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, 2007

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ___ No __X__

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

On September 12, 2007, the registrant had outstanding 105,280,755 shares of Common Stock, par value $.01 per share, which is the registrant's only class of common stock.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

COPYTELE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	(Unaudited) July 31, 2007	October 31, 2006*
CURRENT ASSETS:		
Cash and cash equivalents	$ 652,765	$ 1,281,660
Short-term investments	400,000	38,000
Accounts receivable	60,000	10,165
Inventories	214,489	260,823
Prepaid expenses and other current assets	41,099	32,011
Total current assets	1,368,353	1,622,659
PROPERTY AND EQUIPMENT, net	24,154	23,083
INVESTMENT, at cost	417,000	207,000
OTHER ASSETS	10,887	10,887
	$ 1,820,394	$ 1,863,629

LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 243,927	$ 532,707
Accrued liabilities	76,416	49,081
Total current liabilities	320,343	581,788

SHAREHOLDERS' EQUITY:		
Preferred stock, par value $100 per share; 500,000 shares authorized; no shares issued or outstanding	-	-
Common stock, par value $.01 per share; 240,000,000 shares authorized; 104,913,375 and 99,260,395 shares issued and outstanding, respectively	1,049,134	992,604
Additional paid-in capital	85,220,287	80,797,756
Accumulated deficit	(84,769,370)	(80,508,519)
	1,500,051	1,281,841
	$ 1,820,394	$ 1,863,629

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

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

COPYTELE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the Nine Months Ended July 31,	
	2007	2006
NET SALES	$ 341,177	$ 397,773
COST OF SALES	113,765	120,558
Gross profit	227,412	277,215
OPERATING EXPENSES		
Research and development expenses	2,589,936	3,582,867
Selling, general and administrative expenses	1,923,448	2,514,218
Total operating expenses	4,513,384	6,097,085
LOSS FROM OPERATIONS	(4,285,972)	(5,819,870)
INTEREST INCOME	25,121	20,159
NET LOSS	$ (4,260,851)	$ (5,799,711)
PER SHARE INFORMATION:		
Net loss per share:		
Basic and Diluted	$ (0.04)	$ (0.06)
Shares used in computing net loss per share:		
Basic and Diluted	102,422,570	94,551,079

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

COPYTELE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the Three Months Ended July 31,	
	2007	2006
NET SALES	$ 114,000	$ 130,845
COST OF SALES	36,962	39,245
Gross profit	77,038	91,600
OPERATING EXPENSES		
Research and development expenses	670,722	1,312,472
Selling, general and administrative expenses	469,089	933,854
Total operating expenses	1,139,811	2,246,326
LOSS FROM OPERATIONS	(1,062,773)	(2,154,726)
INTEREST INCOME	7,252	7,451
NET LOSS	$ (1,055,521)	$ (2,147,275)
PER SHARE INFORMATION:		
Net loss per share:		
Basic and Diluted	$ (0.01)	$ (0.02)
Shares used in computing net loss per share:		
Basic and Diluted	104,121,311	95,985,622

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

COPYTELE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended July 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to suppliers, employees and consultants	$ (2,182,027)	$ (1,920,582)
Cash received from customers	291,342	404,123
Interest received	25,121	20,159
Net cash used in operating activities	(1,865,564)	(1,496,300)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of short-term investments (certificates of deposit)	463,000	400,776
Disbursements to acquire short-term investments (certificates of deposit)	(825,000)	(398,000)
Disbursements to acquire Digital Info Security Co., Inc. common stock	-	(110,000)
Payments for purchases of property and equipment	(8,781)	(10,226)

Net cash used in investing activities	(370,781)	(117,450)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	1,607,450	1,718,499
Net cash provided by financing activities	1,607,450	1,718,499
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(628,895)	104,749
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,281,660	506,517
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 652,765	$ 611,266
RECONCILIATION OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net loss	$ (4,260,851)	$ (5,799,711)
Stock option compensation to employees	1,074,504	2,469,563
Stock option compensation to consultants	-	119,262
Stock awards granted to employees and consultants pursuant to stock incentive plans	1,587,108	1,586,647
Provision for doubtful accounts and other receivables	-	18,287
Depreciation and amortization	7,709	11,616
Change in operating assets and liabilities:		
Accounts receivable	(49,835)	12,637
Inventories	46,334	103,889
Prepaid expenses and other current assets	(9,088)	44,062
Other assets	-	(6,287)
Accounts payable and accrued liabilities	(261,445)	(56,265)
Net cash used in operating activities	$ (1,865,564)	$ (1,496,300)
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Unregistered common stock issued in connection with investment in Digital Info Security Co., Inc.	$ 210,000	$ 97,000

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

COPYTELE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. BUSINESS AND FUNDING

Description of Business and Basis of Presentation

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

The condensed consolidated financial statements are unaudited, and have been prepared in accordance with accounting principles generally accepted in the

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

The condensed consolidated financial statements include the accounts of CopyTele, Inc. and its wholly owned subsidiary, CopyTele International, Ltd. CopyTele International, Ltd. was incorporated in the British Virgin Islands on July 12, 2007, and as of July 31, 2007 was inactive. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

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

During the nine months ended July 31, 2007, our cash used in operating activities was approximately $1,866,000. This resulted from payments to suppliers, employees and consultants of approximately $2,182,000, which was offset by cash of approximately $291,000 received from collections of accounts receivable related to sales of encryption products and services, and approximately $25,000 of interest income received. Our cash used in investing activities during the nine months ended July 31, 2007 was approximately $371,000, which resulted from purchases of short-term investments consisting of certificates of deposit of approximately $825,000 and purchases of approximately $9,000 of equipment, offset by approximately $463,000 received upon maturities of short-term investments consisting of certificates of deposit. Our cash provided by financing activities during the nine months ended July 31, 2007 of approximately $1,607,000 resulted from cash received upon the exercise of stock options. Accordingly, during the nine months ended July 31, 2007, our cash and cash equivalents decreased by approximately $629,000 and our short-term investments increased by approximately $362,000. As a result, our cash, cash equivalents, and short-term investments, at July 31, 2007 decreased to approximately $1,053,000 from approximately $1,320,000 at the end of fiscal 2006.

We are seeking to improve our liquidity through increased sales or license of products and technology. In an effort to generate sales, we have marketed our encryption products directly to U.S. and international distributors, dealers and original equipment manufacturers that market our encryption products and to end-users. We have been working with several large organizations to provide them with both our hardware and software encryption solutions for them to evaluate whether the solutions meet their security requirements and have begun supplying several major U.S. companies with our encryption products. We are also continuing to pursue marketing and licensing opportunities for our display technology. As of July 31, 2007, we had not yet recorded any revenue from sales or licensing of our display. During the nine-month period ended July 31, 2007, we recognized revenue from sales of encryption products and services of approximately $341,000.

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

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

2. STOCK-BASED COMPENSATION

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

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

Stock Option Compensation Expense

We recorded stock-based compensation expense related to stock options granted to employees and non-employee directors of approximately $1,075,000 and $2,470,000 for the nine-month periods ended July 31, 2007 and 2006, respectively, and of approximately $88,000 and $952,000 for the three-month periods ended July 31, 2007 and 2006, respectively, in accordance with SFAS No. 123R. Such compensation expense is included in the accompanying condensed statements of operations in either research and development expenses or selling, general and administrative expenses, as applicable based on the functions performed by such employees and directors. Such stock-based compensation expense increased both basic and diluted net loss per share for the nine-month periods ended July 31, 2007 and 2006 by $0.01 and $0.03, respectively, and for the three-month periods ended July 31, 2007 and 2006 by $0.00 and $0.01, respectively.

Expense related to the amortization of compensation cost for stock options granted prior to but not yet vested as of the end of the prior fiscal year, included in the stock-based compensation cost related to stock options granted to employees and directors, was approximately $19,000 and $14,000 for the nine-month periods ended July 31, 2007 and 2006, respectively, and approximately $6,000 and $5,000 for the three-month periods ended July 31, 2007 and 2006, respectively. As of July 31, 2007, there was approximately $6,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements. This unrecognized cost is expected to be fully amortized over the remaining portion of the current fiscal year.

We account for options granted to consultants using the fair value method required by SFAS No. 123R. We recognized consulting expense for options granted to consultants, during the nine-month periods ended July 31, 2007 and 2006, of approximately $-0- and $119,000, respectively, and during the three-month periods ended July 31, 2007 and 2006, of approximately $-0- and $97,000, respectively. Such consulting expense is included in the accompanying condensed statements of operations in either research and development expenses or selling, general and administrative expenses, as applicable based on the functions performed by such consultants.

Fair Value Determination

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

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

	For the Nine Months Ended July 31,		For the Three Months Ended July 31,	
	2007	2006	2007	2006
Expected term (in years)	3.0	3.0	1.5	4.3
Volatility	92%	99%	78%	104%
Risk-free interest rate	4.64%	4.36%	4.87%	4.37%
Dividend yield	0	0	0	0
Weighted average fair value at grant date	$0.37	$0.47	$0.22	$0.55

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

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

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

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

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

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

Stock Option Activity
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During the nine-month periods ended July 31, 2007 and 2006, we granted options to purchase 2,880,000 shares and 5,460,000 shares, respectively, to employees, non-employee directors and consultants of common stock at weighted average exercise prices of $.66 and $.82 per share, respectively, pursuant to the CopyTele, Inc. 2003 Share Incentive Plan (the "2003 Share Plan"). During the nine-month periods ended July 31, 2007 and 2006, stock options to purchase 2,997,230 shares and 2,697,725 shares, respectively, of common stock were exercised with aggregate proceeds of approximately $1,607,000 and $1,718,000, respectively.

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

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

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

Information regarding the 1993 Plan for the nine months ended July 31, 2007 is as follows:

	Shares	Current Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Shares Under Option at October 31, 2006	4,167,000	$3.13	
Expired	(1,553,000)	$4.46	
Shares Under Option and Exercisable at July 31, 2007	2,614,000	$2.33	$-0-

The following table summarizes information about stock options outstanding under the 1993 Plan as of July 31, 2007:
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	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding at 7/31/07	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 7/31/07	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$0.84 to $1.56	784,000	2.29	$1.10	784,000	2.29	$1.10
$2.28	855,000	.95	$2.28	855,000	.95	$2.28
$3.38	975,000	0.28	$3.38	975,000	0.28	$3.38

</TABLE>

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

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

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

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

	Shares	Current Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Shares Under Option at October 31, 2006	2,268,466	$0.80	
Exercised	(66,000)	$0.41	$24,720
Shares Under Option and Exercisable at July 31, 2007	2,202,466	$0.81	$-0-

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

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	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding at 7/31/07	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 7/31/07	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$0.34 - $0.40	465,000	3.97	$0.40	465,000	3.97	$0.40
$0.69	635,466	3.42	$0.69	635,466	3.42	$0.69

$0.94 - $1.09	1,102,000	3.19	$1.06	1,102,000	3.19	$1.06

</TABLE>

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

The 2003 Share Plan provides for the grant of nonqualified stock options, stock appreciation rights, stock awards, performance awards and stock units to key employees and consultants of the Company. The maximum number of shares of common stock available for issuance under the 2003 Share Plan initially was 15,000,000 shares. On October 8, 2004, February 9, 2006 and August 22, 2007, the 2003 Plan was amended by our Board of Directors to increase the maximum number of shares of common stock that may be granted to 30,000,000 shares, 45,000,00 shares and 55,000,000 shares, respectively. Current and future non-employee directors are automatically granted nonqualified stock options to purchase 60,000 shares of common stock upon their initial election to the Board of Directors and at the time of each subsequent annual meeting of our shareholders at which they are elected to the Board of Directors. The 2003 Share Plan was administered by the Stock Option Committee through June 2004 and since that date has been administered by the Board of Directors, which determines the option price, term and provisions of each option.

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

	Shares	Current Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Shares Under Option at October 31, 2006	16,092,475	$0.68	
Granted	2,880,000	$0.66	
Exercised	(2,931,230)	$0.54	$462,285
Shares Under Option at July 31, 2007	16,041,245	$0.70	$-0-
Options Exercisable at July 31, 2007	15,981,245	$0.70	$-0-

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

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	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding at 7/31/07	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 7/31/07	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$0.25 - $0.46	2,505,000	6.02	$0.29	2,505,000	6.02	$0.29
$0.52 - $0.77	6,125,170	7.97	$0.63	6,065,170	8.00	$0.63
$0.81 - $1.07	7,411,075	7.99	$0.91	7,411,075	7.99	$0.91

</TABLE>

The exercise price with respect to all of the options granted under the 2003 Share Plan since its inception was equal to the fair market value of the underlying common stock at the grant date. As of July 31, 2007, 758,027 shares were available for future grants under the 2003 Share Plan.

Stock Grants

We account for stock awards granted to employees and consultants based on their grant date fair value. During the nine-month periods ended July 31, 2007 and 2006, we issued 2,191,730 shares and 1,695,050 shares, respectively, of common stock to certain employees for services rendered, principally in lieu of cash compensation, pursuant to the 2003 Share Plan and the 2000 Share Plan. We recorded compensation expense for the nine-month periods ended July 31, 2007 and 2006 of approximately $1,473,000 and $1,342,000, respectively, and for the three-month periods ended July 31, 2007 and 2006 of approximately $404,000 and $583,000, respectively, for the shares of common stock issued to employees. In addition, during the nine-month periods ended July 31, 2007 and 2006, we issued 164,020 shares and 293,360 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, 2007 and 2006 of approximately $114,000 and $245,000, respectively, and for the three-month periods ended July 31, 2007 and 2006 of approximately $9,000 and $35,000, respectively, for the shares of common stock issued to consultants.

3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject us to concentrations of credit risk consist principally of accounts receivable from sales in the ordinary course of business. Management reviews our accounts receivable and other receivables for potential doubtful accounts and maintains an allowance for estimated uncollectible amounts. Generally, no collateral is received from customers for our accounts receivable. During the nine months ended July 31, 2007, two customers in the Encryption Products and Services Segment represented 53% and 25%, respectively, of total net sales. During the nine months ended July 31, 2006, two customers in the Encryption Products and Services Segment represented 51% and 24%, respectively, of total net sales. At July 31, 2007, one customer in the Encryption Products and Services Segment represented 100% of accounts receivable and at October 31, 2006, two customers in the Encryption Products and Services Segment represented 89% and 11%, respectively, of accounts receivable.

4. SHORT-TERM INVESTMENTS

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

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

On February 13, 2006, we entered into a Software License and Distribution Agreement (the "DISC License Agreement") to license to Digital Info Security Co Inc. ("DISC"), an encryption system that integrates our encryption technology into DISC's e-mail services. The system allows companies to encrypt all e-mail transactions in a manner transparent to the individual user. Concurrently with entering into the DISC License Agreement with DISC, we acquired a minority interest in DISC by exchanging 100,000 unregistered shares of our common stock for 5,000,000 shares of DISC's common stock. On May 17, 2006 and July 14, 2006, we purchased an additional 1,000,000 shares and 1,200,000 shares, respectively, of DISC's common stock for $50,000 and $60,000 in cash, respectively. On November 27, 2006, we acquired an additional 5,000,000 shares of DISC's common stock in exchange for 300,000 unregistered shares of our common stock. Accordingly, as of July 31, 2007, we held 12,200,000 shares of DISC's common stock, all of which were restricted securities. DISC's common stock is not registered under the Securities Exchange Act of 1934, but is quoted on the Pink Sheets.

Our investment in DISC as of July 31, 2007, is recorded in the accompanying condensed balance sheet at cost of $417,000, based on the closing price of our common stock on the dates we acquired DISC common stock in exchange for our common stock, and the price paid for the shares purchased for cash. As of July 31, 2007 we held approximately 13% of the outstanding common stock of DISC. Net sales for the nine-month periods ended July 31, 2007 and 2006 included billings to DISC for engineering services of $180,000 and $95,000 respectively. Net sales for the three-month periods ended July 31, 2007 and 2006 included billings to DISC for engineering services of $60,000 and $45,000, respectively. Accounts receivable at July 31, 2007 include $60,000 from DISC.

6. INVENTORIES

Inventories consist of the following as of:

	July 31, 2007	October 31, 2006
Component parts	$ 113,531	$ 117,040
Work-in-process	26,387	43,135
Finished products	74,571	100,648
	$ 214,489	$ 260,823

7. NET LOSS PER SHARE OF COMMON STOCK

We comply with the provisions of SFAS No. 128, "Earnings Per Share" ("SFAS No. 128"). In accordance with SFAS No. 128, basic net loss per common share ("Basic EPS") is computed by dividing net loss by the weighted average number of common shares outstanding. Diluted net loss per common share ("Diluted EPS") is computed by dividing net loss by the weighted average number of common shares and dilutive common share equivalents and convertible securities then outstanding. Diluted EPS for all periods presented is the same as Basic EPS, as the inclusion of the effect of common stock equivalents then outstanding would be anti-dilutive. For this reason, excluded from the calculation of Diluted EPS for the nine-month and three-month periods ended July 31, 2007 and 2006, were options to purchase 20,857,711 shares and 22,597,941 shares, respectively.

8. EFFECT OF RECENTLY ISSUED PRONOUNCEMENTS

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

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

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

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

9. SEGMENT INFORMATION

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

Segment Data	Flat-Panel Display	Encryption Products and Services	Total
Nine Months Ended July 31, 2007:			
Net sales	$ -	$ 341,177	$ 341,177
Net loss	(2,174,229)	(2,086,622)	(4,260,851)
Nine Months Ended July 31, 2006:			
Net sales	$ -	$ 397,773	$ 397,773
Net loss	(2,772,330)	(3,027,381)	(5,799,711)
Three Months Ended July 31, 2007:			
Net sales	$ -	$ 114,000	$ 114,000
Net loss	(578,123)	(477,398)	(1,055,521)
Three Months Ended July 31, 2006:			
Net sales	$ -	$ 130,845	$ 130,845
Net loss	(1,070,044)	(1,077,231)	(2,147,275)

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

GENERAL

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

We have pioneered the basic development of an innovative new type of flat panel display technology, which improves on our prior display technology. This new proprietary display is a color phosphor based display having a unique low voltage phosphor excitation system. 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. We are now focusing our business discussions with respect to our new type of flat panel display technology with a major consumer electronics company.

This new technology improves on our prior carbon nanotube and proprietary low voltage color phosphor display technology. We have developed various engineering models using such prior technology, which demonstrated the display's ability to show movies from DVD players by controlling the brightness of selected individual pixels. The carbon nanotubes, which are supplied to us by a U.S. company, require a low voltage for electron emission and are extremely small - approximately 10,000 times thinner than the width of a human hair. The 5.5 inch (diagonal) display we developed has 960 x 234 pixels and utilizes a new memory-based active matrix thin film technology with each pixel phosphor activated by electrons emitted by a proprietary carbon nanotube network located approximately 10 microns (1/10th of a human hair) from the pixels. As a result, each pixel phosphor brightness is controlled using a maximum of only 40 volts. The carbon nanotubes and proprietary color phosphors are precisely placed and separated utilizing our proprietary nanotube and phosphor deposition technology. We have developed a process of maintaining uniform carbon nanotube deposition independent of phosphor deposition. We have also developed a method of enhancing nanotube electron emission to increase the brightness of this type of display.

Some other characteristics of our display technology are as follows:

- 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 and PDP (plasma) displays.

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

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

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

- 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 LCD facilities, or portions of these facilities.

- Our display eliminates display flicker.

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

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

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

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

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

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

We have recently entered into a new three year agreement with Boeing, under which Boeing distributes certain of our encryption products. This replaces our prior agreement with Boeing, which had expired. Boeing now distributes 13 of our products, including our DCS-1400D (docker voice encryption device), USS-900T (satellite fax encryption device), USS-900TL (landline to satellite fax encryption device), USS-900WF (satellite and cellular fax encryption device), USS-900WFL (landline to satellite and cellular fax encryption device) and USS-900TC (satellite fax encryption to computer) products, which were specifically designed for the Thuraya network. Boeing sells these products under the brand name of Thuraya. We have also developed for Boeing a voice product to operate over the Thuraya network having a higher level of security.

We are cooperating with Asia Pacific Satellite Industries ("APSI"), the supplier of the next generation voice and data handsets for the Thuraya network, and with Boeing to integrate our encryption solution into APSI's handset. As a first step, we are producing and are selling an interconnect cable incorporating active circuits which provide compatibility between APSI's next generation satellite telephone (the "SO-2510") and our current DCS-1200, DCS-1400 and USS-900T models. This solution has been field tested by APSI and by Boeing over the Thuraya network and is currently being marketed to consumers by Boeing and Thuraya distributors. In addition, the new APSI FDU-3500 docking unit for the SO-2510 phone is now available on the market from APSI. The docking unit allows for outdoor and indoor operation of the satellite phone on the Thuraya network. We are producing and have received orders for the CopyTele PA-3500 and PA-3500T products that allow compatibility between our DCS-1200, DCS-1400 and USS-900T encryption devices and the APSI FDU-3500 docking unit.

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

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

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

Our products provide secure communications with many different satellite phones, including the Thuraya 7100/7101 and SO-2510 handheld terminals ("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 currently advising APSI and Sattrans on their development of new docking units for the Thuraya handsets which will allow greater flexibility and usage of our encryption products.

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

In February 2006, we licensed to Digital Info Security Co Inc. ("DISC"), an encrypted system for e-mail that integrates into DISC's e-mail services. The system, our DCS-2200, allows companies to encrypt all e-mail transactions in a manner transparent to the individual user. DISC is adding our e-mail encryption system to their suite of management products and services, which includes e-mail compliance and archiving, remote backup, recovery, and spam and antivirus protection functions. DISC has recently opened an office in Singapore, which will serve as its headquarters for the Asia-Pacific region, and will purse sales to government entities and other parties in the region. DISC is now marketing this system through presentations to commercial customers directly and through trade shows. These efforts have led to customer commitments.

CopyTele has been working closely with DISC personnel and their potential clients to improve the look and feel of our DCS-2200 system as well as adding new features which make the system even more flexible. The DCS-2200 Encrypting/Decrypting system has been integrated to work with Microsoft Exchange Server email server program. Integrating use with Microsoft Exchange Server, one of the most popular business e-mail systems, allows corporate users an array of features available in the Microsoft platform

The CopyTele DCS-2200 e-mail system consists of an encryption/decryption software module, which is used within Microsoft Outlook(R) to transparently encrypt and decrypt e-mails at the source or destination, and an Encrypting/Decrypting e-mail server program, which receives clear text or encrypted e-mail communication and re-encrypts it for forwarding to the recipient if required. Copies of e-mails can also be archived in accordance with the tracking and monitoring requirements of the Sarbanes-Oxley Act and Gramm-Leach-Bliley Act and monitored for compliance with other regulatory requirements and with corporate e-mail policies. In addition, the system notifies corporate administrators when e-mails violate such requirements or corporate e-mail policies. In furtherance of the relationship between us and DISC, at the time we licensed our technology to DISC, we acquired 5,000,000 shares of DISC's common stock in exchange for 100,000 shares of our common stock. Since then, we have acquired an additional 7,200,000 shares of DISC's common stock, in the aggregate, for cash and an additional 300,000 shares of our common stock. Accordingly, as of July 31, 2007, we held 12,200,000 shares of DISC's common stock, all of which were restricted securities. DISC's common stock is not registered under the Securities Exchange Act of 1934, but is quoted on the Pink Sheets. As of July 31, 2007, we held approximately 13% of the outstanding common stock of DISC.

Our operations and the achievement of our objectives in marketing, production, and research and development are dependent upon an adequate cash flow. Accordingly, in monitoring our financial position and results of operations, particular attention is given to cash and accounts receivable balances and cash flows from operations. Since our initial public offering, our cash flows have been primarily generated through the sales of common stock in private placements and upon exercise of stock options. Since 1999 we have also generated cash flows from sales of our encryption products. During the past year we have continued to direct our encryption marketing efforts to participate in the security opportunities created by the U.S. Department of Homeland Security, the Defense Department, and the enactment of laws such as HIPAA, the Sarbanes-Oxley Act, and Gramm-Leach-Bliley Act, which mandate that government and private sector firms provide higher levels of information privacy and security. We are continuing to pursue marketing and licensing opportunities for our display technology. We anticipate that current cash on hand, cash generated from operations, and cash generated from the exercise of employee options will be adequate to fund our operations at least through the end of the third quarter of fiscal 2008.

CRITICAL ACCOUNTING POLICES

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

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

Revenue Recognition

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

Inventories

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

Stock Based Compensation

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

RESULTS OF OPERATIONS

Nine months ended July 31, 2007 compared with nine months ended July 31, 2006

Net Sales and Gross Profit

Net Sales. Net sales decreased by approximately $57,000 in the nine-month period ended July 31, 2007, to approximately $341,000, as compared to approximately $398,000 in the comparable prior-year period. All revenue during both periods was from encryption products and services. The decrease in net sales resulted from a reduction in unit sales of approximately $142,000, to approximately $161,000, as compared to approximately $303,000 in the comparable prior-year period, offset by an increase in revenue from encryption services of $85,000, to $180,000, as compared to $95,000 in the comparable prior-year period. The revenue from encryption services in the both periods resulted from engineering services billed to DISC. Our encryption sales have been limited and are sensitive to individual large transactions. We believe that changes in sales between periods generally represent the nature of the early stage of our product and sales channel development.

Gross Profit. Gross profit from sales of encryption products and services decreased by approximately $50,000 in the nine-month period ended July 31, 2007, to approximately $227,000, as compared to a gross profit of approximately $277,000 in the comparable prior-year period. The decrease in gross profit is primarily due to the decrease in sales. Gross profit as a percent of net sales in the nine-month period ended July 31, 2007 was approximately 67%, as compared to approximately 70% in the comparable prior-year period. Because of the limited number of transactions during each of the periods, gross profit percentages are sensitive to individual transactions.

Research and Development Expenses

Research and development expenses decreased by approximately $993,000 in the nine-month period ended July 31, 2007, to approximately $2,590,000, from approximately $3,583,000 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 $1,105,000, offset by an increase in employee compensation, other than stock option expense, and related costs of approximately $66,000, primarily resulting from the grant of employee bonuses, and an increase in outside research and development expense of approximately $55,000.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by approximately $591,000 to approximately $1,923,000 in the nine-month period ended July 31, 2007, from approximately $2,514,000 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 $291,000, a decrease in professional fees of approximately $227,000, a decrease in consultant stock option expense of approximately $119,000 and a decrease in advertising expense of approximately $25,000, offset by an increase in employee compensation, other than stock option expense, and related costs of approximately $72,000, primarily resulting from the grant of employee bonuses.

Interest Income

Interest income was approximately $25,000 in the nine-month period ended July 31, 2007, compared to approximately $20,000 in the comparable prior-year period. The increase in interest income was principally the result of an increase prevailing interest rates.

Three months ended July 31, 2007 compared with three months ended July 31, 2006
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Net Sales and Gross Profit

Net Sales. Net sales decreased by approximately $17,000 in the three-month period ended July 31, 2007, to approximately $114,000, as compared to approximately $131,000 in the comparable prior-year period. All revenue during both periods was from encryption products and services. The decrease in net sales resulted from a decrease in unit sales of approximately $32,000, to approximately $54,000, as compared to approximately $86,000 in the comparable prior-year period, offset by an increase in revenue from encryption services of $15,000, to $60,000, as compared to $45,000 in the comparable prior-year period.

The revenue from encryption services in the both periods resulted from engineering services billed to DISC. Our encryption sales have been limited and are sensitive to individual large transactions. We believe that changes in sales between periods generally represent the nature of the early stage of our product and sales channel development.

Gross Profit. Gross profit from sales of encryption products and services decreased by approximately $15,000 in the three-month period ended July 31, 2007, to approximately $77,000, as compared to a gross profit of approximately $92,000 in the comparable prior-year period. The decrease in gross profit is primarily due to the decrease in sales. Gross profit as a percent of net sales in the three-month period ended July 31, 2007 was approximately 68%, as compared to approximately 70% in the comparable prior-year period. Because of the limited number of transactions during each of the periods, gross profit percentages are sensitive to individual transactions.

Research and Development Expenses

Research and development expenses decreased by approximately $641,000 in the three-month period ended July 31, 2007, to approximately $671,000, from approximately $1,312,000 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 $559,000 and a decrease in employee compensation, other than stock option expense, and related costs of approximately $160,000, offset by an increase in outside research and development expense of approximately $76,000.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by approximately $465,000 to approximately $469,000 in the three-month period ended July 31, 2007, from approximately $934,000 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 $305,000, a decrease in consultant stock option expense of approximately $97,000 and a decrease in employee compensation, other than stock option expense, and related costs of approximately $76,000.

Interest Income

Interest income was approximately $7,000 in both of the three-month periods ended July 31, 2007 and 2006.

LIQUIDITY AND CAPITAL RESOURCES

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

During the nine months ended July 31, 2007, our cash used in operating activities was approximately $1,866,000. This resulted from payments to suppliers, employees and consultants of approximately $2,182,000, which was offset by cash of approximately $291,000 received from collections of accounts receivable related to sales of encryption products and services, and approximately $25,000 of interest income received. Our cash used in investing activities during the nine months ended July 31, 2007 was approximately $371,000, which resulted from purchases of short-term investments consisting of certificates of deposit of approximately $825,000 and purchases of approximately $9,000 of equipment, offset by approximately $463,000 received upon maturities of short-term investments consisting of certificates of deposit. Our cash provided by financing activities during the nine months ended July 31, 2007 of approximately $1,607,000 resulted from cash received upon the exercise of stock options. Accordingly, during the nine months ended July 31, 2007, our cash and cash equivalents decreased by approximately $629,000 and our short-term investments increased by approximately $362,000. As a result, our cash, cash equivalents, and short-term investments, at July 31, 2007 decreased to approximately $1,053,000 from approximately $1,320,000 at the end of fiscal 2006.

Accounts receivable increased by approximately $50,000 from approximately $10,000 at the end of fiscal 2006 to approximately $60,000 at July 31, 2007. The increase in accounts receivable is a result of the timing of collections. Inventories decreased approximately $47,000 from approximately $261,000 at October 31, 2006 to approximately $214,000 at July 31, 2007, primarily as a result of the timing of shipments and production schedules. Investment at cost increased to $417,000 at July 31, 2007 compared to $207,000 at October 31, 2006, due to an additional non-cash investment in DISC. Accounts payable and accrued liabilities decreased by approximately $262,000 from approximately $582,000 at the end of fiscal 2006 to approximately $320,000 at July 31, 2007, as a result the timing of payments.

As a result of these changes, working capital at July 31, 2007 increased to approximately $1,048,000 from approximately $1,041,000 at the end of fiscal 2006.

Our working capital includes inventory of approximately $214,000 at July 31, 2007. Management has recorded our inventory at the lower of cost or our current best estimate of net realizable value. To date, sales of our products have been limited. Accordingly, there can be no assurance that we will not be required to reduce the selling price of our inventory below our current carrying value.

During the nine-month periods ended July 31, 2007 and 2006, we issued 2,191,730 shares and 1,695,050 shares, respectively, of common stock to certain employees for services rendered, principally in lieu of cash compensation, pursuant to the 2003 Share Plan and the 2000 Share Plan. We recorded compensation expense for the nine-month periods ended July 31, 2007 and 2006 of approximately $1,473,000 and $1,342,000, respectively, and for the three-month periods ended July 31, 2007 and 2006 of approximately $404,000 and $583,000, respectively, for the shares of common stock issued to employees. In addition, during the nine-month periods ended July 31, 2007 and 2006, we issued 164,020 shares and 293,360 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, 2007 and 2006 of approximately $114,000 and $245,000, respectively, and for the three-month periods ended July 31, 2007 and 2006 of approximately $9,000 and $35,000, respectively, for the shares of common stock issued to consultants.

During the nine-month periods ended July 31, 2007 and 2006, we granted options to purchase 2,880,000 shares and 5,460,000 shares, respectively, to employees, non-employee directors and consultants pursuant to the 2003 Share Plan. We recorded stock-based compensation expense related to stock options granted to employees, non-employee directors and consultants of approximately $1,075,000 and $2,589,000 for the nine-month periods ended July 31, 2007 and 2006, respectively, and of approximately $88,000 and $1,050,000 for the three-month periods ended July 31, 2007 and 2006, respectively.

During the nine-month period ended July 31, 2007, we acquired an additional minority interest in DISC by exchanging 300,000 unregistered shares of our common stock for 5,000,000 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

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

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

We are seeking to improve our liquidity through increased sales or license of products and technology. In an effort to generate sales, we have marketed our encryption products directly to U.S. and international distributors, dealers and original equipment manufacturers that market our encryption products and to end-users. We have been working with several large organizations to provide them with both our hardware and software encryption solutions for them to evaluate whether the solutions meet their security requirements and have begun supplying several major U.S. companies with our encryption products. We are also continuing to pursue marketing and licensing opportunities for our display technology. As of July 31, 2007, we had not yet recorded any revenue from sales or licensing of our display. During the nine-month period ended July 31, 2007, we recognized revenue from sales of encryption products and services of approximately $341,000.

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

	Payments Due by Period				
Contractual Obligations	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
Consulting Agreement	$ 40,000	-	-	-	$ 40,000
Noncancelable Operating Leases	$ 274,000	$ 92,000	-	-	$ 366,000
Total Contractual Cash Obligations	$ 314,000	$ 92,000	-	-	$ 406,000

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 4. Controls and Procedures.

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

There was no change in our internal control over financial reporting during the quarter ended July 31, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors.

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

Item 6. Exhibits.

31.1 Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated September 17, 2007.

31.2 Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated September 17, 2007.

32.1 Statement of Chief Executive Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated September 17, 2007.

32.2 Statement of Chief Financial Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated September 17, 2007.

SIGNATURES

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

COPYTELE, INC.

By: /s/ Denis A. Krusos

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

September 17, 2007

By: /s/ Henry P. Herms

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

September 17, 2007

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 17, 2007

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 17, 2007

Exhibit 32.1

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

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

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

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

/s/ Denis A. Krusos

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

September 17, 2007

Exhibit 32.2

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

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

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

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

/s/ Henry P. Herms

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

September 17, 2007