SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 31, 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.

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller Reporting Company [ ]

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

Yes ____ No X

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

On September 3, 2009, the registrant had outstanding 142,976,137 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.

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COPYTELE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	(Unaudited) July 31, 2009	October 31, 2008
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	$ 320,832	$ 478,599
Short-term investments in certificates of deposit and U.S. government securities	1,649,751	1,442,484
Accounts receivable, net of allowance for doubtful accounts of $206,000 and $223,000, respectively	12,090	103,000
Inventories	138,477	178,144
Prepaid expenses and other current assets	58,196	54,348
Total current assets	2,179,346	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	5,654,294	3,619,945
INVESTMENT in Digital Info Security Co. Inc. common stock, at fair value	220,000	841,800
PROPERTY AND EQUIPMENT, net	23,679	29,838
	$ 8,077,319	$ 7,497,869
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 103,551	$ 384,896
Accrued liabilities	108,461	69,364
Deferred revenue, non-refundable license fee	-	313,332
Total current liabilities	212,012	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; 141,817,996 and 132,497,881 shares issued and outstanding, respectively	1,418,180	1,324,979
Additional paid-in capital	112,841,759	109,348,894
Loan receivable from related party	(5,000,000)	(5,000,000)
Accumulated deficit	(95,692,966)	(91,788,341)
Accumulated other comprehensive loss	(10,701,666)	(12,155,255)
	2,865,307	1,730,277
	$ 8,077,319	$ 7,497,869

The accompanying notes are an integral part of these condensed consolidated financial statements.
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COPYTELE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

<S> <C>	For the Nine Months Ended July 31, 2009 <C>	2008 <C>
NET REVENUE		
Revenue from sales of encryption products, net	$ 71,305	$ 329,710
Revenue from display engineering services, net	52,000	-
Display technology license fee	813,332	770,000
Total net revenue	936,637	1,099,710
COST AND OPERATING EXPENSES		
Cost of encryption products sold	40,384	84,881
Cost of display engineering services	18,200	-
Research and development expenses	2,532,922	3,374,270
Selling, general and administrative expenses	2,295,653	3,052,585
Total cost and operating expenses	4,887,159	6,511,736
LOSS FROM OPERATIONS	(3,950,522)	(5,412,026)
DIVIDEND INCOME	29,468	130,887
INTEREST INCOME	16,429	25,297
NET LOSS	$ (3,904,625)	$ (5,255,842)
PER SHARE INFORMATION:		
Net loss per share:		
Basic and Diluted	$ (0.03)	$ (0.04)
Weighted average shares used in computing net loss per share:		
Basic and Diluted	137,191,065	128,798,027

The accompanying notes are an integral part of these condensed consolidated financial statements.
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COPYTELE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

<S> <C>	For the Three Months Ended July 31, 2009 <C>	2008 <C>
NET REVENUE		
Revenue from sales of encryption products, net	$ 49,765	$ 112,130
Revenue from display engineering services, net	-	-
Display technology license fee	250,000	770,000
Total net revenue	299,765	882,130
COST AND OPERATING EXPENSES		
Cost of encryption products sold	34,866	34,711
Cost of display engineering services	-	-
Research and development expenses	649,092	930,266
Selling, general and administrative expenses	806,108	658,535
Total cost and operating expenses	1,490,066	1,623,512
LOSS FROM OPERATIONS	(1,190,301)	(741,382)

DIVIDEND INCOME	-	-
INTEREST INCOME	4,537	12,216
NET LOSS	$ (1,185,764)	$ (729,166)
PER SHARE INFORMATION:		
Net loss per share:		
Basic and Diluted	$ (0.01)	$ (0.01)
Weighted average shares used in computing net loss per share:		
Basic and Diluted	140,425,848	130,406,487

The accompanying notes are an integral part of these condensed consolidated financial statements.
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COPYTELE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE NINE MONTHS JULY 31, 2009 (UNAUDITED)

	Common Stock		Additional	Loan Receivable		Accumulated Other	Total
	Shares	Par Value	Paid-in Capital	From Related Party	Accumulated Deficit	Comprehensive Loss	Shareholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
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	-	-	660,152	-	-	-	660,152
Stock option compensation to consultants	-	-	9,918	-	-	-	9,918
Common stock issued upon exercise of stock options under stock option plans	4,150,000	41,500	1,206,600	-	-	-	1,248,100
Common stock issued to employees pursuant to stock incentive plans	5,017,790	50,178	1,570,745	-	-	-	1,620,923
Common stock issued to consultants pursuant to stock incentive plans	152,325	1,523	45,450	-	-	-	46,973
Unrealized gain on investment in Videocon Industries Limited global depository receipts	-	-	-	-	-	2,034,349	2,034,349
Unrealized (loss) on investment in Digital Info Security Co., Inc.	-	-	-	-	-	(580,760)	(580,760)
Net loss	-	-	-	-	(3,904,625)	-	(3,904,625)
BALANCE, July 31, 2009	141,817,996	$1,418,180	$112,841,759	$(5,000,000)	$(95,692,966)	$(10,701,666)	$ 2,865,307

The accompanying notes are an integral part of these condensed consolidated financial statements.
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COPYTELE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended July 31,	
	2009	2008
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to suppliers, employees and consultants	$ (2,387,870)	$ (2,545,210)
Cash received from encryption and display products and services	111,835	122,310
Cash received from display technology license fees	250,000	2,000,000
Dividend received	29,468	130,887
Interest received	17,663	25,297
Net cash used in operating activities	(1,978,904)	(266,716)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements to acquire Videocon Industries Limited global depository receipts	-	(16,200,000)
Disbursements to acquire long-term investments (U.S. government securities)	-	(999,538)
Disbursements to acquire short-term investments (certificates of deposit And U.S. government securities)	(899,866)	(1,881,321)
Proceeds from maturities of short-term investments (certificates of deposit		

And U.S. government securities)	1,443,000	841,000
Proceeds from sale of Digital Info Security Co., Inc. common stock	31,838	-
Payments for purchases of property and equipment	(1,935)	(12,354)
Net cash provided by (used in) investing activities	573,037	(18,252,213)
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	1,248,100	2,107,305
Net cash provided by financing activities	1,248,100	18,307,305
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(157,767)	(211,624)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	478,599	669,141
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 320,832	$ 457,517
RECONCILIATION OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net loss	$ (3,904,625)	$ (5,255,842)
Stock option compensation to employees	660,152	2,388,387
Stock option compensation to consultants	9,918	213,588
Stock awards granted to employees pursuant to stock incentive plans	1,620,923	1,437,284
Stock awards granted to consultants pursuant to stock incentive plans	46,973	92,363
Provision for doubtful accounts	103,000	120,000
Provision for (recovery of) slow moving inventory reserve	14,482	(16,440)
Depreciation and amortization	8,094	7,809
Amortized discount on investments (U.S. government securities)	(690)	-
Loss on sale of Digital Info Security Co., Inc. common stock	9,202	-
Change in operating assets and liabilities:		
Accounts receivable	(12,090)	(207,400)
Inventories	25,185	23,062
Prepaid expenses and other current assets	(3,848)	14,936
Accounts payable and accrued liabilities	(242,248)	(314,463)
Deferred revenue	(313,332)	1,230,000
Net cash used in operating activities	$ (1,978,904)	$ (266,716)

The accompanying notes are an integral part of these condensed consolidated financial 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, the development of thin, flat, low-power passive display technology and the development, production and marketing of multi-functional encryption products that provide information security for domestic and international users over virtually every communications media.

The condensed consolidated financial statements are unaudited, and have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial reporting, and with the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. The information contained herein is for the nine-month and three-month periods ended July 31, 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 July 31, 2009, CopyTele Marketing was inactive. All significant intercompany transactions have been eliminated in consolidation. In preparing these condensed consolidated financial statements, we have evaluated

events and transactions for potential recognition or disclosure through September 9, 2009, the date the condensed consolidated financial statements were issued.

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 consolidated 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 consolidated financial statements.

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.

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 values 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 July 31, 2009, our Level 1 financial assets consist of the following:

	Fair Value as of July 31, 2009
Money market funds - Cash and cash equivalents	$ 45,934
U.S. government securities - Short-term investments	1,649,751
Videocon Industries Limited global depository receipts	5,654,294
Digital Info Security Co. Inc. common stock	220,000

The adoption of SFAS No. 157 did not have a material effect on our condensed consolidated financial statements. In February 2007, The FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS No. 159"), to permit all entities to choose to elect, at specified election dates, to measure eligible financial instruments at fair value. An entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date, and recognize upfront costs and fees to those items in earnings as

incurred and not deferred. SFAS No. 159 became effective for us as of November 1, 2008. As we did not elect the fair value option for our financial instruments, the adoption of this standard did not have an impact on our condensed consolidated financial statements.

Funding and Management's Plans

From our inception, we have met our liquidity and capital expenditure needs primarily through the proceeds from sales of common stock in our initial public offering, in private placements, upon exercise of warrants issued in connection with the private placements and initial 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 nine months ended July 31, 2009, our cash used in operating activities was approximately $1,979,000. This resulted from payments to suppliers, employees and consultants of approximately $2,388,000, which was offset by cash of approximately $112,000 received from collections of accounts receivable related to sales of encryption products and display technology

engineering services, $250,000 received from display technology licensing fee, approximately $18,000 of interest income and approximately $29,000 of dividend income received. Our cash provided by investing activities during the nine months ended July 31, 2009 was approximately $573,000, 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 $32,000 received upon the sale of Digital Info Security Co. Inc. common stock, offset by a purchase of short-term U.S. government securities of approximately $900,000 and purchases of approximately $2,000 of equipment. Our cash provided by financing activities during the nine months ended July 31, 2009 was approximately $1,248,000, which resulted from cash received upon the exercise of stock options. Accordingly, during the nine-months ended July 31, 2009, our cash and cash equivalents decreased by approximately $158,000 and our short-term and non-current investments in certificates of deposit and U.S. government securities decreased by approximately $542,000. As a result, our cash, cash equivalents, and investments in certificates of deposit and U.S. government securities at July 31, 2009 decreased to approximately $1,971,000 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 nine-month periods ended July 31, 2009 and 2008 was approximately $2,811,000 and $4,340,000, respectively, and for the three-month periods ended July 31, 2009 and 2008 was approximately $889,000 and $1,053,000, respectively. During the nine-month ended July 31, 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 nine-month periods ended July 31, 2009 and 2008 of approximately $1,621,000 and $1,437,000, respectively, and for the three-month periods ended July 31, 2009 and 2008 of approximately $449,000 and $396,000, respectively, for shares of common stock issued to employees. We recorded stock-based compensation expense for the nine-month periods ended July 31, 2009 and 2008 of approximately $660,000 and $2,388,000, respectively, and for the three-month periods ended July 31, 2009

and 2008 of approximately $259,000 and $479,000, 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.

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 expect to receive a license fee of $11 million from Videocon, payable in installments over a 27 month period, which commenced in May 2008, and an agreed upon royalty from Videocon based on display sales by Videocon. In April 2008, the government of India approved the License Agreement. As of July 31, 2009, we have received aggregate license fee payments of $2,500,000.

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 to continue to produce various configurations of our display matrix to optimize its performance. 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 two other versions 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.

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 July 31, 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 to 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, which was recognized as license fee revenue during the three months ended July 31, 2009. In August 2009, we received an additional license fee payment from Videocon of $100,000, which was due during the quarter ended July 31, 2009 pursuant to the modified payment terms. However, the total license fee of $11 million remains payable over the 27 month period, which commenced in May 2008,

and Videocon's obligations with respect to production, and CopyTele's assistance, under the License Agreement remain unaffected.

Subsequent Events

In August 2009, we entered into a development agreement with a U.S. company to provide engineering and implementation support for the development of our patented extremely low power passive monochrome or color display for use in portable devices. This company has experience in the field involving portions of our display technology. Our proprietary extremely low power display that we are developing, in conjunction with the U.S. company, incorporates a new micro-matrix substrate. The display is designed to have bi-stability capability, and uses low power when an image is being created. Once an image is created, power consumption is negligible. The display is expected to have both monochrome and or color capability, and operate over wide temperature and environmental conditions. The display utilizes a single substrate so that it can be extremely thin, rugged and low weight. This display can be made any size, is expected to be low cost, and is especially suitable for portable devices, such as, cell phones, I-phones, and e-books, and other potential portable devices.

With the arrival of the rapidly expanding digital book and news media applications, in August 2009 we entered into an Engagement Agreement with ZQX Advisors, LLC ("ZQX") to assist us in seeking business opportunities and licenses for our electrophoretic display technology (E-Paper(R)). ZQX has an experienced business and legal team to assist us in this area. Concurrently with entering into the Engagement Agreement, we acquired a 19.5% interest in ZQX in exchange for 800,000 unregistered shares of our common stock and warrants to purchase an additional 500,000 unregistered shares, of which warrants to purchase 250,000 shares are exercisable at $0.37 per share and warrants to purchase 250,000 shares are exercisable at $0.555 per share. The warrants expire in August 2019.

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 $660,000, and $2,388,000 during the nine-month periods ended July 31, 2009 and 2008, respectively, and of approximately $259,000 and $479,000 during the three-month periods ended July 31, 2009 and 2008, respectively, in accordance with SFAS No. 123R. Such compensation expense is included in the accompanying condensed consolidated statements of operations in either research and development expenses or selling, general and administrative expenses, as applicable based on the functions performed by such employees and directors. Such stock-based compensation expense

increased both basic and diluted net loss per share for the nine-month periods ended July 31, 2009 and 2008 by $0.00 and $0.02, respectively and for the three-month periods ended July 31, 2009 and 2008 by $0.00 and $0.00, respectively.

Included in the stock-based compensation cost related to stock options granted to employees and directors recorded during the nine-months periods ended July 31, 2009 and 2008 was approximately $32,000, and $-0-, respectively, and during the three-month periods ended July 31, 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 July 31, 2009, there was approximately $2,000 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 stock options granted to non-employee consultants, during the nine-months periods ended July 31, 2009, and 2008, of

approximately $10,000, and $214,000, respectively, and during the three-month periods ended July 31, 2009 and 2008, of approximately $3,000 and $3,000, respectively. Such consulting expense is included in the accompanying condensed consolidated statements of operations in either research and development expenses or selling, general and administrative expenses, as applicable based on the functions performed by such consultants. As of July 31, 2009, there was approximately $3,000 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 nine months ended July 31, 2009 consisted of awards of stock options with 10-year terms which vested immediately. Stock options granted during the nine months ended July 31, 2008 consisted of awards of stock 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:

	For the Nine Months Ended July 31,		For the Three Months Ended July 31,	
	2009	2008	2009	2008
Expected term (in years)	2.0	3.5	1.9	2.4
Volatility	103%	91%	110%	86%
Risk-free interest rate	.87%	3.25%	.94%	2.58%
Dividend yield	0	0	0	0
Weighted average fair value at grant date	$0.15	$0.56	$0.17	$0.34

The expected term of stock options represents the weighted average period the stock options are expected to remain outstanding. Because our stock options are "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 stock options that have been settled, and a uniform distribution assumption for the stock options still outstanding. Under SAB 107, stock 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 stock 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 stock 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 stock options. We have adopted SAB 110 and continued to use a modified version of the simplified method to estimate the expected term for stock options granted after December 2007, as adequate historical experience is not available to provide a reasonable estimate of the expected term for the stock options still outstanding. We intend to continue applying a modified version of the simplified method until enough historical experience is readily available to provide a reasonable estimate of the expected term for employee stock 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 stock 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. 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

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During the nine-month periods ended July 31, 2009 and 2008, we granted stock options to purchase 4,160,000 shares and 5,005,000 shares, respectively,

to employees, non-employee directors and consultants of common stock at weighted average exercise prices of $.30 and $0.92 per share, respectively, pursuant to the CopyTele, Inc. 2003 Share Incentive Plan (the "2003 Share Plan"). During the nine-month periods ended July 31, 2009 and 2008, stock options to purchase 4,150,000 shares and 2,679,200 shares, respectively, of common stock were exercised with aggregate proceeds of approximately $1,248,000 and $2,107,000, respectively.

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

As of July 31, 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 stock options. Information regarding the 1993 Plan for the nine months ended July 31, 2009 is as follows:

<TABLE>
<CAPTION>

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

</TABLE>

The following table summarizes information about stock options outstanding under the 1993 Plan as of July 31, 2009:

Stock Options Outstanding and Exercisable

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
$0.84 to $1.00	575,000	0.30	$0.99
$1.13 to $1.56	111,000	0.80	$1.49

The exercise price with respect to all of the stock 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 stock option; however, the purchase price of shares issuable upon the exercise of incentive stock options will not be less than the fair market value of such shares at the date of grant and incentive stock options will not be exercisable for more than 10 years.

Information regarding the 2000 Share Plan for the nine months ended July 31, 2009 is as follows:

<TABLE>
<CAPTION>

	Shares	Current Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
<S>	<C>	<C>	<C>
Shares Under Option at October 31, 2008	1,772,466	$0.79	
Exercised	-	$-0-	

Shares Under Option and Exercisable at July 31, 2009	1,772,466	$0.79	$-0-

</TABLE>

The following table summarizes information about stock options outstanding under the 2000 Share Plan as of July 31, 2009:

Stock Options Outstanding and Exercisable

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
$0.40	445,000	2.14	$0.40
$0.69	505,466	1.42	$0.69
$0.94 - $1.09	822,000	1.17	$1.06

The exercise price with respect to all of the stock options granted under the 2000 Share Plan since its inception was equal to the fair market value of the underlying common stock at the grant date. As of July 31, 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 stock option.

Information regarding the 2003 Share Plan for the nine months ended July 31, 2009 is as follows:
<TABLE>
<CAPTION>

<S>	Shares <C>	Current Weighted Average Exercise Price Per Share <C>	Aggregate Intrinsic Value <C>
Shares Under Option at October 31, 2008	17,217,045	$0.79	
Granted	4,160,000	$0.30	
Exercised	(4,150,000)	$0.30	
Cancelled	(1,200,000)	$0.91	
Shares Under Option at July 31, 2009	16,027,045	$0.78	$62,400
Options Exercisable at July 31, 2009	15,917,045	$0.78	$62,400

</TABLE>

The following table summarizes information about stock options outstanding under the 2003 Share Plan as of July 31, 2009:
<TABLE>
<CAPTION>

	Stock Options Outstanding			Stock Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
$0.25 - $0.65	5,005,970	5.40	$0.54	5,005,970	5.40	$0.54
$0.70 - $0.84	5,251,075	7.13	$0.79	5,141,075	7.16	$0.79
$0.86 - $1.46	5,770,000	6.46	$0.99	5,770,000	6.46	$0.99

</TABLE>

The exercise price with respect to all of the stock options granted under the 2003 Share Plan since its inception was equal to the fair market value of the underlying common stock at the grant date. As of July 31, 2009, 9,302,606 shares were available for future grants under the 2003 Share Plan.

Stock Grants

We account for stock grants to employees and consultants based on their grant date fair value. During the nine-month periods ended July 31, 2009 and 2008, we issued 5,017,790 shares and 1,453,060 shares, respectively, of common

stock to certain employees for services rendered, principally in lieu of cash compensation, pursuant to the 2003 Share Plan. We recorded compensation expense

for the nine-month periods ended July 31, 2009 and 2008, of approximately $1,621,000 and $1,437,000, respectively, and for the three-month periods ended July 31, 2009 and 2008, of approximately $449,000 and $396,000, respectively, for the shares of common stock issued to employees. In addition, during the nine-month periods ended July 31, 2009 and 2008, we issued 152,325 shares and 85,171 shares, respectively, of common stock to consultants for services rendered pursuant to the 2003 Share Plan. We recorded consulting expense for the nine-month periods ended July 31, 2009 and 2008 of approximately $47,000 and $92,000, respectively, and for the three-month periods ended July 31, 2009 and 2008 of approximately $12,000 and $17,000, 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 nine months ended July 31, 2009, one customer in the Display Technology Segment represented 87% of total net revenue. During the nine months ended July 31, 2008, one customer in the Display Technology Segment represented 70% of total net revenue and one customer in the Encryption Products and Services Segment represented 19% of total net revenue. At July 31, 2009, one customer in the Encryption Products and Services Segment represented 100% of net accounts receivable and at October 31, 2008, one customer in the Encryption Products and Services Segment represented 100% of net accounts receivable.

4. 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 nine months ended July 31, 2009, we sold 1,200,000 shares of DISC's common stock for approximately $32,000 and recorded a loss on such sale of approximately $9,000. As of July 31, 2009, we held 11,000,000 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 July 31, 2009 we held approximately 10% of the outstanding common stock of DISC.

5. FINANCIAL INSTRUMENTS

Short-term Investments and Investments in U.S. Government Securities

At July 31, 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:

	July 31, 2009	October 31, 2008
Current:		
U.S. Government securities	$ 1,649,751	$ 999,484
Certificates of deposit	-	443,000
Total current held-to-maturity securities	$ 1,649,751	$ 1,442,484
Noncurrent:		
U.S. Government securities	$ -	$ 749,711
Total noncurrent held-to-maturity securities	$ -	$ 749,711
Total held-to-maturity securities	$ 1,649,751	$ 2,192,195

At July 31, 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 July 31, 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.

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 July 31, 2009 and October 31, 2008, are as follows:

	July 31, 2009	October 31, 2008
Cost	$16,200,000	$16,200,000
Unrealized loss	(10,545,706)	(12,580,055)
Fair Value	$ 5,654,294	$ 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 nine-months ended July 31, 2009. The unrealized loss recognized during the nine-months ended July 31, 2009 is reflected in accumulated other comprehensive loss in the accompanying condensed consolidated statement of shareholders' equity.

Investment in 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 July 31, 2009 and October 31, 2008, are as follows:

	July 31, 2009	October 31, 2008
Cost	$ 375,960	$ 417,000
Unrealized (loss) gain	(155,960)	424,800
Fair Value	$ 220,000	$ 841,800

6. INVENTORIES

Inventories consist of the following as of:

	July 31, 2009	October 31, 2008
Component parts	$ 46,793	$ 67,853
Work-in-process	5,207	5,079
Finished products	86,477	105,212
	$ 138,477	$ 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 nine- month and three-month periods ended July 31, 2009 and 2008, were stock options to purchase 18,485,511 shares and 19,708,511 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 September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"), to clarify the definition of fair value, establish a framework for measuring fair value and expand the disclosures about fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exact price). SFAS No. 157 also stipulates that, as a market-based measurement, fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability, and establishes a fair value hierarchy that distinguishes between (a) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (b) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 157 did not have a material effect on our consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 157-2, "Effective Date of FASB Statement No. 157" ("FSP No. FAS 157-2") This FSP permits a one-year deferral of application of SFAS No. 157 for non financial assets and liabilities measured at fair value on a non-recurring basis. The

adoption of FSP No. FAS 157-2 is not expected to have a material effect on our consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significant Decreased and Identifying Transactions That Are Not Orderly" ("FSP No. FAS 157-4"). This FSP provides additional guidance for estimating fair value in accordance with SFAS No. 157 when there has been a significant decrease in market activity for a financial asset. An entity is required to base its conclusion about whether a transaction was distressed on the weight of the evidence presented. This FSP also re-affirms that the objective of fair value, when the market for an asset is not active, is the price that would be received to sell the asset in an orderly market (as opposed to a distressed or forced transaction). Additional enhanced disclosures are also required in accordance with this FSP. FSP No. FAS 157-4 must be applied prospectively and is effective for interim and annual periods ending after June 15, 2009. The adoption of FSP No. FAS 157-4 did not have a material effect on our consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP No. FAS 107-1 and APB 28-1"), principally to require publicly traded companies to provide disclosures about fair value of financial instruments in interim financial information. This guidance is effective for interim and annual periods ending after June 15, 2009. The adoption of FSP No. FAS 107-1 and APB 28-1 did not have a material effect on our consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Investments" (FSP No. 115-2 and FSP 124-2"). FSP No. FAS 115-23 and FSP 124-2 amends the other-than-temporary impairment guidance for debt securities. Under FSP No. FAS 115-2 and FAS 124-2, the pre-existing "intent and ability" trigger was modified such that an other-than-temporary impairment is now trigged when there is intent to sell the security, it is more likely than not that the security will be required to be sold before recovery in value, or the security is not expected to recover the entire amortized cost basis of the security ("credit related loss"). Credit related losses on debt securities will be considered an other-than-temporary impairment recognized in earnings, and any other losses due

to a decline in fair value relative to the amortized cost deemed not to be other-than-temporary will be recorded in other comprehensive income. FSP No. FAS 115-2 and 124-2 is effective for interim and annual periods ending after June 15, 2009. The adoption of FSP No. FAS 115-2 and 124-2 did not 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 did not have a material effect on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, "FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles." This standard replaces SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles," and establishes only two levels of U.S. generally

accepted accounting principles (GAAP): authoritative and non-authoritative. The FASB Accounting Standards Codification (the Codification) will become the source of authoritative, nongovernmental GAAP for Securities and Exchange Commission ("SEC") registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative. This Standard is effective for financial statements for interim or annual reporting ending after September 15, 2009. As the Codification was not intended to change or alter existing GAAP, it will not have any 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 condensed consolidated financial statements.

10. SEGMENT INFORMATION

We follow the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"). Reportable operating segments are determined based on management's approach. The management approach, as defined by SFAS No. 131, is based on the way that the chief operating decision-maker organizes the segments within an enterprise for making operating decisions and assessing performance. While our results of operations are primarily reviewed on a consolidated basis, the chief operating decision-maker also manages the enterprise in two segments: (i) Display Technology and (ii) Encryption Products and Services. The following represents selected financial information for our segments for the nine-month and three-month periods ended July 31, 2009 and 2008:

<TABLE>
<CAPTION>

Segment Data	Display Technology	Encryption Products and Services	Total
<S>	<C>	<C>	<C>
Nine Months Ended July 31, 2009:			
Net revenue	$ 865,332	$ 71,305	$ 936,637
Net loss	(1,476,301)	(2,428,324)	(3,904,625)
Nine Months Ended July 31, 2008:			
Net revenue	$ 770,000	$ 329,710	$ 1,099,710
Net loss	(2,620,384)	(2,635,458)	(5,255,842)

</TABLE>

<TABLE>
<CAPTION>

Segment Data	Display Technology	Encryption Products and Services	Total
<S>	<C>	<C>	<C>
Three Months Ended July 31, 2009:			
Net revenue	$ 250,000	$ 49,765	$ 299,765
Net loss	(472,659)	(713,105)	(1,185,764)
Three Months Ended July 31, 2008:			
Net revenue	$ 770,000	$ 112,130	$ 882,130
Net loss	(69,161)	(660,005)	(729,166)

</TABLE>

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

GENERAL

Our principal operations are the development, production and marketing of thin, flat, low-voltage phosphor display technology, the development of thin, flat, low-power passive 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 expect to receive a license fee of $11 million from Videocon, payable in installments over a 27 month period, which commenced in May 2008, and an agreed upon royalty from Videocon based on display sales by Videocon. In April 2008, the government of India approved the License Agreement. As of July 31, 2009, we have received aggregate license fee payments of $2,500,000.

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 various configurations of our display matrix to optimize its performance. 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 two other versions of our display technology. Improvements to the technology are to be jointly owned by CopyTele and Videocon.

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 twelve years ("Volga"), and an Asian company that CopyTele has been working with for more than six 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 display technology includes a proprietary mixture of specially

coated carbon nanotubes and nano materials in combination with our proprietary low voltage color phosphors. The specially coated carbon nanotubes, which are supplied to us by a U.S. company, and nano materials, 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 extremely close from the pixels. The matrix also has a high pixel field factor to obtain high contrast and low power consumption. As a result, each pixel phosphor brightness is controlled using less than 40 volts. The carbon nanotubes and proprietary color phosphors are precisely placed and separated utilizing our proprietary nanotube and phosphor deposition technology. We have developed a process of maintaining uniform carbon nanotube deposition independent of phosphor deposition. We have also developed a method of enhancing nanotube electron emission to increase the brightness of this type of display.

Some other characteristics of our display technology are as follows:

- We have developed a proprietary system which allows us to evacuate our display; to rapidly vacuum seal it at a low temperature to accommodate the matrix; and to create lithographic type spacers to assemble our display utilizing only 0.7mm glass.

  We thus obtain a display thickness of approximately 1/16th of an inch, thinner than LCD (liquid crystal) and PDP (plasma) displays.
- The display matrix, phosphor excitation system, and drivers are all on one substrate.
- Our display is able to select and change the brightness of each individual pixel, requiring less than 40 volts on each pixel phosphor to change the brightness from black to white. This compares to thousands of volts required for other video phosphor based displays, which leads to inherent breakdowns and short life.
- Our display has no backlight. Because power is only consumed when a pixel is turned on, low power is needed to activate the whole display. The display requires less power than an LCD. This lower power consumption could potentially allow use of rechargeable batteries to operate TV products for wireless applications and extend the battery operation time for portable devices.
- The same basic display technology could potentially be utilized in various size applications, from hand-held to TV size displays.
- Our proprietary matrix structures can be produced by existing mass production TFT (thin film technology) LCD facilities, or portions of these facilities.
- Our display eliminates display flicker.
- Our display has an approximately 1,000 times faster video response time than an LCD, and matches the response time of a cathode ray tube (CRT).
- Our display can be viewed with high contrast over approximately a 180 degree viewing angle, in both the horizontal and vertical directions, which exceeds the viewing angle of LCDs.
- Also like CRTs, our display is capable of operating over a temperature range (-40(degree)C to 85(degree)C) which exceeds the range over which LCDs can operate, especially under cold temperature conditions.

We believe our displays could potentially have a cost similar to a CRT and thus less than current LCD or PDP displays (our display does not contain a backlight, or color filter or polarizer, which represent a substantial portion of the cost of an LCD).

In August 2009, we entered into a development agreement with a U.S. company to provide engineering and implementation support for the development of our patented extremely low power passive monochrome or color display for use in portable devices. This company has experience in the field involving portions of our display technology. Our proprietary extremely low power display that we are developing, in conjunction with the U.S. company, incorporates a new micro-matrix substrate. The display is designed to have bi-stability capability, and uses low power when an image is being created. Once an image is created, power consumption is negligible. The display is expected to have both monochrome and or color capability, and operate over wide temperature and environmental conditions. The display utilizes a single substrate so that it can be extremely thin, rugged and low weight. This display can be made any size, is expected to be low cost, and is especially suitable for portable devices, such as, cell phones, I-phones, and e-books, and other potential portable devices.

With the arrival of the rapidly expanding digital book and news media applications, in August 2009 we entered into an Engagement Agreement with ZQX Advisors, LLC ("ZQX") to assist us in seeking business opportunities and licenses for our electrophoretic display technology (E-Paper(R)). ZQX has an

experienced business and legal team to assist us in this area. Concurrently with entering into the Engagement Agreement, we acquired a 19.5% interest in ZQX in exchange for 800,000 unregistered shares of our common stock and warrants to purchase an additional 500,000 unregistered shares, of which warrants to purchase 250,000 shares are exercisable at $0.37 per share and warrants to purchase 250,000 shares are exercisable at $0.555 per share. The warrants expire in August 2019.

We are continuing to pursue voice, fax and data encryption business over landline and wireless telephone systems and networks. We have sought

encryption opportunities in both the commercial and government security markets.

Our government market is still being primarily handled by The Boeing Company ("Boeing") and its large distributors of the Thuraya satellite phones and services. The Thuraya Satellite Network provides blanket coverage to more than 110 countries in Europe, North, Central Africa and large parts of Southern Africa, the Middle East, Central and South Asia; it has grown as a communications provider due to its geographic coverage, quality of service and cost effective usage.

Our three year agreement with Boeing has continued into fiscal 2009 and expires in May 2010. 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 continuing our consultations 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 continue to seek opportunities to market our products for securing landline and wireless voice and fax communications. Our specific Thuraya products are being evaluated for use by a Middle Eastern government. 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

Our condensed consolidated 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 condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods.

We believe the following critical accounting polices affect the more significant judgments and estimates used in the preparation of our condensed consolidated financial statements. For additional discussion on the application of these and other accounting polices, refer to the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended October 31, 2008.

Revenue Recognition

Revenues are recorded when all four of the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred and

title has transferred or services have been rendered; (iii) our price to the buyer is fixed or determinable; and (iv) collectibility is reasonably assured.

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

We have established objective and reasonable evidence of fair value for the royalty to be earned during the production period based on analysis of the pricing for similar agreements. Accordingly, we have determined that the license fee of $11 million to be paid during the pre-production period and royalties on product sales reflects the established fair value for these deliverables. We will recognize the $11 million license fee over the estimated period that we expect to provide cooperation and assistance during the pre-production period, limiting the revenue recognized on a cumulative basis to the aggregate license fee payments received from Videocon. We will assess at each reporting period the progress and assistance provided and will continue to evaluate the period during which this fee will be recognized. License fee payments received from Videocon which are in excess of the amounts recognized as revenue ($-0- as of July 31, 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 to 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, which was recognized as license fee revenue during the three months ended July 31, 2009. In August 2009, we received an additional license fee payment from Videocon of $100,000, which was due during the quarter ended July 31, 2009 pursuant to the modified payment terms. However, the total license fee of $11 million remains payable over the 27 month period, which commenced in May 2008, and Videocon's obligations with respect to production, and CopyTele's assistance, under the License Agreement remain unaffected.

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

Stock Based Compensation
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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 $660,000 and $2,338,000 during the nine-month periods ended July 31, 2009 and 2008, respectively, and of approximately $259,000 and $479,000 during the three-month periods ended July 31, 2009 and 2008, respectively, in accordance with SFAS 123R. We recognized consulting expense for stock options granted to non-employee consultants, during the nine-months periods ended July 31, 2009, and 2008, of approximately $10,000, and $214,000, respectively, and during the three-month periods ended July 31, 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

Nine months ended July 31, 2009 compared with nine months ended July 31, 2008

Net Revenue

Net revenue decreased by approximately $163,000 in the nine months ended July 31, 2009, to approximately $937,000, as compared to approximately $1,100,000 in the comparable prior-year period. Revenue from display technology license fees related to the License Agreement with Videocon increased by approximately $43,000, to approximately $813,000, as compared to $770,000 in the comparable prior-year period. Revenue during the current period included 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 $259,000 in the nine months ended July 31, 2009, to approximately $71,000, as compared to approximately $330,000 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 $45,000 in the nine months ended July 31, 2009, to approximately $40,000, as compared to approximately $85,000 in the comparable prior-year period. The cost of encryption products sold in the nine months ended July 31, 2009 includes a provision for excess inventory of approximately $20,000. The cost of encryption products shipped in the current period decreased to approximately $20,000, as compared to approximately $85,000 in the comparable prior-year period, due to a decrease in unit shipments of encryption products.

Cost of Display Engineering Services

The cost of display engineering services increased to approximately $18,000 in the nine months ended July 31, 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 $841,000 in the nine months ended July 31, 2009, to approximately $2,533,000, from approximately $3,374,000 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 $1,076,000, which resulted from a decrease in the number of stock options granted and a decrease in the weighed average fair value at grant dates, a decrease in patent-related expenses of approximately $90,000, a decrease in consultant stock option expense of approximately $45,000, offset by an increase in outside research and development expense of approximately $213,000, 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 $119,000, and an increase in travel expense of approximately $56,000.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by approximately $757,000 to approximately $2,296,000 in the nine months ended July 31, 2009, from approximately $3,053,000 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 $652,000, which resulted from a decrease in the number of stock 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 $70,000, a decrease in consultant expense, other than stock option expense, of approximately $49,000, offset by an increase in employee compensation and related costs, other than stock option expense, of

approximately $80,000, and an increase in professional fees of approximately $78,000.

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 nine months ended July 31, 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 $16,000 in the nine months ended July 31, 2009, compared to approximately $25,000 in the comparable prior-year period. The decrease in interest income was primarily the result of a reduction in short term interest rates.

Three months ended July 31, 2009 compared with three months ended July 31, 2008
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Net Revenue

Net revenue decreased by approximately $582,000 in the three months ended July 31, 2009, to approximately $300,000, as compared to approximately $882,000 in the comparable prior-year period. Revenue from display technology license fees related to the License Agreement with Videocon decreased by $520,000, to $250,000, as compared to $770,000 in the comparable prior-year period, due to the timing of payments from Videocon. Revenue from sales of encryption products decreased by approximately $62,000 in the three months ended July 31, 2009, to approximately $50,000, as compared to approximately $112,000 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 was approximately $35,000 in both the three months ended July 31, 2009 and in the comparable prior-year period. The cost of encryption products sold in the three months ended July 31, 2009 includes a provision for excess inventory of approximately $20,000. The cost of

encryption products shipped in the current period decreased to approximately $15,000, as compared to approximately $35,000 in the comparable prior-year period, due to a decrease in unit shipments of encryption products.

Research and Development Expenses

Research and development expenses decreased by approximately $281,000 in the three months ended July 31, 2009, to approximately $649,000, from approximately $930,000 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 $246,000, which resulted from a decrease in the weighed average fair value of stock options at grant dates, a decrease in patent-related expenses of approximately $87,000, offset by an increase in outside research and development expense of approximately $38,000.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately $147,000 to approximately $806,000 in the three months ended July 31, 2009, from approximately $659,000 in the comparable prior-year period. The increase in selling, general and administrative expenses was principally due to an increase in professional fees of approximately $64,000, an increase in the provision for doubtful accounts of $43,000, an increase in employee compensation and related costs, other than stock option expense, of approximately $32,000, an increase in employee stock option compensation expense of approximately $26,000, offset by a decrease in consultant expense of approximately $29,000.

Interest Income

Interest income was approximately $5,000 in the three months ended July 31, 2009, compared to approximately $12,000 in the comparable prior-year period. The decrease in interest income was primarily the result of a reduction in short term 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 initial public offering, and upon the exercise of stock options. In addition, commencing in the fourth quarter of fiscal 1999, we have generated cash flows from sales of our encryption products and in May 2008, we commenced receiving license fees related to our display technology from Videocon pursuant to the License Agreement.

During the nine months ended July 31, 2009, our cash used in operating activities was approximately $1,979,000. This resulted from payments to suppliers, employees and consultants of approximately $2,388,000, which was offset by cash of approximately $112,000 received from collections of accounts receivable related to sales of encryption products and display technology engineering services, $250,000 received from display technology licensing fee, approximately $18,000 of interest income and approximately $29,000 of dividend

income received. Our cash provided by investing activities during the nine months ended July 31, 2009 was approximately $573,000, 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 $32,000 received upon the sale of Digital Info Security Co. Inc. common stock, offset by a purchase of short-term U.S. government securities of approximately $900,000 and purchases of approximately $2,000 of equipment. Our cash provided by financing activities during the nine months ended July 31, 2009 was approximately $1,248,000, which resulted from cash received upon the exercise of stock options. Accordingly, during the nine-months ended July 31, 2009, our cash and cash equivalents decreased by approximately $158,000 and our short-term and non-current investments in certificates of deposit and U.S. government securities decreased by approximately $542,000. As a result, our cash, cash equivalents, and investments in certificates of deposit and U.S. government securities at July 31, 2009 decreased to approximately $1,971,000 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 decreased by approximately $91,000 from $103,000 at the end of fiscal 2008 to approximately $12,000 at July 31, 2009, principally due to a provision for doubtful accounts of $103,000. Inventories decreased by approximately $40,000 from approximately $178,000 at October 31, 2008 to approximately $138,000 at July 31, 2009, primarily as a result of the timing of shipments and production schedules and a provision for excess inventory of approximately $20,000 in the current year. Investment in Videocon is recorded at fair value and increased to approximately $5,654,000 at July 31, 2009 from $3,620,000 at the end of fiscal 2008, as a result of a decrease in unrealized loss of approximately $2,034,000 during the nine months ended July 31, 2009. Investment in DISC is recorded at fair value and decreased to $220,000 at July 31, 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 nine months ended July 31, 2009 and the sale of 1,200,000 shares of DISC common stock with a cost of approximately $41,000. Accounts payable and accrued liabilities decreased by approximately $242,000 from approximately $454,000 at the end of fiscal 2008 to approximately $212,000 at July 31, 2009, as a result the timing of payments and the reversal of certain patent related cost which are no longer an obligation of the Company. Deferred revenue decreased to $-0- at July 31, 2009 from $313,000 at the end of fiscal 2008, as a result of the license fee revenue recognized during the nine months ended July 31, 2009.

Working capital at July 31, 2009 increased to approximately $1,967,000 from approximately $1,489,000 at the end of fiscal 2008. Our working capital includes inventory of approximately $138,000 at July 31, 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 nine-month periods ended July 31, 2009 and 2008 was approximately $2,811,000 and $4,340,000, respectively, and for the three-month periods ended July 31, 2009 and 2008 was approximately $889,000 and $1,053,000, respectively. During the nine-month ended July 31, 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 nine-month periods ended July 31, 2009 and 2008, we issued 5,017,790 shares and 1,453,060 shares, respectively, of common stock to

certain employees for services rendered. We recorded stock-based compensation expense for the nine-month periods ended July 31, 2009 and 2008 of approximately $1,621,000 and $1,437,000, respectively, and for the three-month periods ended July 31, 2009 and 2008 of approximately $449,000 and $396,000, respectively, for shares of common stock issued to employees. We recorded stock-based compensation expense for the nine-month periods ended July 31, 2009 and 2008 of approximately $660,000 and $2,388,000, respectively, and for the three-month periods ended July 31, 2009 and 2008 of approximately $259,000 and $479,000, respectively, related to stock options granted to employees and directors. It is management's intention to continue to compensate employees and directors by issuing stock or stock options.

In addition, during the nine-month periods ended July 31, 2009 and 2008, we issued 152,325 shares and 85,171 shares, respectively, of common stock to non-employee consultants for services rendered. We recorded consulting expense for the nine-month periods ended July 31, 2009 and 2008 of approximately $47,000 and $92,000, respectively, and for the three-month periods ended July 31, 2009 and 2008 of approximately $12,000 and $17,000, 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 nine-month periods ended July 31, 2009 and 2008, of approximately $10,000 and $213,000, respectively, and during the three-month periods ended July 31, 2009 and 2008, of approximately $3,000 and $3,000, respectively. It is also management's intention to continue to compensate consultants by issuing stock or stock options.

During the nine-month periods ended July 31, 2009 and 2008, stock options to purchase 4,150,000 shares and 2,679,200 shares, respectively, of common stock were exercised with aggregate proceeds of approximately $1,248,000 and $2,107,000, respectively.

During the nine months ended July 31, 2008, we issued 20,000,000 shares of our common stock to an affiliate of Videocon for an aggregate purchase price of $16,200,000 and we purchased 1,495,845 Videocon GDRs for an aggregate purchase price of $16,200,000. In April 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, a license fee of $11 million from Videocon is payable in installments over a 27 month period and an agreed upon royalty from Videocon is payable based on display sales by Videocon. During the nine months ended July 31, 2009, we have recognized revenue from sales of encryption products of approximately $71,000, revenue from display technology engineering services of $52,000 and revenue from display technology license fee of approximately $813,000.

The following table presents our expected cash requirements for contractual obligations outstanding as of July 31, 2009:

<TABLE>
<CAPTION>

	Payments Due by Period				
Contractual Obligations	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
<S>	<C>	<C>	<C>	<C>	<C>
Noncancelable Operating Leases	$ 294,000	$404,000	$ -	$ -	$ 698,000
Loan Payable	-	-	-	5,000,000	$ 5,000,000
Total Contractual Cash Obligations	$ 294,000	$404,000	$ -	$ 5,000,000	$ 5,698,000

</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 September 2006, the FASB issued SFAS No. 157, "Fair Value

Measurements" ("SFAS No. 157"), to clarify the definition of fair value, establish a framework for measuring fair value and expand the disclosures about fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exact price). SFAS No. 157 also stipulates that, as a market-based measurement, fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability, and establishes a fair value hierarchy that distinguishes between (a) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (b) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 157 did not have a material effect on our consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 157-2, "Effective Date of FASB Statement No. 157" ("FSP No. FAS 157-2") This FSP permits a one-year deferral of application of SFAS No. 157 for non financial assets and liabilities measured at fair value on a non-recurring basis. The adoption of FSP No. FAS 157-2 is not expected to have a material effect on our consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significant Decreased and Identifying Transactions That Are Not Orderly" ("FSP No. FAS 157-4"). This FSP provides additional guidance for estimating fair value in accordance with SFAS No. 157 when there has been a significant decrease in market activity for a financial asset. An entity is required to base its conclusion about whether a transaction was distressed on the weight of the evidence presented. This FSP also re-affirms that the objective of fair value, when the market for an asset is not active, is the price that would be received to sell the asset in an orderly market (as opposed to a distressed or forced transaction). Additional enhanced disclosures are also required in accordance with this FSP. FSP No. FAS 157-4 must be applied prospectively and is effective for interim and annual periods ending after June 15, 2009. The adoption of FSP No. FAS 157-4 did not have a material effect on our consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP No. FAS 107-1 and APB 28-1"), principally to require publicly traded companies to provide disclosures about fair value of financial instruments in interim financial information. This guidance is effective for interim and annual periods ending

after June 15, 2009. The adoption of FSP No. FAS 107-1 and APB 28-1 did not have a material effect on our consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Investments" (FSP No. 115-2 and FSP 124-2"). FSP No. FAS 115-23 and FSP 124-2 amends the other-than-temporary impairment guidance for debt securities. Under FSP No. FAS 115-2 and FAS 124-2, the pre-existing "intent and ability" trigger was modified such that an other-than-temporary impairment is now trigged when there is intent to sell the security, it is more likely than not that the security will be required to be sold before recovery in value, or the security is not expected to recover the entire amortized cost basis of the security ("credit related loss"). Credit related losses on debt securities will be considered an other-than-temporary impairment recognized in earnings, and any other losses due to a decline in fair value relative to the amortized cost deemed not to be other-than-temporary will be recorded in other comprehensive income. FSP No. FAS 115-2 and 124-2 is effective for interim and annual periods ending after June 15, 2009. The adoption of FSP No. FAS 115-2 and 124-2 did not 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 did not have a material effect on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, "FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles." This standard replaces SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles," and establishes only two levels of U.S. generally accepted accounting principles (GAAP): authoritative and non-authoritative. The FASB Accounting Standards Codification (the Codification) will become the source of authoritative, nongovernmental GAAP for Securities and Exchange Commission ("SEC") registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative. This Standard is effective for financial statements for interim or annual reporting ending after September 15, 2009. As the Codification was not intended to change or alter existing GAAP, it will not have any effect on our consolidated financial statements.

FORWARD-LOOKING STATEMENTS

Information included in this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical facts, but rather reflect our current expectations concerning future events and results. We generally use the words "believes," "expects," "intends,"

"plans," "anticipates," "likely," "will" and similar expressions to identify forward-looking statements. Such forward-looking statements, including those concerning our expectations, involve risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and factors include,

but are not limited to, those factors set forth in Part II, Item 1A - "Risk Factors" below and Note 1 to 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.

As of July 31, 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 July 31, 2009, our investment in Videocon GDRs is recorded at fair value of approximately $5,654,000 including an unrealized loss of approximately $10,546,000 and has exposure to price risk. The fair value of the Videocon GDRs is based on the underlying price of Videocon's equity shares which are traded on stock exchanges in India with prices quoted in rupees. Accordingly, the fair value of the Videocon GDRs is subject to price risk and foreign exchange risk. The potential loss in fair value resulting from a hypothetical 10% adverse change in prices of Videocon equity shares quoted by Indian stock exchanges and in foreign currency exchange rates, as of July 31, 2009 amounts to approximately $565,000.

Our investment in DISC common stock at July 31, 2009 is recorded at fair value $220,000 including an unrealized loss of $156,000 and has exposure to price risk. DISC's common stock is not registered under the Securities Exchange Act of 1934, but is quoted on the Pink Sheets. Accordingly, the fair value of DISC's common stock is subject to price risk. The potential loss in fair value resulting from a hypothetical 10% adverse change in price of this investment, as of July 31, 2009 amounts to approximately $22,000.

Item 4. Controls and Procedures.

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

There was no change in our internal control over financial reporting during the quarter ended July 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors.

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended October 31, 2008.

Item 6. Exhibits.

31.1 Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated September 9, 2009.

31.2 Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated September 9, 2009.

32.1 Statement of Chief Executive Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated September 9, 2009.

32.2 Statement of Chief Financial Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated September 9, 2009.

SIGNATURES

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

COPYTELE, INC.

By: /s/ Denis A. Krusos
Denis A. Krusos
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

September 9, 2009

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

September 9, 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

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

September 9, 2009

Exhibit 31.2

CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

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

/s/ Henry P. Herms

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

September 9, 2009

Exhibit 32.1

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

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

1. The Company's Form 10-Q Quarterly Report for the period ended July 31, 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

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

September 9, 2009

Exhibit 32.2

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

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

1. The Company's Form 10-Q Quarterly Report for the period ended July 31, 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

September 9, 2009