Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 17, 2009.

31.2 Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 17, 2009.

32.1 Statement of Chief Executive Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated June 17, 2009.

32.2 Statement of Chief Financial Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated June 17, 2009.

SIGNATURES

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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

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

June 17, 2009

By: /s/ Henry P. Herms

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

June 17, 2009



Exhibit 31.1

CERTIFICATION

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

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

/s/ Denis A. Krusos

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

June 17, 2009

CERTIFICATION

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

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

/s/ Henry P. Herms

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Henry P. Herms

Vice President - Finance and

Chief Financial Officer

June 17, 2009

Exhibit 32.1

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

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

1. The Company's Form 10-Q Quarterly Report for the period ended April 30, 2009 (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

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

June 17, 2009

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

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

1. The Company's Form 10-Q Quarterly Report for the period ended April 30, 2009 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

June 17, 2009