UNITED STATES
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 January 31, 2014

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

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

Yes ____ No _X_

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

On March 12, 2014, the registrant had outstanding 212,957,900 shares of Common Stock, par value $.01 per share, which is the registrant’s only class of common stock.

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

COPYTELE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	(Unaudited) January 31, 2014	October 31, 2013
Current assets:		
Cash and cash equivalents	$ 776,141	$ 898,172
Short-term investments in certificates of deposit	2,450,000	-
Accounts receivable	-	175,000
Prepaid expenses and other current assets	141,299	160,646
Total current assets	3,367,440	1,233,818
Investment in Videocon Industries Limited global depository receipts, at market value	3,986,427	4,197,341
Patents, net of accumulated amortization of $70,481	2,965,630	-
Property and equipment, net of accumulated depreciation of $46,382 and $45,654 respectively	7,651	8,379
Total assets	$ 10,327,148	$ 5,439,538
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,216,425	$ 1,276,470
Royalties and contingent legal fees payable	45,885	207,743
Current portion of convertible debentures due January 2015, net of discount of $772,044 in 2014	667,956	-
Derivative liabilities, at fair value	3,430,000	540,000
Loan payable to related party (Note 1)	5,000,000	-
Deferred revenue, non-refundable license fees	1,187,320	1,187,320
Total current liabilities	11,547,586	3,211,533
Contingencies (Note 11)		
Convertible debentures due January 2015, net of discount of $891,402 in 2013, less current portion	-	548,598
Convertible debentures due November 2016, net of discount of $1,987,978 in 2014	1,512,022	-
Patent acquisition obligation	2,936,977	-
Loan payable to related party (Note 1)	-	5,000,000
Shareholders' deficiency:		
Preferred stock, par value $100 per share; 500,000 shares authorized; no shares issued or outstanding	-	-
Common stock, par value $.01 per share; 600,000,000 shares authorized; 210,517,530 and 209,276,745 shares issued and outstanding, respectively	2,105,175	2,092,767
Additional paid-in capital	136,214,138	134,750,048
Loan receivable from related party (Note 1)	(5,000,000)	(5,000,000)
Accumulated deficit	(138,777,836)	(135,163,408)

Accumulated other comprehensive (loss)	(210,914)	-
Total shareholders' deficiency	(5,669,437)	(3,320,593)
Total liabilities and shareholders' deficiency	$ 10,327,148	$ 5,439,538

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

Table of Contents

COPYTELE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS (UNAUDITED)

	For the Three Months Ended January 31, 2014	2013
Revenue from patent assertion activities	$ -	$ -
Operating costs and expenses:		
Litigation and licensing expenses	33,198	-
Marketing, general and administrative expenses (including non-cash stock option compensation expense of $720,638 and $714,203, respectively)	1,931,545	2,072,799
Total operating costs and expenses	1,964,743	2,072,799
Loss from operations	(1,964,743)	(2,072,799)
Change in value of derivative liabilities	(1,320,000)	-
Interest expense	(378,665)	(22,195)
Dividend Income	47,568	-
Interest income	1,412	7
Loss before income taxes	(3,614,428)	(2,094,987)
Provision for income taxes	-	-
Net loss	(3,614,428)	(2,094,987)
Other comprehensive income (loss):		
Unrealized gain (loss) on investment in Videocon Industries Limited global depository receipts	(210,914)	1,002,216
Total comprehensive loss	$ (3,825,342)	$ (1,092,771)
Net loss per share:		
Basic and diluted	$ (0.02)	$ (0.01)
Weighted average common shares outstanding:		
Basic and diluted	210,232,227	184,998,059

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

COPYTELE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY
FOR THE THREE MONTHS ENDED JANUARY 31, 2014 (UNAUDITED)

	Common Stock		Additional Paid-in Capital	Loan Receivable From Related Party	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Deficiency
	Shares	Par Value					
Balance, October 31, 2013	209,276,745	$ 2,092,767	$ 134,750,048	$ (5,000,000)	$ (135,163,408)	$ -	$ (3,320,593)
Stock option compensation to employees	-	-	465,519	-	-	-	465,519
Stock option compensation to consultants	-	-	255,119	-	-	-	255,119
Common stock issued to consultants	90,000	900	27,448	-	-	-	28,348
Common stock issued as payment of interest on convertible debentures	150,785	1,508	27,292	-	-	-	28,800
Warrants issued in connection with issuance of convertible debentures	-	-	513,112	-	-	-	513,112
Common stock issued to acquire patents	1,000,000	10,000	175,600	-	-	-	185,600
Unrealized loss on investment in Videocon Industries Limited global depository receipts (Note 4)	-	-	-	-	-	(210,914)	(210,914)
Net loss	-	-	-	-	(3,614,428)	-	(3,614,428)
Balance, January 31, 2014	210,517,530	$ 2,105,175	$ 136,214,138	$ (5,000,000)	$ (138,777,836)	$ (210,914)	$ (5,669,437)

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

Table of Contents

COPYTELE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the three months ended January 31,	
	2014	2013
Reconciliation of net loss to net cash used by operating activities:		
Net loss	$ (3,614,428)	$ (2,094,987)
Stock option compensation to employees	465,519	473,275
Stock option compensation to consultants	255,119	241,928
Common stock issued to consultants	28,348	25,625
Common stock issued to pay interest on convertible debentures	28,800	-
Amortization of patents	70,481	-
Amortized interest on patent acquisition obligations to interest expense	86,466	-
Amortization of convertible debenture discount to interest expense	217,316	5,234
Change in value of derivative liabilities	1,320,000	-
Other	(2,096)	33,945
Change in operating assets and liabilities:		
Accounts receivable	175,000	-
Prepaid expenses and other current assets	19,347	(11,172)
Accounts payable and accrued expenses	(60,045)	436,142
Royalties and contingent legal fees payable	(161,858)	-
Net cash used by operating activities	(1,172,031)	(890,010)
Cash flows from investing activities:		
Disbursements to acquire short-term investments in certificates of deposit	(2,700,000)	-
Proceeds from sales of short-term investments in certificates of deposit	250,000	500,000
Other	-	(1,330)
Net cash (used in) provided by investing activities	(2,450,000)	498,670
Cash flows from financing activities:		
Proceeds from issuance of convertible debentures	3,500,000	1,765,000
Net cash provided by financing activities	3,500,000	1,765,000
Net (decrease) increase in cash and cash equivalents	(122,031)	1,373,660
Cash and cash equivalents at beginning of year	898,172	339,693
Cash and cash equivalents at end of period	$ 776,141	$ 1,713,353
Supplemental disclosure of financing activities:		
Fair value of debenture embedded conversion feature at date of issuance	$ 1,570,000	$ 1,180,000
Relative fair value of warrants issued with convertible debentures	$ 513,122	$ 214,819

The accompanying notes are an integral part of these statements.

COPYTELE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. BUSINESS AND FUNDING

Description of Business

As used herein, "we," "us," "our," the "Company", "CopyTele" or "CTI" means CopyTele, Inc. and its wholly-owned subsidiaries. While in the past, the primary operations of the Company involved licensing in connection with the development of patented technologies, our principal operations are now the development, acquisition, licensing, and enforcement of patented technologies that are either owned or controlled by the Company. The Company currently owns or controls 9 patent portfolios. As part of our patent assertion activities and in the ordinary course of our business, the Company has initiated and will likely continue to initiate patent infringement lawsuits, and engage in patent infringement litigation. Since implementing our new business model in January of 2013, the Company has initiated 41 lawsuits in connection with 5 of our patent portfolios. Our primary source of revenue will come from licenses resulting from the unauthorized use of our patented technologies, including the settlement of patent infringement lawsuits. We entered into 4 revenue producing licenses in fiscal year 2013 and 2 additional revenue producing license since January 31, 2014, from 2 of our patent portfolios. In addition to continuing to mine and monetize our existing patents, our wholly owned subsidiary, CTI Patent Acquisition Corporation, will continue to acquire patents and the exclusive rights to license and enforce patents from third parties.

Due to arrangements previously entered into by the Company, certain of our patents contain encumbrances (see "Agreements Relating to Previous Operations" below) which may negatively impact our patent monetization and patent assertion activities. Where we are able, we will take the steps necessary to remove any encumbrances that may inhibit our patent monetization and patent assertion activities. We have obtained and we intend to continue to obtain the rights to license and enforce additional patents from third parties, and when necessary, will assist such parties in the further development of their patent portfolios through the filing of additional patent applications.

In April 2013, CopyTele, through its wholly owned subsidiary, CTI Patent Acquisition Corporation, acquired the exclusive rights to license and enforce patent portfolios relating to (i) loyalty awards programs commonly provided by airlines, credit card companies, hotels, retailers, casinos, and others, and (ii) vinyl windows with integrated J-Channels, commonly used in modular buildings, mobile homes, and conventional, new construction.

In November 2013, CTI Patent Acquisition Corporation acquired 2 patent portfolios in the rapidly expanding area of unified communications relating to (i) the multicast Internet delivery of streaming data, media, and other content, within the confines of specialized virtual private networks, and (ii) the integration of telephonic participation in web-based audio/video conferences by creating a gateway between the Internet and cellular or traditional landline telephones.

We currently own or control 9 patent portfolios which we have identified for patent monetization: Encrypted Mobile Communication; ePaper® Electrophoretic Display; Internet Telephonic Gateway; J-Channel Window Frame Construction; Key Based Web Conferencing Encryption; Loyalty Conversion Systems; Micro Electro Mechanical Systems Display; Nano Field Emission Display; and VPN Multicast Communications.

On January 28, 2013, CTI initiated a patent infringement lawsuit in the United States District Court for the Northern District of California against E Ink Corporation ("E INK"), regarding certain patents owned by CTI pertaining to CTI's ePaper® Electrophoretic Display technology. CTI alleges that E Ink has infringed and continues to infringe such patents in connection with the manufacture, sale, use, and importation of electrophoretic displays. On January 28, 2013, CTI filed a separate lawsuit against AU Optronics Corp. ("AUO") and E Ink, the AUO/E Ink Lawsuit (as defined below). In June of 2013, CTI and AUO agreed to arbitrate CTI's charges in the AUO/E Ink Lawsuit. We believe that arbitration should result in a faster and more efficient adjudication. The Court also ordered E Ink to participate in the arbitration, for purposes of discovery. Because issues in the AUO/E Ink arbitration need to be resolved before the patent infringement case can proceed against E Ink, the Court dismissed the patent infringement case, without prejudice, meaning that CTI can re-file the patent infringement lawsuit, if necessary, following the arbitration.

On May 1, 2013, CTI's wholly owned subsidiary, Secure Web Conference Corporation, initiated a patent infringement lawsuit in the United States District Court for the Eastern District of New York against Microsoft Corporation, with respect to encryption technology utilized by Microsoft's SKYPE video conferencing service. On July 8, 2013, Secure Web Conference Corporation initiated similar lawsuits in the United States District Court for the Eastern District of New York against Citrix Systems and Logitech International.

On August 7, 2013, CTI's wholly owned subsidiary, J-Channel Industries Corporation, filed 8 separate patent infringement lawsuits in the United States District Court for the Eastern District of Tennessee, against Lowe's Companies, Clayton Homes, Pella Corporation, Jeld-Wen, Atrium Windows and Doors, Ply Gem Industries, RGF Industries, Tafco Corporation, Kinro Manufacturing, and Elixir Industries, all in connection with our patented J-Channel Window Frame Construction technology.

On August 20, 2013, CTI's wholly owned subsidiary, Loyalty Conversion System Corporation, filed 10 separate patent infringement lawsuits in the United States District Court for the Eastern District of Texas, against Alaska Airlines, American Airlines, Delta Airlines, Frontier Airlines, Hawaiian Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, United Airlines, and U.S. Airways, all in connection with our Loyalty Conversion Systems patent portfolio.

On October 9, 2013, CTI's wholly owned subsidiary, J-Channel Industries Corporation, filed 19 patent infringement lawsuits in the Federal District Court for the Eastern District of Tennessee, in connection with its patented J-Channel Window Frame Construction technology. Defendants in the lawsuits consist of retailers and window manufacturers, including: Home Depot U.S.A., Inc.; Anderson Corporation; American Builders & Contractors Supply Co., Inc. (ABC Supply); Comfort View Products, LLC; Croft, LLC; Moss Supply Company; Wincore Window Company LLC; Vinylmax, LLC; Simonton Building Products, Inc.; HWD Acquisition, Inc. (Hurd Windows); Magnolia Windows and Doors, LLC; MGM Industries, Inc., MI Windows and Doors LLC; PGT Industries, Inc.; Quaker Window Products Co.; Sun Windows, Inc.; Weather Shield Manufacturing, Inc.; West Window Corporation; Woodgrain Millwork, Inc.; and YKK-AP American Inc.

The Company has engaged in and will continue to engage in patent infringement lawsuits in the ordinary course of its business operations. All litigation involves a significant degree of uncertainty, and we give no assurances as to the outcome of any lawsuit or lawsuits.

The Company has entered into 6 license agreements in connection with 2 of our patent technologies. In October 2013, we entered into a license agreement with Alaska Air Group, Inc. in connection with our Loyalty Conversion Systems technology. In addition, in October 2013 we entered into license agreements with Tafco Corporation, RGF Industries and Elixir Industries and in February and March 2014 we entered into license agreements with HWD Acquisition, Inc. and PGT Industries, Inc. in connection with our patented J-Channel Window Frame Construction technology. These licenses resolved lawsuits that were pending against the aforementioned companies.

Agreements Relating to Previous Business Operations

AU Optronics Corp.

In May 2011, we entered into an Exclusive License Agreement (the "EPD License Agreement") and a License Agreement (the "Nano Display License Agreement") with AUO (together the "AUO License Agreements").On January 28, 2013, we terminated the AUO License Agreements due to numerous alleged material and continual breaches of the agreements by AUO. On January 28, 2013, we also filed a lawsuit in the United States District Court for the Northern District of California against AUO and E Ink in connection with the AUO License Agreements, alleging breach of contract and other charges, and we are seeking compensatory, punitive, and treble damages (the "AUO/E Ink Lawsuit"). For more details on the AUO/E Ink Lawsuit, please see Note 11, "Commitment and Contingences – Litigation Matters" herein. We can give no assurance as to the outcome of this litigation.

Videocon Industries Limited and Transactions with Related Parties

In November 2007, we entered into a license agreement (the “Videocon License Agreement”) with Videocon Industries Limited (“Videocon”). Under the Videocon License Agreement, we provided Videocon with a non-transferable, worldwide license of our Nano Field Emission Display patented technology.We are not presently involved in development efforts with Videocon and it is not anticipated that such efforts will be resumed in the future.We have entered into discussions with Videocon regarding the disposition of the Videocon License Agreement.

At the same time we entered into the Videocon License Agreement in November 2007, we also entered into a Share Subscription Agreement (the “Share Subscription Agreement”) with Mars Overseas Limited, an affiliate of Videocon (“Mars Overseas”). Under the Share Subscription Agreement, Mars Overseas purchased 20,000,000 unregistered shares of our common stock (the “CopyTele Shares”) from us for an aggregate purchase price of $16,200,000. Also in November 2007, our wholly-owned subsidiary, CopyTele International Ltd. (“CopyTele International”), entered into a GDR Purchase Agreement with Global EPC Ventures Limited (“Global”), for CopyTele International to purchase from Global 1,495,845 global depository receipts of Videocon (the “Videocon GDRs”) for an aggregate purchase price of $16,200,000.

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 the 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 the principal amount of $5,000,000 from CopyTele International to Mars Overseas. The loan payable to Mars Overseas is solely a liability of CopyTele International without recourse to CopyTele, Inc., its parent company. The loans are for a period of seven years, do not bear interest, and provide for customary events of default, which may result in forfeiture of the Securities by the defaulting party, and 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 in respect of the Securities. The loan receivable from Mars Overseas is classified as a contra-equity under shareholders’ deficiency in the accompanying condensed consolidated balance sheet because the loan receivable is secured by the CopyTele Shares and the Share Subscription Agreement and Loan and Pledge Agreement were entered into concurrently. We have entered into discussions with Videocon regarding the disposition of the Subscription Agreement, GDR Purchase Agreement, and Loan and Pledge Agreements. The outcome of these discussions and the disposition of the related assets and liabilities may have a material effect on our financial statements. We cannot presently estimate the timing or impact of any such resolution.

Funding and Management's Plans

In September 2012, we received aggregate gross proceeds of $750,000 from the issuance of 8% convertible debentures due September 12, 2016 in a private placement. During the second quarter of fiscal 2013, the entire principal amount of these debentures was converted into 8,152,170 shares of common stock. For details on these debentures, please see Note 2, "Convertible Debentures" herein.

In January 2013, we received aggregate gross proceeds of $1,765,000 from the issuance of 8% convertible debentures due January 25, 2015 in a private placement. During the third quarter of fiscal 2013, $325,000 principal amount of these debentures were converted into 2,166,775 shares of our common stock. For details on these debentures, please see Note 2, "Convertible Debentures" herein.

On April 23, 2013, we entered into a common stock purchase agreement (the "Stock Purchase Agreement") with Aspire Capital Fund LLC ("Aspire Capital"), which provides that Aspire Capital is committed to purchase up to an aggregate of $10 million of shares of our common stock over the two-year term of the agreement. In consideration for entering into the Stock Purchase Agreement, concurrently with the execution of the agreement, we issued to Aspire Capital 3,500,000 shares of our common stock with a fair value of $700,000 as a commitment fee. Upon execution of the Stock Purchase Agreement, Aspire Capital purchased 2,500,000 shares for $500,000. In order to sell any additional shares under the Stock Purchase Agreement, we were required to have a registration statement covering the shares issued to Aspire Capital declared effective by the Securities and Exchange Commission (the "SEC"). Such registration statement was declared effective by the SEC in June 2013.

Under the Stock Purchase Agreement there are two ways that we can elect to sell shares of common stock to Aspire Capital. On any business day we can select: (1) through a regular purchase of up to 200,000 shares (but not to exceed $200,000) at a known price based on the market price of our common stock prior to the time of each sale, and (2) through a volume-weighted average price, or VWAP, purchase of a number of shares up to 30% of the volume traded on the purchase date at a price equal to the lesser of (i) the closing sale price on the purchase date or (ii) 95% of the VWAP for such purchase date. The Company can only require a VWAP purchase if the closing sale price for our Common Stock on the notice day for the VWAP purchase is higher than $0.50. During the third and fourth quarters of fiscal year 2013 we sold an additional 2,880,000 shares of our common stock to Aspire Capital for approximately $592,000. We did not sell any shares of common stock to Aspire Capital during the three months ended January 31, 2014.

The number of shares covered by and the timing of, each purchase notice are determined by us, at our sole discretion. The Company cannot execute any sales under the Stock Purchase Agreement when the closing price of our common stock is less than $0.15 per share. Aspire Capital has no right to require any sales from us, but is obligated to make purchases as directed in accordance with the Stock Purchase Agreement. The Stock Purchase Agreement may be terminated by us at any time, at our discretion, without any cost or penalty. We incurred expenses of approximately $42,000 in connection with the execution of the Stock Purchase Agreement in addition to the 3,500,000 shares of our common stock we issued as a commitment fee.

On May 29, 2013, the Company offered the holders of the warrants issued in our February 2011 private placement, exercisable at a purchase price of $0.178 per share, the opportunity to exercise the warrants at a reduced exercise price of $0.16 per share (payable in cash) during the period ended July 15, 2013. In connection therewith, our Chairman, our Chief Financial Officer and director, and one other director of the Company exercised warrants to purchase 2,380,000 shares of our Common Stock and we received gross proceeds of approximately $381,000. Utilizing the Black-Scholes option-pricing model, the Company determined that the aggregate incremental fair value of the repriced warrants was immaterial and no charge was recorded. In addition, we issued 547,493 shares of our common stock upon the exercise, on a “cashless” basis, of warrants to purchase 1,400,000 shares at a purchase price of $0.178 per share.

On November 11, 2013, the Company completed a private placement with a single institutional investor, pursuant to which the Company issued a $3,500,000 principal amount 6% convertible debenture due November 11, 2016. For details on this debenture, please see Note 2, “Convertible Debentures” herein.

During the three months ended January 31, 2014, cash used in operating activities was approximately $1,172,000. Cash used in investing activities during the three months ended January 31, 2014 was $2,450,000, which resulted from the purchase of certificates of deposit totaling $2,700,000 which was partially offset by the sale of certificates of deposit totaling $250,000. Our cash provided by financing activities during the three months ended January 31, 2014 was $3,500,000, which resulted from the sale of convertible debentures in a private placement. As a result, our cash, cash equivalents, and short-term investments at January 31, 2014 increased approximately $2,328,000 to approximately $3,226,000 from approximately $898,000 at the end of fiscal year 2013.

Total employee compensation expense during the three months ended January 2014 and 2013 was approximately $1,044,000 and $819,000, respectively, which included approximately $466,000 and $473,000, respectively, of non-cash stock-based compensation expense, related to stock options granted to employees and directors. In addition, consulting expense incurred during the three months ended January 31, 2014 and 2013 included approximately $$255,000 and $242,000, respectively, of non-cash stock stock-based compensation expense related to stock options granted to consultants.

Based on currently available information, we believe that our existing cash, cash equivalents and short-term investments, together with expected cash flows from the Stock Purchase Agreement with Aspire Capital and expected cash flows from patent licensing and enforcement, and other potential sources of cash flows will be sufficient to enable us to continue our patent licensing and enforcement activities for at least 12 months. However, our projections of future cash needs and cash flows may differ from actual results. If current cash on hand and cash that may be generated from the Stock Purchase Agreement and from patent licensing and enforcement activities are insufficient to satisfy our liquidity requirements, we may seek to sell equity securities or obtain loans from various financial institutions where possible. The sale of additional equity securities or convertible debt could result in dilution to our shareholders. We can give no assurance that we will generate sufficient cash flows in the future (through licensing and enforcement of patents, or otherwise) to satisfy our liquidity requirements or sustain future operations, or that other sources of funding, such as sales of equity or debt, would be available, if needed, on favorable terms or at all. We can also give no assurance that we will have sufficient funds to repay our outstanding indebtedness. If we cannot obtain such funding if needed or if we cannot sufficiently reduce operating expenses, we would need to curtail or cease some or all of our operations.

Basis of Presentation

The condensed consolidated financial statements include the accounts of CopyTele, Inc. and its wholly owned subsidiaries. All intercompany transactions have been eliminated. 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, 2013, for more extensive disclosures than contained in these condensed consolidated financial statements.

Revenue Recognition

Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) all obligations have been substantially performed pursuant to the terms of the arrangement, (iii) amounts are fixed or determinable, and (iv) the collectability of amounts is reasonably assured.

In general, patent assertion revenue arrangements provide for the payment of contractually determined fees in consideration for the grant of certain intellectual property rights for patented technologies owned or controlled by our operating subsidiaries. These rights typically include some combination of the following: (i) the grant of a non-exclusive, retroactive and future license to manufacture and/or sell products covered by patented technologies owned or controlled by our operating subsidiaries, (ii) a covenant-not-to-sue, (iii) the release of the licensee from certain claims, and (iv) the dismissal of any pending litigation. The intellectual property rights granted are perpetual in nature, extending until the expiration of the related patents. Pursuant to the terms of these agreements, our operating subsidiaries have no further obligation with respect to the grant of the non-exclusive retroactive and future licenses, covenants-not-to-sue, releases, and other deliverables, including no express or implied obligation on our operating subsidiaries' part to maintain or upgrade the technology, or provide future support or services. Generally, the agreements provide for the grant of the licenses, covenants-not-to-sue, releases, and other significant deliverables upon execution of the agreement. As such, the earnings process is complete and revenue is recognized upon the execution of the agreement, when collectability is reasonably assured, and when all other revenue recognition criteria have been met.

Inventor Royalties and Contingent Legal Fees

Inventor royalties and contingent legal fees are expensed in the condensed consolidated statements of operations in the period that the related revenues are recognized.

Patents

Our only identifiable intangible assets are patents and patent rights. We capitalize patent and patent rights acquisition costs and amortize the cost over the estimated economic useful life. Patent acquisition costs capitalized during the three months ended January 31, 2014 and 2013, was approximately $3,036,000 and $-0-, respectively. Patent amortization expense during the three months ended January 31, 2014 and 2013, was approximately $70,000 and $-0-, respectively.

2. CONVERTIBLE DEBENTURES

Convertible Instruments

The Company accounts for hybrid contracts that feature conversion options in accordance with applicable generally accepted accounting principles ("GAAP"). ASC 815 "Derivatives and Hedging Activities," ("ASC 815") requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria includes circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

Conversion options that contain variable settlement features such as provisions to adjust the conversion price upon subsequent issuances of equity or equity linked securities at exercise prices more favorable than that featured in the hybrid contract generally result in their bifurcation from the host instrument.

The Company accounts for convertible instruments, when the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, in accordance with ASC 470-20 "Debt with Conversion and Other Options" ("ASC 470-20"). Under ASC 470-20 the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. The Company accounts for convertible instruments (when the Company has determined that the embedded conversion options should be bifurcated from their host instruments) in accordance with ASC 815. Under ASC 815, a portion of the proceeds received upon the issuance of the hybrid contract are allocated to the fair value of the derivative. The derivative is subsequently marked to market at each reporting date based on current fair value, with the changes in fair value reported in results of operations.

The conversion feature of the convertible debenture issued on January 25, 2013 qualified as an embedded derivative instrument and was bifurcated from the host convertible debenture. Accordingly, this instrument has been classified as a derivative liability in the accompanying condensed consolidated balance sheet as of January 31, 2014. Derivative liabilities are initially recorded at fair value and are then re-valued at each reporting date, with changes in fair value recognized in earnings during the reporting period.

Common Stock Purchase Warrants

The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) provides a choice of net-cash settlement or settlement in the Company's own shares (physical settlement or net-share settlement) providing that such contracts are indexed to the Company's own stock as defined in ASC 815-40 "Contracts in Entity's Own Equity". The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the Company's control) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). The Company assesses classification of common stock purchase warrants and other free standing derivatives at each reporting date to determine whether a change in classification between assets and liabilities or equity is required.

Convertible Debenture due September 2016

In September 2012, the Company received aggregate gross proceeds of $750,000 from the issuance of 8% convertible debentures due September 12, 2016 in a private placement, of which $300,000 was sold to the Company's current Chairman and then Chief Executive Officer and one other director of the Company. The debentures paid interest quarterly and were convertible into shares of our common stock at a conversion price of $0.092 per share on or before September 12, 2016. The Company recorded a discount to the carrying amount of the debentures of approximately $717,000 related to the debentures' beneficial conversion feature. The Company was permitted to prepay the debentures at any time without penalty upon 30 days prior notice. The Company also had the option to pay interest on the debentures in common stock. During the second quarter of fiscal 2013, the entire $750,000 principal amount of these debentures were converted into 8,152,170 shares of common stock and an additional 100,725 shares were issued in payment of approximately $9,300 of accrued interest through the conversion date. The conversion of the debentures resulted in a charge to interest expense of approximately $717,000 during the second quarter of fiscal 2013.

Convertible Debenture due January 2015

In January 2013, the Company received aggregate gross proceeds of $1,765,000 from the issuance of 8% convertible debentures due January 25, 2015 ("Convertible Debenture due January 2015"), of which $250,000 was received from our current President, Chief Executive Officer and director, and two other directors of the Company. The debentures pay interest quarterly and are convertible into shares of our common stock at a conversion price of $0.15 per share on or before January 25, 2015. The embedded conversion feature has certain weighted average anti-dilution protection provisions which would be triggered if the Company issues its common stock, or certain common stock equivalents, (as defined) at a price below $0.15 per share. The Company has the option to pay any interest on the debentures in common stock based on the average of the closing prices of our common stock for the 10 trading days immediately preceding the interest payment date. The Company also has the option to pay any interest on the debentures with additional debentures. The Company may prepay the debentures at any time without penalty upon 30 days prior notice but only if the sales price of the common stock is at least $.30 for 20 trading days in any 30-day trading period ending no more than 15 days before the Company's prepayment notice. In conjunction with the issuance of the debentures, the Company issued warrants (the "Convertible Debenture Warrant") to purchase 5,882,745 shares of its common stock. Each warrant grants the holder the right to purchase one share of the Company's common stock at the purchase price of $0.30 per share on or before January 25, 2016. The Convertible Debenture Warrant may be exercised on a cashless basis only if there is not an effective registration statement covering such shares.

The Company determined, based upon authoritative guidance, that the conversion feature embedded within the Convertible Debenture due January 2015 should be valued separately and bifurcated from the host instrument and accounted for as a free-standing derivative liability and that the Convertible Debenture Warrant should also be valued and accounted for separately as an equity instrument.

The Company determined the fair value of each of the three elements included within the Convertible Debenture due January 2015. The debenture portion (without the conversion feature) bearing interest at 8% was determined to be a debt instrument with a fair value of $1,490,000.The embedded conversion feature was determined to be a derivative liability with a fair value of $1,180,000. The Convertible Debenture Warrant was determined to be an equity instrument with a fair value of $370,000. The Company determined the fair value of each of these instruments based upon the assumptions and methodologies as discussed below.

Since the Convertible Debenture Warrant was determined to be an equity instrument, the Company first computed the relative fair value of the Convertible Debenture due January 2015 (including the value of its conversion feature) with a fair value of $2,670,000 and the Convertible Debenture Warrant with a fair value of $370,000. Accordingly, the relative fair value of the Convertible Debenture Warrant and the Convertible Debenture due January 2015 (including the value of its conversion feature) was determined to be $214,819 and $1,550,181, respectively. Then, from the relative fair value of the Convertible Debenture due January 2015, the Company deducted in full the fair value of the embedded conversion feature of $1,180,000. The discount of $1,394,819 applied to the face value of the Convertible Debenture due January 2015 consists of the sum of the relative fair value of the Convertible Debenture Warrant of $214,819 and the full value of the bifurcated conversion option derivative liability of $1,180,000. The Convertible Debenture due January 2015 was recorded at a net value of $370,181, representing its face value of $1,765,000, less aggregate discounts for the derivative liability and warrant of $1,394,819, as summarized in the table below.

Face value of Convertible Debenture due January 2015		$ 1,765,000
Fair value of embedded conversion feature	$1,180,000	
Relative fair value of Convertible Debenture Warrant	214,819	
Discount	$1,394,819	(1,394,819)
Proceeds attributable to the Convertible Debenture due January 2015		$ 370,181

Accordingly, the Company accounted for the full amount of the discount as an offset to the Convertible Debenture due January 2015, amortizable under the effective interest method over the term of the debenture.

The Company calculated the fair value of the embedded conversion feature of the Convertible Debenture due January 2015 using a Monte Carlo simulation, with the observable assumptions as provided in the table below. The significant unobservable inputs used in the fair value measurement of the reporting entity's embedded conversion feature are expected stock prices, levels of trading and liquidity of the Company stock, probability of default of the host instrument, and loss severity in the event of such default. Significant increases in the expected stock prices and expected liquidity would result in a significantly higher fair value measurement. Significant increases in either the probability or severity of default of the host instrument would result in a significantly lower fair value measurement.

	As of January 25, 2013
Stock price on valuation date	$ 0.21
Conversion price	$ 0.15
Stock premium for liquidity	57%
Term (years)	2.00
Expected volatility	110%
Weighted average risk-free interest rate	0.3%
Trials	100,000
Aggregate fair value	$1,180,000

The Company calculated the fair value of the Convertible Debenture Warrant issued on January 25, 2013 using the Black-Scholes option pricing model with the following assumptions:

	As of January 25, 2013
Stock price on valuation date	$ 0.21
Exercise price	$ 0.30
Stock premium for liquidity	38%
Term (years)	3.00
Warrant exercise trigger price	41%
Expected volatility	95%
Weighted average risk-free interest rate	0.4%
Number of warrants	5,882,745
Aggregate fair value	$ 370,000

The Company determined the fair value of the Convertible Debenture due January 2015 by preparing an analysis of discounted cash flows, using a discount rate of 18.6%, which the Company deemed appropriate given the Company's current risk scenarios.

The derivative liability related to the embedded conversion feature is revalued at each reporting period as well as on the date of all conversions. The value of the derivative liability associated with the conversions of the Convertible Debenture due January 2015 during fiscal year 2013 was approximately $165,000. As of October 31, 2013, the Company determined the fair value of the derivative liability to be $540,000, and accordingly, during the year ended October 31, 2013, the Company recorded a gain on the change in the fair value of the derivative liability of approximately $475,000.

As of January 31, 2014, the Company calculated the fair value of the embedded conversion feature of the Convertible Debenture due January 2015 using a Monte Carlo simulation, with the observable assumptions as provided in the table below. The significant unobservable inputs used in the fair value measurement of the reporting entity's embedded conversion feature are expected stock prices, levels of trading and liquidity of the Company stock, probability of default of the host instrument, and loss severity in the event of such default. Significant increases in the expected stock prices and expected liquidity would result in a significantly higher fair value measurement. Significant increases in either the probability or severity of default of the host instrument would result in a significantly lower fair value measurement.

	As of January 31, 2014
Stock price used for valuation	$ 0.303
Conversion price	0.15
Discount for marketability	38.3%
Term (years)	1.00
Expected volatility	87.7%
Weighted average risk-free interest rate	0.1%
Trials	100,000
Aggregate fair value	$ 1,020,000

The Company recorded a loss on the change in the fair value of the derivative liability of approximately $480,000 during the three months ended January 31, 2014.

The amortization of debt discount related to the Convertible Debenture due January 2015 was approximately $119,000 for the three months ended January 31, 2014.

In connection with the issuance of the Convertible Debenture due January 2015, the Company provided compensation to the placement agent consisting of a cash fee of $41,400 and a warrant for the purchase of 276,014 shares of the Company's common stock ("Placement Agent Warrant"). The terms of the Placement Agent Warrant are identical to the terms of the Convertible Debenture Warrant, and using Black-Scholes, upon issuance, was determined to have a fair value of $17,360. Assumptions for the valuation of the Placement Agent Warrant were identical to those provided above for the Convertible Debenture Warrant. In addition, issuance costs included legal fees of approximately $25,000.

The sum of the issuance costs was $83,760, and this cost was allocated as provided below:

Attributable to:	Accounting Treatment		Amount
The embedded conversion feature (derivative)	Expensed as incurred	$	55, 999
The 8% Convertible Debenture Warrant	Charged to additional paid-in capital		10,194
The 8% Convertible Debenture	Recorded as deferred issuance costs and amortized under the interest method over the term of the 8% Convertible Debenture		17,567
Total		$	83,760

In connection with the issuance of the Convertible Debenture due January 2015, on April 24, 2013, the Company prepared and filed a registration statement registering for resale the shares of its common stock which may be issued upon the conversion of the debentures and exercise of the warrants consistent with the terms and conditions of the registration rights agreement the Company entered into with the holders of the registrable shares listed above. The registration statement was declared effective by the SEC on June 19, 2013.

The Company has agreed to maintain the effectiveness of the registration statement through the earlier of three years from the date of the issuance of the Convertible Debenture due January 2015 or until Rule 144 of the Securities Act is available to the holders to allow them to sell all of their registrable securities thereunder.

Convertible Debenture due November 2016

In November 2013, the Company received aggregate gross proceeds of $3,500,000 from the issuance of 6% convertible debentures due November 11, 2016 ("Convertible Debenture due November 2016"). The debentures pay interest annually and are convertible into shares of our common stock at a conversion price of $0.1892 per share on or before November 11, 2016. The embedded conversion feature has certain weighted average anti-dilution protection provisions which would be triggered if the Company issues its common stock, or certain common stock equivalents, (as defined) at a price below $0.142 per share. The Company has the option to pay any interest on the debentures in common stock based on 90% of the volume weighted average closing sales price of our common stock for the 30 trading days immediately preceding the interest payment date. In conjunction with the issuance of the debentures, the Company issued warrants (the "Convertible Debenture Warrant") to purchase 9,249,472 shares of its common stock. Each warrant grants the holder the right to purchase one share of the Company's common stock at a fixed purchase price of $0.3784 per share on or before November 11, 2016. The Convertible Debenture Warrant may be exercised on a cashless basis only if there is not an effective registration statement covering such shares.

The Company determined, based upon authoritative guidance, that the conversion feature embedded within the Convertible Debenture due November 2016 should be valued separately and bifurcated from the host instrument and accounted for as a free-standing derivative liability and that the Convertible Debenture Warrant should also be valued and accounted for separately as an equity instrument.

The Company determined the fair value of each of the three elements included within the Convertible Debenture due November 2016. The debenture portion (without the conversion feature) bearing interest at 6% was determined to be a debt instrument with a fair value of $2,710,000. The embedded conversion feature was determined to be a derivative liability with a fair value of $1,570,000. The Convertible Debenture Warrant was determined to be an equity instrument with a fair value of $740,000. The Company determined the fair value of each of these instruments based upon the assumptions and methodologies as discussed below.

Since the Convertible Debenture Warrant was determined to be an equity instrument, the Company first computed the relative fair value of the Convertible Debenture due November 2016 (including the value of its conversion feature) with a fair value of $4,280,000 and the Convertible Debenture Warrant with a fair value of $740,000. Accordingly, the relative fair value of the Convertible Debenture Warrant and the Convertible Debenture due November 2016 (including the value of its conversion feature) was determined to be $515,936 and $2,984,064, respectively. Then, from the relative fair value of the Convertible Debenture due November 2016, the Company deducted in full the fair value of the embedded conversion feature of $1,570,000. The discount of $2,085,936 applied to the face value of the Convertible Debenture due November 2016 consists of the sum of the relative fair value of the Convertible Debenture Warrant of $515,936 and the full value of the bifurcated conversion option derivative liability of $1,570,000. The Convertible Debenture due November 2016 was recorded at a net value of $1,414,064, representing its face value of $3,500,000, less aggregate discounts for the derivative liability and warrant of $2,085,936, as summarized in the table below.

Face value of Convertible Debenture due November 2016		$ 3,500,000
Fair value of embedded conversion feature	$1,570,000	
Relative fair value of Convertible Debenture Warrant	515,936	
Discount	$2,085,936	(2,085,936)
Proceeds attributable to the Convertible Debenture due November 2016		$ 1,414,064

Accordingly, the Company accounted for the full amount of the discount as an offset to the Convertible Debenture due November 2016, amortizable under the effective interest method over the term of the debenture.

The Company calculated the fair value of the embedded conversion feature of the Convertible Debenture due November 2016 using a Monte Carlo simulation, with the observable assumptions as provided in the table below. The significant unobservable inputs used in the fair value measurement of the reporting entity's embedded conversion feature are expected stock prices, levels of trading and liquidity of the Company stock, probability of default of the host instrument, and loss severity in the event of such default. Significant increases in the expected stock prices and expected liquidity would result in a significantly higher fair value measurement. Significant increases in either the probability or severity of default of the host instrument would result in a significantly lower fair value measurement.

	As of November 11, 2013
Stock price on valuation date	$ 0.20
Conversion price	$ 0.189
Discount for lack of marketability	35.5%
Term (years)	3.00
Expected volatility	102.8%
Weighted average risk-free interest rate	0.62%
Trials	100,000
Aggregate fair value	$1,570,000

The Company calculated the fair value of the Convertible Debenture Warrant issued on November 11, 2013 using a Monte Carlo simulation, with the observable assumptions as provided in the table below. The significant unobservable inputs used in the fair value measurement of the reporting entity's warrant value are expected stock prices, levels of trading and liquidity of the Company stock, probability of default of the host instrument, and loss severity in the event of such default. Significant increases in the expected stock prices and expected liquidity would result in a significantly higher fair value measurement. Significant increases in either the probability or severity of default of the host instrument would result in a significantly lower fair value measurement:

	As of November 11, 2013
Stock price on valuation date	$ 0.20
Exercise price	$ 0.378
Discount for lack of marketability	22%
Term (years)	3.00
Expected volatility	102.8%
Weighted average risk-free interest rate	0.6%
Number of warrants	9,249,472
Aggregate fair value	$ 740,000

The Company determined the fair value of the Convertible Debenture due November 2016 by preparing an analysis of discounted cash flows, using a discount rate of 16.0%, which the Company deemed appropriate given the Company's current risk scenarios.

The derivative liability related to the embedded conversion feature is revalued at each reporting period as well as on the date of all conversions, as discussed, below. As of January 31, 2014, the Company determined the fair value of the derivative liability to be $2,410,000, and accordingly, during the three months ended January 31, 2014, the Company recorded a loss on the change in the fair value of the derivative liability of approximately $840,000.

As of January 31, 2014, the Company calculated the fair value of the embedded conversion feature of the Convertible Debenture due November 2016 using a Monte Carlo simulation, with the observable assumptions as provided in the table below. The significant unobservable inputs used in the fair value measurement of the reporting entity's embedded conversion feature are expected stock prices, levels of trading and liquidity of the Company stock, probability of default of the host instrument, and loss severity in the event of such default. Significant increases in the expected stock prices and expected liquidity would result in a significantly higher fair value measurement. Significant increases in either the probability or severity of default of the host instrument would result in a significantly lower fair value measurement.

Table of Contents

		January 31, 2014
Stock price used for valuation	$	0.303
Conversion price		0.189
Discount for lack of marketability		38.3%
Term (years)		2.8
Expected volatility		105%
Weighted average risk-free interest rate		0.6%
Trials		100,000
Aggregate fair value	$	2,410,000

The amortization of debt discount related to the Convertible Debenture due November 2016 was approximately $98,000 for the three months ended January 31, 2014.

In connection with the issuance of the Convertible Debenture due November 2016, the Company incurred legal costs which were allocated as provided below:

Attributable to:	Accounting Treatment		Amount
The embedded conversion feature (derivative)	Expensed as incurred	$	8,593
The 8% Convertible Debenture Warrant	Charged to additional paid-in capital		2,824
The 8% Convertible Debenture	Recorded as deferred issuance costs and amortized under the interest method over the term of the 8% Convertible Debenture		7,739
Total		$	19,156

In connection with the issuance of the Convertible Debenture due November 2016, on February 7, 2014, the Company prepared and filed a registration statement registering for resale the shares of its common stock which may be issued upon the conversion of the debenture and exercise of the warrant consistent with the terms and conditions of the debenture agreement the Company entered into with the holders of the registrable shares listed above.

The Company has agreed to maintain the effectiveness of the registration statement through the earlier of three years from the date of the issuance of the Convertible Debenture due November 2016 or until Rule 144 of the Securities Act is available to the holders to allow them to sell all of their registrable securities thereunder.

3. STOCK BASED COMPENSATION

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

Stock Option Compensation Expense

On November 8, 2013, the Board of Directors approved an amendment to stock options subject to market conditions awarded on September 19, 2012 to the President and Chief Executive Officer, Senior Vice President of Engineering, and a consultant and director of the Company. The amendment modified the option award's vesting conditions to provide that the unvested portion of the stock options vest in 23 consecutive monthly installments commencing November 30, 2013. Prior to the amendment, the option awards had provided that the stock options would vest if two separate price targets were met. The fair value of these options was recalculated to reflect the change to service based options as of November 8, 2013 and the unrecognized compensation amount was adjusted to reflect the increase in fair value.

We account for stock options granted to employees and directors using the accounting guidance in ASC 718 "Stock Compensation" ("ASC 718"). In accordance with ASC 718, we estimate the fair value of service based stock options and performance based options on the date of grant, using the Black-Scholes pricing model. For options vesting if the trading price of the Company's common stock exceeds price targets we use a Monte Carlo Simulation in estimating the fair value at grant date. We recognize compensation expense for service based stock options and options subject to market conditions over the requisite or implied service period of the grant. For performance based awards, compensation expense is recognized over the requisite or implied service period of the grant when the performance target is deemed probable.

We recorded stock-based compensation expense, related to stock options granted to employees and directors, of approximately $466,000 and $473,000, during the three months ended January 31, 2014 and 2013, respectively, which included stock-based compensation expense of approximately $383,000 and $401,000, respectively, related to the amortization of compensation cost for stock options granted in prior periods. As of January 31, 2014, there was unrecognized compensation cost related to non-vested stock options granted to employees and directors, related to service based options of approximately $3,134,000, which will be recognized over a weighted-average period of 2.0 years.

We account for stock options granted to consultants using the accounting guidance included in ASC 505-50 "Equity-Based Payments to Non-Employees" ("ASC 505-50"). In accordance with ASC 505-50, we estimate the fair value of service based stock options and performance based options at each reporting period, using the Black-Scholes pricing model. For options vesting if the trading price of the Company's common stock exceeds price targets we estimate the fair value at each reporting period using a Monte Carlo Simulation. We recognize compensation expense for service based stock options and options subject to market conditionsover the requisite or implied service period of the grant. For performance based awards, compensation expense is recognized when the performance target is achieved.

We recorded consulting expense, related to stock options granted to consultants, of approximately $255,000 and $242,000, during the three months ended January 31, 2014 and 2013, respectively, which included consulting expense of approximately $236,000 and $242,000, respectively, related to stock options granted in prior periods. As of January 31, 2014, there was unrecognized consulting expense related to non-vested stock options granted to consultants, related to service based options of approximately $2,168,000, which will be recognized over a weighted-average period of 1.8 years.

Fair Value Determination

We use the Black-Scholes pricing model in estimating the fair value of stock options which vest over a specific period of time or upon achieving performance targets. To determine the weighted average fair value of stock options on the date of grant, employees and directors are included in a single group. The fair value of stock options granted to consultants is determined on an individual basis. The stock options we granted during the three months ended January 31, 2014 consisted of awards with 10-year terms that vest over one year and options with 10-year terms that vest over 36 months. The stock options we granted during the three months ended January 31, 2013 consisted of options with 10-year terms that vested over one year or of options with 10-year terms that vested one-third on the at date of grant and the remainder in two annual installments.

The following weighted average assumptions were used in estimating the fair value of stock options granted during the three months ended January 31, 2014 and 2013.

	For the Three Months Ended January 31,	
	2014	2013
Weighted average fair value at grant date	$ .17	$ .17
Valuation assumptions:		
Expected life (years)	5.69	5.12
Expected volatility	115.4%	115.7%
Risk-free interest rate	1.76%	.58%
Expected dividend yield	0	0

The expected term of stock options represents the weighted average period the stock options are expected to remain outstanding. We use the simplified method to determine expected term. The simplified method was adopted since we do not believe that historical experience is representative of future performance because of the impact of the changes in our operations and the change in terms from historical options which vested immediately to terms including vesting periods of up to three years. Under the Black-Scholes pricing model 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 term 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.

Table of Contents

Under ASC 718, the amount of stock-based compensation expense recognized is based on the portion of the awards that are ultimately expected to vest. Accordingly, if deemed necessary, we reduce the fair value of the stock option awards for expected forfeitures, which are forfeitures of the unvested portion of surrendered options. Based on our historical experience we have not reduced the amount of stock-based compensation expenses for anticipated forfeitures.

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. If factors change and we employ different assumptions in the application of ASC 718 and ASC 505-50 in future periods, the compensation expense that we record may differ significantly from what we have recorded in the current period.

For options vesting if the trading price of the Company’s common stock exceeds price targets we used a Monte Carlo Simulation in estimating expected term and fair value.

Stock Option Activity

During the three-month periods ended January 31, 2014 and 2013, we granted options to purchase 7,710,000 and 1,180,000 shares, respectively, of common stock at weighted average exercise prices of $0.20 and $0.21 per share, respectively, pursuant to the CopyTele, Inc. 2010 Share Incentive Plan (the "2010 Share Plan). No stock options were exercised during the three month periods ended January 31, 2014 and 2013.

Stock Option Plans

As of January 31, 2014, we have two stock option plans: the CopyTele, Inc. 2003 Share Incentive Plan (the "2003 Share Plan") and the 2010 Share Plan, which were adopted by our Board of Directors on April 21, 2003 and July 14, 2010, respectively.

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.The maximum number of shares of common stock available for issuance under the 2003 Share Plan is 70,000,000 shares. The 2003 Share Plan was administered by the Stock Option Committee through June 2004, from June 2004 through July 2010, by the Board of Directors, from July 2010 through August 2012, by the Stock Option Committee, from August 2012 through November 2012, by the Executive Committee of the Board of Directors and since November 2012, by the Board of Directors, which determines the option price, term and provisions of each option. 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. In accordance with the provisions of the 2003 Share Plan, the plan terminated with respect to the grant of future options on April 21, 2013. Information regarding the 2003 Share Plan for the three months ended January 31, 2014 is as follows:

	Shares	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Options Outstanding at October 31, 2013	15,638,845	$0.72	
Options Outstanding and exercisable at January 31, 2014	15,638,845	$0.72	$ 461,000

The following table summarizes information about stock options outstanding under the 2003 Share Plan as of January 31, 2014:

Stock Options Outstanding			
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
$0.07 - $0.37	1,860,000	2.95	$0.15
$0.43 - $0.70	5,384,770	1.70	$0.60
$0.74 - $0.92	6,139,075	2.56	$0.85
$1.04 - $1.46	2,255,000	1.98	$1.10

The 2010 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. The maximum number of shares of common stock available for issuance under the 2010 Share Plan was initially 15,000,000 shares. On July 6, 2011, the 2010 Share Plan was amended by our Board of Directors to increase the maximum number of shares of common stock that may be granted to 27,000,000 shares, on August 29, 2012, the maximum number of shares was further increased to 30,000,000 shares. On November 8, 2013 the Board of Directors approved an amendment to provide that effective November 8, 2013, the maximum aggregate number of shares available for issuance will be 20,000,000 shares and that on the first business day in 2014 and on the first business day of each calendar year thereafter the maximum aggregate number of shares available for issuance shall be replenished such that 20,000,000 shares will be available for issuance. Accordingly, during that three month ended January 31, 2014, the number of share in the 2010 Share Plan was increased by 25,634,980 shares to 55,634,980 shares. In addition, on November 8, 2013 the 2010 Share Plan was amended to provide that on January 2nd of each year commencing on January 2, 2014, each non-employee director of the Company at that time shall automatically be granted a 10 year stock option to purchase 300,000 shares of common stock (400,000 for the Chairman) that will vest in four equal quarterly installments. The 2010 Share Plan was administered by the Stock Option Committee through August 2012, from August 2012 through November 2012, by the Executive Committee of the Board of Directors and since November 2012, by the Board of Directors, which determines the option price, term and provisions of each option. The exercise price with respect to all of the options granted under the 2010 Share Plan was equal to the fair market value of the underlying common stock at the grant date. As of January 31, 2014, the 2010 Share Plan had 19,000,000 shares available for future grants. Information regarding the 2010 Share Plan for the three months ended January 31, 2014 is as follows:

Table of Contents

	Shares	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Options Outstanding at October 31, 2013	2,984,000	$ 0.25	
Granted	7,710,000	$ 0.20	
Options Outstanding at January 31, 2014	10,694,000	$ 0.21	$ 1,980,000
Options Exercisable at January 31, 2014	2,881,778	$ 0.24	$ 444,000

The following table summarizes information about stock options outstanding under the 2010 Share Plan as of January 31, 2014:

	Options Outstanding			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
\$0.12 - \$0.37	10,694,000	8.59	$ 0.21	2,881,778	5.51	$ 0.24

In addition to options granted under the 2003 Share Plan and the 2010 Share Plan, in September 2012, the Board of Directors approved the grant of stock options to purchase 41,500,000 shares and, during the year ended October 31, 2013, the Board of Directors approved the grant of stock options to purchase 3,000,000 shares.

Of the stock options granted in September 2012, nonqualified options to purchase 40,000,000 shares were issued to our new executive team, consisting of 16,000,000 stock options issued to our new President and Chief Executive Officer, 8,000,000 stock options issued to our new Senior Vice President of Engineering and 16,000,000 stock options issued to a new strategic advisor to the Company who is also a Director. These stock options have an exercise price of \$0.2175 (the average of the high and the low sales price of the common stock on the trading day immediately preceding the approval of such options by the Board of Directors) and have a term of ten years. Half of these stock options vest in 36 equal monthly installments commencing on October 31, 2012, provided that if the grantees are terminated by the Company without cause, an additional 12 months of vesting will be accelerated and such accelerated options will become immediately exercisable. The balance of the stock options will vest in three equal installments upon achievement of a cash milestone, which was satisfied in the fourth quarter of fiscal 2013, and two stock price targets, which were not achieved in fiscal 2013. In November 2013, in light of the cost and expense of revaluing the unvested portion of the performance-based stock options on a quarterly basis for financial reporting purposes, the Board of Directors approved an amendment to the performance-based stock options awarded on September 19, 2012 to the President and Chief Executive Officer, Senior Vice President of Engineering and the strategic advisor. The amendment modifies the option award's vesting conditions to provide that the unvested portion of the stock options vest in 23 consecutive monthly installments commencing November 30, 2013. As of January 31, 2014, the outstanding options to purchase 40,000,000 shares had an intrinsic value of \$7,176,000. As of January 31, 2014, 17,294,686 of these stock options were exercisable with an aggregate intrinsic value of approximately \$3,103,000. These stock options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

The remaining nonqualified stock options granted in September 2012 to purchase 1,500,000 shares consisted of grants of 750,000 stock options to our Chairman in compensation for his service as interim Chief Executive Officer of the Company and as compensation for his prior service as a director, and 750,000 stock options to a director in compensation for his service in recruiting the Company's new management team. These stock options have an exercise price of $0.2225 (the average of the high and low sales price on September 21, 2012) and an intrinsic value as of January 31, 2014 of approximately $262,000. The options vest in 3 equal annual installments of 250,000 commencing on September 21, 2012 and have a term of ten years. As of January 31, 2014, 1,000,000 options were exercisable with an aggregate intrinsic value of approximately $174,000. These stock options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

During the year ended October 31, 2013, nonqualified stock options to purchase 3,000,000 shares were granted to our outside directors for service rendered to our Company. Of these options,

(a) In November 2012, nonqualified stock options to purchase 1,000,000 shares were issued to one of our directors as additional compensation for service in recruiting the Company's new management team. These options have an exercise price of $0.211 (the average of the high and low sales price on date of grant) and vest 333,334 shares upon grant and 333,333 shares in two annual installments commencing November 30, 2013.

(b) In February 2013, nonqualified stock options to purchase 1,000,000 shares were issued to the Chairman of the Board. These stock options have an exercise price of $0.235 (the average of the high and low sales price on date of grant) and vest 333,334 shares upon grant and 333,333 shares in two annual installments commencing February 15, 2014.

(c) In March 2013, nonqualified stock options to purchase an aggregate of 1,000,000 shares were granted to the Company's three outside directors. Each of these stock options has an exercise price of $0.195 (the average of the high and low sales price on date of grant) and vest in four equal quarterly installments commencing March 31, 2013.

As of January 31, 2014, the options to purchase 3,000,000 shares had an intrinsic value of approximately $550,000 and the portion exercisable of 2,000,000 shares had an intrinsic value of approximately $380,000. These options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

Table of Contents

The following table summarizes information about the above stock options outstanding that were not granted under the 2003 Share Plan or the 2010 Share Plan as of January 31, 2014:

	Options Outstanding			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
$0.21-$0.235	44,500,000	8.66	$0.22	20,294,687	8.67	$0.22

Stock Awards

We account for stock awards granted to employees and consultants based on their grant date fair value, in accordance with ASC 718 and ASC 505-50, respectively. During the three-month periods ended January 31, 2014 and 2013, we issued 90,000 shares and 125,000 shares, respectively, of common stock to consultants for services rendered pursuant to the 2010 Share Plan. We recorded consulting expense for the three-month periods ended January 31, 2014 and 2013 of approximately $28,000 and $26,000, respectively for the shares of common stock issued to consultants.

4. FAIR VALUE MEASUREMENTS

ASC 820 “Fair Value Measurements and Disclosures” (“ASC 820”) defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. In accordance with ASC 820, 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. 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 and liabilities recorded in the accompanying condensed consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial instruments 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.

Level 2 - Financial instruments 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.

Level 3 – Financial instruments 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 instruments.

The following table presents the hierarchy for our financial assets measured at fair value on a recurring basis as of January 31, 2014:

	Level 1	Level 2	Level 3	Total
Money market funds – Cash and cash equivalents	$ 776,141	$ -	$ -	$ 776,141
Certificates of deposit Short-term investments	2,450,000	-	-	2,450,000
Videocon Industries Limited global depository receipts	3,986,427	-	-	3,986,427
Total financial assets	$ 7,212,568	$ -	$ -	$ 7,212,568

The following table presents the hierarchy for our financial assets measured at fair value on a recurring basis as of October 31, 2013:

	Level 1	Level 2	Level 3	Total
Money market funds – Cash and cash equivalents	$ 898,172	$ -	$ -	$ 898,172
Videocon Industries Limited global depository receipts	4,197,341	-	-	4,197,341
Total financial assets	$ 5,095,513	-	$ -	$ 5,095,513

The following table presents the hierarchy for our financial liabilities measured at fair value on a recurring basis as of January 31, 2014:

	Level 1	Level 2	Level 3	Total
Derivative liability	$ -	$ -	$ 3,430,000	$ 3,430,000
Patent acquisition obligation	-	-	2,936,977	2,936,977
	$ -	$ -	$ 6,366,977	$ 6,366,977

The following table presents the hierarchy for our financial liabilities measured at fair value on a recurring basis as of October 31, 2013:

	Level 1	Level 2	Level 3	Total
Derivative liability	$ -	$ -	$ 540,000	$ 540,000

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial liabilities that are measured at fair value on a recurring basis:

	For the Three Months Ended January 31, 2014
Beginning balance	$ 540,000
Fair value of patent acquisition obligation	2,936,977
Aggregate fair value of bifurcated conversion feature issued	1,570,000
Change in fair value of bifurcated conversion feature	1,320,000
Ending balance	$ 6,366,977

The bifurcated conversion feature is accounted for as a derivative liability and is measured at fair value using a Monte Carlo simulation model and is classified within Level 3 of the valuation hierarchy. The patent acquisition obligation is measured at fair value based on a discounted present value and is classified within Level 3 of the valuation hierarchy.

The significant assumptions and valuation methods that the Company used to determine fair value and the change in fair value of the Company's derivative financial instrument are discussed in Note 2 "Convertible Debentures". The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's Principal Financial Officer with support from the Company's consultants.

In accordance with the provisions of ASC 815, the Company presents the bifurcated conversion feature liability at fair value in its condensed consolidated balance sheet, with the corresponding changes in fair value, if any, recorded in the Company's condensed statements of operations for the applicable reporting periods. As disclosed in Note 2, the Company computed the fair value of the derivative liability at the date of issuance and the reporting date of January 31, 2014 using the Monte Carlo simulation model.

The Company developed the assumptions that were used as follows: The stock price on the valuation date of the Company's common stock was derived from the trading history of the Company's common stock. The stock premium for liquidity was computed as the premium required to adjust for the effect of the additional time that it would be expected to take for the market to absorb the converted shares and warrant exercises, given the Company's current trading volume. The term represents the remaining contractual term of the derivative; the volatility rate was developed based on analysis of the Company's historical volatility**;** the risk free interest rate was obtained from publicly available US Treasury yield curve rates; the dividend yield is zero because the Company has not paid dividends and does not expect to pay dividends in the foreseeable future.

Our non financial assets that are measured on a non-recurring basis include our property and equipment which are measured using fair value techniques whenever events or changes in circumstances indicate a condition of impairment exists. The estimated fair value of accounts payable and accrued liabilities approximates their individual carrying amounts due to the short term nature of these measurements. It is impractical to determine the fair value of the loan receivable and loan payable to the related party given the nature of these loans. The convertible debentures have been reported net of the discount for the beneficial conversion features and related warrants. Cash and cash equivalents are stated at carrying value which approximates fair value. These assets and liabilities were not presented in the preceding table.

5. INVESTMENTS

Short-term Investments

At January 31, 2014, we had marketable securities consisting of certificates of deposit of approximately $2,450,000, which were classified as "available-for-sale securities" and reported at fair value.

Investment in Videocon

Our investment in Videocon is classified as an "available-for-sale security" and reported at fair value, with unrealized gains and losses excluded from operations and reported as a component of accumulated other comprehensive income (loss) in shareholders' equity. The original cost basis of $16,200,000 was 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.

ASC 320 "Investments-Debt and Equity Securities" ("ASC 320") and SEC guidance on other than temporary impairments of certain investments in 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 carrying cost of the investment, an other than temporary impairment should be recorded. At each reporting period we assess our investment in Videocon to determine if a decline that is other than temporary has occurred. In evaluating our investment in Videocon at October 31, 2013, we determined that based on both the duration and the continuing magnitude of the market price decline compared to the carrying cost basis of approximately $5,382,000, and the uncertainty of its recovery, a write-down of the investment of approximately $1,185,000 should be recorded as of October 31, 2013, and a new cost basis of approximately $4,197,000 should be established. An other than temporary impairment of approximately $12,003,000, on a cumulative basis, has been recorded as of October 31, 2013.

The fair value of investment in Videocon as of January 31, 2014 and October 31, 2013, and the unrealized loss for the three month period ended January 31, 2014, are as follows:

	Investment in Videocon
Fair Value as of October 31, 2013	$ 4,197,341
Unrealized loss	210,914
Fair Value as of January 31, 2014	$ 3,926,427

Investment in ZQX Advisors, LLC

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. Concurrently with entering into the Engagement Agreement, we acquired a 19.5% ownership interest in ZQX. On January 21, 2013, we terminated the Engagement Agreement with ZQX, but currently retain our 19.5% interest in ZQX. We have classified our interest in ZQX of approximately $48,000 as a reduction of additional paid-in capital within shareholders' deficiency since this investment in ZQX consists entirely of our equity securities.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expense consist of the following as of:

	January 31, 2014	October 31, 2013
Accounts payable	$ 491,773	$ 527,208
Payroll and related expenses	349,586	345,484
Accrued litigation expense, consulting and other professional fees	205,906	248,730
Accrued other	169,160	155,048
Total	$ 1,216,425	$ 1,276,470

7. NET LOSS PER SHARE OF COMMON STOCK

In accordance with ASC 260, "Earnings Per Share", 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 three-month periods ended January 31, 2014 and 2013, were stock options to purchase 70,832,845 and 61,408,845 shares respectively, and warrants to purchase 19,128,231 and 13,658,759 shares, respectively and debentures convertible into 28,099,423 shares and 19,919,425 shares respectively.

8. EFFECT OF RECENTLY ADOPTED AND ISSUED PRONOUNCEMENTS

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2011-12 ("ASU 2011-12"), *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. This amendment defers the effective date of the requirement to present separate line items on the income statement for reclassification adjustments of items out of accumulated other comprehensive income into net income. ASU 2011-12 is effective at the same time as Accounting Standards Update 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income ("ASU 2011-05"), so that entities will not be required to comply with the presentation requirements in ASU 2011-05 that this ASU 2011-12 is deferring. ASUs 2011-12 and 2011-05 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company adopted ASUs 2011-05 and 2011-12 on November 1, 2012. The adoption of these new disclosure requirements did not have a material impact on our disclosures or consolidated financial statements.

In October 2012, the FASB issued Accounting Standards Update 2012-04 ("ASU 2012-04"), *Technical Corrections and Improvements*. The amendments in this update cover a wide range of topics and include technical corrections and improvements to the Accounting Standards Codification. The amendments in ASU 2012-04 will be effective for interim and annual reporting periods beginning after December 15, 2012. The Company adopted ASU 2012-04 on February 1, 2013. The adoption of ASU 2012-04 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In October 2012, the FASB issued Accounting Standards Update 2012-03 ("ASU 2012-03"), *Technical Amendments and Corrections to SEC Sections*. ASU 2012-03 is issued to amend certain SEC paragraphs in the FASB Accounting Standards Codification, including Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin, Technical Amendments, and Corrections Related to FASB Accounting Codification. The amendments in ASU 2012-03 will be effective for interim and annual reporting periods beginning after December 15, 2012. The Company adopted ASU 2012-03 on February 1, 2013. The adoption of ASU 2012-03 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

9. INCOME TAXES

We file Federal, New York State and California State income tax returns. Due to net operating losses, the statute of limitations remains open since the fiscal year ended October 31, 1997. We account for interest and penalties related to income tax matters in marketing, general and administrative expenses. There are no unrecognized income tax benefits as of January 31, 2014 and October 31, 2013.

10. SEGMENT INFORMATION

We follow the accounting guidance of ASC 280 "Segment Reporting" ("ASC 280"). Reportable operating segments are determined based on management's approach. The management approach, as defined by ASC 280, is based on the way that the chief operating decision-maker organizes the segments within an enterprise for making operating decisions and assessing performance. The chief operating decision-maker manages the enterprise as a single segment which includes the licensing and enforcement of patents.

11. COMMITMENT AND CONTINGENCES

Patent Acquisition Obligations

As of January 31, 2014, we have incurred obligations due no later than November 2017 related to the acquisition of patents, which have a discounted present value of approximately $2,937,000, and which amount will be reduced by royalties paid during the period. The payment due in November 2017 is payable at the option of the Company in cash or common stock.

Litigation Matters

On January 28, 2013, we filed a lawsuit in the United States Federal District Court for the Northern District of California against AUO and E Ink in connection with the AUO License Agreements, alleging breach of contract and other charges, and are seeking compensatory, punitive, and treble damages. In addition to numerous material breaches by AUO of the AUO License Agreements, the Complaint alleges that AUO and E Ink conspired to obtain rights to CopyTele's ePaper® Electrophoretic Display technology, and CopyTele's Nano Field Emission Display technology. CopyTele alleges that such activities violated several State and Federal anti-trust and unfair competition statutes for which punitive and/or treble damages are applicable. We can give no assurance as to the potential outcome of this litigation. However, it is reasonably possible that the Company will not prevail on its damages claims in arbitration. Pursuant to the terms of the related arbitration agreement, the Company may be liable for AUO's attorney's fees, which may exceed $1 million, if the Company does not prevail.

The operations of the Company involved patent licensing and enforcement in connection with the unauthorized use of patented technologies. In connection with any of our patent enforcement actions, it is possible that a defendant may request and/or a court may rule that we have violated statutory authority, regulatory authority, federal rules, local court rules, or governing standards relating to the substantive or procedural aspects of such enforcement actions. In such event, a court may issue monetary sanctions against us or award attorney's fees and/or expenses to a defendant(s), which could be material.

Other than the foregoing, we are not a party to any material pending legal proceedings. We are party to claims and complaints that arise in the ordinary course of business. We believe that any liability that may ultimately result from the resolution of these matters will not, individually or in the aggregate, have a material adverse effect on our financial position or results of operations.

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

GENERAL

As used herein, "we," "us," "our," the "Company", "CopyTele" or "CTI" means CopyTele, Inc. and its wholly-owned subsidiaries unless otherwise indicated. Our principal operations include the development, acquisition, licensing, and enforcement of patented technologies that are either owned or controlled by the Company or one of our wholly owned subsidiaries. The Company currently owns or controls nine patent portfolios. As part of our patent assertion activities and in the ordinary course of our business, the Company, and our wholly owned subsidiaries, have initiated and will likely continue to initiate patent infringement lawsuits, and engage in patent infringement litigation. Since implementing our new business model in January 2013, the Company has initiated 41 lawsuits in connection with 5 of our patent portfolios. Our primary source of revenue will come from licenses resulting from the unauthorized use of our patented technologies, including the settlement of patent infringement lawsuits. We entered into 4 revenue producing licenses in fiscal year 2013 and 2 additional revenue producing licenses since January 31, 2014, from 2 of our patent portfolios. As a result of these licenses, which were in settlement of lawsuits, the Company currently has 35 lawsuits in connection with 5 of our patent portfolios. In addition to continuing to mine and monetize our existing patents, our wholly owned subsidiary, CTI Patent Acquisition Corporation, will continue to acquire patents and the exclusive rights to license and enforce patents from third parties.

Due to arrangements previously entered into by the Company, certain of our patents contain encumbrances which may negatively impact our patent monetization and patent assertion activities. Where we are able, we will take the steps necessary to remove any encumbrances that may inhibit our patent monetization and patent assertion activities. We have obtained and will continue to obtain the rights to license and enforce additional patents from third parties, and when necessary, will assist such parties in the further development of their patent portfolios through the filing of additional patent applications.

In April 2013, CopyTele, through its wholly owned subsidiary, CTI Patent Acquisition Corporation, acquired the exclusive rights to license and enforce patent portfolios relating to (i) loyalty awards programs commonly provided by airlines, credit card companies, hotels, retailers, casinos, and others, and (ii) vinyl windows with integrated J-Channels, commonly used in modular buildings, mobile homes, and conventional, new home construction.

In November 2013, CTI Patent Acquisition Corporation acquired 2 patent portfolios in the rapidly expanding area of unified communications relating to (i) the multicast delivery of streaming data, media, and other content, within the confines of specialized virtual private networks, and (ii) the integration of telephonic participation in web-based audio/video conferences by creating a gateway between the internet and cellular or traditional landline telephones.

Patent Monetization and Patent Assertion

Patent monetization is the generation of revenue and proceeds from patents and patented technologies ("Patent Monetization"). Patent assertion is a specialized type of Patent Monetization where a patent owner, or a representative of the patent owner, seeks to prohibit or collect royalties from the unauthorized manufacture, sale, and use of the owner's patented invention ("Patent Assertion"). CTI's business model is Patent Monetization and Patent Assertion. We currently own or control nine patent portfolios which we have identified for patent monetization: (i) Encrypted Mobile Communication; (ii) ePaper® Electrophoretic Display; (iii) Internet Telephonic Gateway; (iv) J-Channel Window Frame Construction; (v) Key Based Web Conferencing Encryption; (vi) Loyalty Conversion Systems; (vii) Micro Electro Mechanical Systems Display; (viii) Nano Field Emission Display; and (ix) VPN Multicast Communications.

CTI's Patent Portfolios

Encrypted Mobile Communications

The Encrypted Mobile Communications patent portfolio covers hardware and software used to encrypt cellular phone calls and other mobile communications. With the increased use of mobile devices, and the increased concerns regarding privacy and the protection of personal information, we believe the demand for secure mobile communications is increasing for both businesses and consumers.

ePaper® Electrophoretic Display

The ePaper® Electrophoretic Display patent portfolio covers core electrophoretic technology that is used in the world's most popular eReader devices such as the Nook® and the Kindle. The ePaper patents cover the underlying chemistry that is used to manufacture both the particles and the suspension, two of the key elements that are fundamental to the generation of the black and white eReader display. CTI's ePaper patents also cover the manufacturing, assembly, and physical structure of the display unit itself, as well as the electronics and internal operation of the device.

Internet Telephonic Gateway

The internet telephonic gateway patent portfolio covers the integration of telephonic participation in web-based audio/video conferences by creating a gateway between the Internet, and cellular or traditional landline telephones. The end result is that participants can join and participate in online, audio/video conferences via a cellular or conventional telephone. This internet telephonic gateway technology is commonly used for web based audio/video events with broad based audience participation such as earnings calls, webinars, and virtual town hall meetings.

J-Channel Window Frame Construction

The J-Channel Window Frame Construction patent portfolio covers vinyl windows with an integrated frame, known in the industry as a "J-Channel". Such windows are commonly used in modular buildings, mobile homes, and conventional, new home construction, resulting in easier and faster window installation.

Key Based Web Conferencing Encryption

The Key Based Web Conferencing Encryption patent portfolio covers the generation and management of encryption keys. This type of encryption technology is commonly used to encrypt web-based conferencing, email for regulatory compliance purposes, and personal information such as contracts.

Loyalty Conversion Systems

The Loyalty Conversion System patent portfolio covers coalition loyalty awards programs commonly provided by airlines, credit card companies, hotels, retailers, casinos, and others. The portfolio covers the electronic conversion of non-negotiable, loyalty awards points into negotiable funds used to purchase goods and services from third parties, as well as covering the electronic conversions of awards points into points and awards provided by other loyalty program providers.

Micro Electro Mechanical Systems Display

The Micro Electro Mechanical Systems Display patent portfolio covers vanadium dioxide coated pixels that electrically modulate light at extremely high speeds to form an image, as well as the use of electrostatic force to move pixel sized membranes that create a color image. These are emerging, low voltage, display technologies with numerous potential commercial applications.

Nano Field Emission Display

The Nano Field Emission Display patent portfolio covers a new type of flat panel display consisting of low voltage color phosphors, specially coated carbon nanotubes, nano materials to generate secondary electrons, and ionized noble gas, resulting in a bright, sharp, high contrast color image. This emerging technology could result in a flat panel display utilizing less power, with better picture quality and lower manufacturing costs than is currently found in the flat panel display industry.

VPN Multicast Communications

The VPN Multicast Communications patent portfolio covers the multicast, internet delivery of streaming data, media, and other content to large numbers of recipients, within the confines of specialized virtual private networks ("VPN's). Multicasting is a commonly used content delivery protocol that enables several recipients to simultaneous receive content from a single internet transmission, greatly reducing Internet bandwidth costs.

When combined with specialized VPN's, the content and communications are protected from unwanted disclosure and piracy. Applications for these live, VPN multicast communications include videoconferences, online training and e-learning classes, internet television, web-based corporate events and strategy sessions, and other live transmissions of sensitive or protected content.

Patent Monetization and Patent Assertion Activities

On January 28, 2013, CTI initiated a patent infringement lawsuit in the United States District Court for the Northern District of California against E Ink Corporation ("E Ink"), asserting U.S. Pat. Nos. 5,964,935; 6,113,810; and 6,194,488; covering CTI's ePaper® Electrophoretic Display technology, which patents expire in 2017. CTI alleges that E Ink has infringed and continues to infringe such patents in connection with the manufacture, sale, use, and importation of electrophoretic displays. On January 28, 2013, CTI also filed a separate joint lawsuit against both AU Optronics Corp. ("AUO") and E Ink, the AUO/E Ink Lawsuit (as defined below). In June of 2013, CTI and AUO agreed to arbitrate CTI's charges in the AUO/E Ink Lawsuit. The Court also ordered E Ink to participate in the arbitration, for purposes of discovery. Because issues in the AUO/E Ink arbitration need to be resolved before the patent infringement case can proceed against E Ink, the Court dismissed the patent infringement case, without prejudice, meaning that CTI can re-file the patent infringement lawsuit, if necessary, following the arbitration.

On May 1, 2013, CTI's wholly owned subsidiary, Secure Web Conference Corporation, initiated a patent infringement lawsuit in the United States District Court for the Eastern District of New York against Microsoft Corporation, with respect to U.S. Patent Nos. 6,856,686 and 6,856,687, covering CTI's Key Based Web Conferencing Encryption technology, allegedly utilized by Microsoft's SKYPE and Lync video conferencing services, which patents expire in 2020 and 2021, respectively. On July 8, 2013, Secure Web Conference Corporation initiated similar lawsuits in the United States District Court for the Eastern District of New York against Citrix Systems and Logitech International.

On August 7, 2013, CTI's wholly owned subsidiary, J-Channel Industries Corporation, filed 8 separate patent infringement lawsuits in the United States District Court for the Eastern District of Tennessee, against Lowe's Companies, Clayton Homes, Pella Corporation, Jeld-Wen, Atrium Windows and Doors, Ply Gem Industries, RGF Industries, Tafco Corporation, Kinro Manufacturing, and Elixir Industries, all in connection with U.S. Reissue Patent No. 40,041, covering CTI's J-Channel Window Frame Construction technology, which patent expired in 2012. The lawsuits cover infringements for periods prior to the expiration of the patents.

On August 20, 2013, CTI's wholly owned subsidiary, Loyalty Conversion System Corporation, filed 10 separate patent infringement lawsuits in the United States District Court for the Eastern District of Texas, against Alaska Airlines, American Airlines, Delta Airlines, Frontier Airlines, Hawaiian Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, United Airlines, and U.S. Airways, all in connection with U.S. Patent Nos. 8,313,023 and 8,511,550, covering CTI's Loyalty Conversion Systems technology, which patents expire in 2026.

On October 9, 2013, CTI's wholly owned subsidiary, J-Channel Industries Corporation, filed 19 patent infringement lawsuits in the Federal District Court for the Eastern District of Tennessee, in connection U.S. Reissue Patent No. 40,041, covering CTI's J-Channel Window Frame Construction technology, which patent expired in 2012. The lawsuits cover infringements for periods prior to the expiration of the patents. Defendants in the lawsuits consist of retailers and window manufacturers, including: Home Depot U.S.A., Inc.; Anderson Corporation; American Builders & Contractors Supply Co., Inc. (ABC Supply); Comfort View Products, LLC; Croft, LLC; Moss Supply Company; Wincore Window Company LLC; Vinylmax, LLC; Simonton Building Products, Inc.; HWD Acquisition, Inc. (Hurd Windows); Magnolia Windows and Doors, LLC; MGM Industries, Inc., MI Windows and Doors LLC; PGT Industries, Inc.; Quaker Window Products Co.; Sun Windows, Inc.; Weather Shield Manufacturing, Inc.; West Window Corporation; Woodgrain Millwork, Inc.; and YKK-AP American Inc.

The Company has engaged in and will continue to engage in patent infringement lawsuits in the ordinary course of its business operations. All litigation involves a significant degree of uncertainty, and we give no assurances as to the outcome or duration of any lawsuit.

Licensing Activity

During the fiscal year ended October 31, 2013, the Company has entered into 4 license agreements in connection with 2 of our patented technologies. In October 2013, we entered into a license agreement with Alaska Air Group, Inc. in connection with our Loyalty Conversion Systems technology. In addition, in October 2013 we entered into license agreements with Tafco Corporation, RGF Industries and Elixir Industries, all in connection with our patented J-Channel Window Frame Construction technology. All of the agreements provide for one-time, non-recurring, lump sum payments in exchange for a non-exclusive license, or covenant not to sue. The Alaska Air Group payment covers alleged past and future infringing activity through May of 2026, the expiration date of the Loyalty Conversion Systems patents. The Tafco, RGF, and Elixir payments cover alleged past infringing activity from February 2008, the date of the re-issued J-Channel Window Frame Construction patent, through February 2012, the date that the J-Channel Window Frame Construction patent expired. All of the aforementioned license agreements were entered into in connection with the settlement of patent infringement lawsuits, which lawsuits have been dismissed.

RESULTS OF OPERATIONS

Three months ended January 31, 2014 compared to the three months ended January 31, 2013

Revenue from Patent Assertion Activities

The Company currently owns or controls 9 patent portfolios. Since implementing our new business model in January of 2013, the Company has initiated 41 lawsuits in connection with 5 of our patent portfolios. Our primary source of revenue will come from licenses resulting from the unauthorized use of our patented technologies, including the settlement of patent infringement lawsuits. During the fourth quarter of fiscal year 2013 we entered into 4 license agreements. The license agreements provided for one-time, non-recurring, lump sum payments in exchange for a non-exclusive retroactive and future license, or covenant not to sue. Accordingly, the earning process was complete and 100% of the revenue was recognized upon execution of the license agreements. We did not enter into any license agreements during the three months ended January 31, 2014 or 2013 and did not recognize any revenue during those periods.

Litigation and Licensing Expenses

Litigation and licensing expenses of approximately $33,000 in the three months ended January 2014 are attributable to our patent assertion activities and the AUO/EInk Lawsuit. We initiated lawsuits against AUO and E Ink on January 28, 2013 but did not incur any litigation and licensing expenses during the three months ended January 31, 2013.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses decreased by approximately $141,000 to approximately $1,932,000 in the three months ended January 31, 2014, from approximately $2,073,000 in the comparable prior-year period. The decrease in marketing, general and administrative expenses was principally due to an increase in employee compensation, excluding stock option expense, of approximately $244,000 which was primarily attributable to employee bonuses, a bonus paid to the Company's strategic advisor of $100,000, an increase in shareholder relations expense of approximately $70,000, and an increase in patent amortization expense of approximately $70,000. The above increases were offset by decreased legal and accounting fees of approximately $312,000, and decreased rent expense of approximately $246,000. During the first quarter of fiscal 2013 we began to vacate and return a substantial portion of our facilities to the landlord for possible re-letting and recorded an expense of approximately $186,000 related to future rentals of unused facilities. The additional legal and accounting fees in 2013 were primarily related to the Company's restructuring, which commenced in the fourth quarter of the fiscal year 2012. Marketing, general and administrative expense for the three month periods ended January 31, 2013 and 2014, includes approximately $721,000 and $714,000, respectively, of non-cash stock option expense.

Change in Value of Derivative Liability

Change in value of derivative liability was a loss of approximately $1,320,000 in the three month period ended January 31, 2014 compared to $-0- in the comparable prior year period. The derivative liability represents the bifurcated conversion features of the January 2013 Convertible Debentures and the November 2013 Convertible Debentures.

Interest Expense

Interest expense increased by approximately $357,000 to approximately $379,000 in the three month period ended January 31, 2014 from $22,000 in the prior year period. Interest expense in the current period includes approximately $217,000 of amortization of debt discounts on convertible debentures compared to $-0- in the prior year and approximately $86,000 of amortized interest on our patent acquisition obligation compared to $-0- in the prior year period.

Dividend Income

Dividend income of approximately $48,000 received in the three month period ended January 31, 2014 was related to the Videocon GDR's. There was no dividend income received in the three month period ended January 31, 2013.

Interest Income

Interest income increased to $1,000 in the current period compared to approximately $-0- in the three months ended January 31, 2013 due to the increased amount of short term investments during the current period.

LIQUIDITY AND CAPITAL RESOURCES

In September 2012, the Company received aggregate gross proceeds of $750,000 from the issuance of 8% convertible debentures due September 12, 2016 in a private placement, of which $300,000 was sold to the Company's current Chairman and then Chief Executive Officer and one other director of the Company. The September 2012 debentures paid interest quarterly and were convertible into shares of our common stock at a conversion price of $0.092 per share on or before September 12, 2016. The Company recorded a discount to the carrying amount of the September 2012 debentures of approximately $717,000 related to the debentures' beneficial conversion feature. The Company was permitted to prepay the September 2012 debentures at any time without penalty upon 30 days prior notice. The Company also had the option to pay interest on the September 2012 debentures in common stock. During the three month period ended April 30, 2013, the entire $750,000 principal amount of the September 2012 debentures were converted into 8,152,170 shares of common stock and an additional 100,725 shares were issued in payment of approximately $9,300 of accrued interest through the conversion date. The conversion of the September 2012 debentures resulted in a charge to interest expense of approximately $717,000 during the second quarter of fiscal 2013.

In January 2013, we received aggregate gross proceeds of $1,765,000 from the issuance of 8% convertible debentures due January 25, 2015, of which $250,000 was received from our current President, Chief Executive Officer and director, and two other directors of the Company. The January 2013 debentures pay interest quarterly and are convertible into shares of our common stock at a conversion price of $0.15 per share on or before January 25, 2015. The embedded conversion feature has certain weighted average anti-dilution protection provisions which would be triggered if the Company issues its common stock, or certain common stock equivalents, (as defined) at a price below $0.15 per share. We have the option to pay any interest on the January 2013 debentures in common stock based on the average of the closing prices of our common stock for the 10 trading days immediately preceding the interest payment date. We also have the option to pay any interest on the January 2013 debentures with additional debentures. We may prepay the January 2013 debentures at any time without penalty upon 30 days prior notice but only if the sales price of the common stock on the principal market on which the common stock is primarily listed and quoted for trading is at least $0.30 for 20 trading days in any 30-day trading period ending no more than 15 days before the Company's prepayment notice. In conjunction with the issuance of the January 2013 debentures, we issued warrants to purchase 5,882,745 shares of our common stock. Each January 2013 warrant grants the holder the right to purchase one share of our common stock at the purchase price of $0.30 per share on or before January 25, 2016. In connection with the sale of January 2013 debentures, we paid a placement fee of approximately $41,000 and issued the placement agent a warrant to purchase 276,014 shares of common stock with identical provisions as January 2013 warrants issued with the January 2013 debentures. We also agreed to register the common stock issuable upon conversion of the January 2013 debentures and exercise of the January 2013 warrants. The January 2013 warrants may be exercised on a cashless basis only if there is not an effective registration statement covering such shares at the time the warrants are exercised. During June and July 2013, holders of $325,000 of principal of the January 2013 debentures converted their holdings into an aggregate of 2,166,775 shares of common stock and an additional 20,125 shares of common stock were issued in payment of accrued interest.

In April 2013, we entered into a common stock purchase agreement (the "Stock Purchase Agreement") with Aspire Capital Fund LLC ("Aspire Capital"), which provides that Aspire Capital is committed to purchase up to an aggregate of $10 million of shares of our common stock over the two-year term of the agreement. In consideration for entering into the Stock Purchase Agreement, concurrently with the execution of the agreement, we issued to Aspire Capital 3,500,000 shares of our common stock with a fair value of $700,000 as a commitment fee. Upon execution of the Stock Purchase Agreement, Aspire Capital purchased 2,500,000 shares for $500,000. In order to sell any additional shares under the Stock Purchase Agreement, we were required to have a registration statement covering the shares issued to Aspire Capital declared effective by the Securities and Exchange Commission (the "SEC"). Such registration statement was declared effective by the SEC in June 2013.

Under the Stock Purchase Agreement there are two ways that we can elect to sell shares of common stock to Aspire Capital. On any business day we can select: (1) through a regular purchase of up to 200,000 shares (but not to exceed $200,000) at a known price based on the market price of our common stock prior to the time of each sale, and (2) through a volume-weighted average price, or VWAP, purchase of a number of shares up to 30% of the volume traded on the purchase date at a price equal to the lesser of (i) the closing sale price on the purchase date or (ii) 95% of the VWAP for such purchase date. The Company can only require a VWAP purchase if the closing sale price for our Common Stock on the notice day for the VWAP purchase is higher than $0.50. During the third and fourth quarters of fiscal year 2013 we sold an additional 2,880,000 shares of our common stock to Aspire Capital for approximately $592,000.

The number of shares covered by and the timing of, each purchase notice are determined by us, at our sole discretion. The Company cannot execute any sales under the Stock Purchase Agreement when the closing for our common stock is less than $0.15. Aspire Capital has no right to require any sales from us, but is obligated to make purchases as directed in accordance with the Stock Purchase Agreement. The Stock Purchase Agreement may be terminated by us at any time, at our discretion, without any cost or penalty. We incurred expenses of approximately $42,000 in connection with the execution of the Stock Purchase Agreement in addition to the 3,500,000 shares of our common stock we issued as a commitment fee.

On May 29, 2013, the Company offered the holders of the warrants issued in our February 2011 private placement, exercisable at a purchase price of $0.178 per share, the opportunity to exercise the warrants at a reduced exercise price of $0.16 per share (payable in cash) during the period ended July 15, 2013. In connection therewith, our Chairman, our Chief Financial Officer and director, and one other director of the Company exercised warrants to purchase 2,380,000 shares of our Common Stock and we received gross proceeds of approximately $381,000. Utilizing the Black-Scholes option-pricing model, the Company determined that the aggregate incremental fair value of the repriced warrants was immaterial and no discount charge was recorded. In addition, we issued 547,493 shares of our common stock upon the exercise, on a “cashless” basis, of warrants to purchase 1,400,000 shares at a purchase price of $0.178 per share.

In November 2013, we received gross proceeds of $3,500,000 from the issuance of a 6% Convertible Debenture due November 11, 2016, to a single institutional investor. The November 2013 debenture pays interest annually and is convertible into shares of our common stock at a conversion price of $0.1892 per share on or before November 11, 2016. The embedded conversion feature has certain anti-dilution protection provisions which would be triggered if the Company issues its common stock, or certain common stock equivalents, (as defined) at a price below $0.1419 per share. In conjunction with the issuance of the November 2013 debentures, we issued warrants to purchase 9,249,472 shares of our common stock. Each November 2013 warrant grants the holder the right to purchase one share of our common stock at a fixed purchase price of $0.3784 per share on or before November 11, 2016. We also agreed to register the common stock issuable upon conversion of the November 2013 debentures and exercise of the November 2013 warrants. The November 2013 warrants may be exercised on a cashless basis only if there is not an effective registration statement covering such shares at the time the warrants are exercised.

Table of Contents

Based on currently available information, we believe that our existing cash, cash equivalents and short-term investments, together with expected cash flows from the Stock Purchase Agreement with Aspire Capital and expected cash flows from patent licensing and enforcement, and other potential sources of cash flows will be sufficient to enable us to continue our patent licensing and enforcement activities for at least 12 months. However, our projections of future cash needs and cash flows may differ from actual results. If current cash on hand and cash that may be generated from the Stock Purchase Agreement and from patent licensing and enforcement activities are insufficient to satisfy our liquidity requirements, we may seek to sell equity securities or obtain loans from various financial institutions where possible. The sale of additional equity securities or convertible debt could result in dilution to our shareholders. We can give no assurance that we will generate sufficient cash flows in the future (through licensing and enforcement of patents, or otherwise) to satisfy our liquidity requirements or sustain future operations, or that other sources of funding, such as sales of equity or debt, would be available, if needed, on favorable terms or at all. We can also give no assurance that we will have sufficient funds to repay our outstanding indebtedness. If we cannot obtain such funding if needed or if we cannot sufficiently reduce operating expenses, we would need to curtail or cease some or all of our operations.

The following table presents our expected cash requirements for contractual obligations outstanding as of January 31, 2014:

	Payments Due by Period				
Contractual Obligations	Less than 1 year	1-3 years	3-5 years	After 5 years	Total
Non-cancelable Operating Leases	$ 124,000	$ -	$ -	$ -	$ 124,000
Convertible Debentures due 2016	-	3,500,000	-	-	3,500,000
Convertible Debentures due 2015	1,440,000	-	-	-	1,440,000
Secured Loan Obligation to Mars Overseas	5,000,000	-	-	-	5,000,000
Total Contractual Cash Obligations	$ 6,564,000	$3,500,000	$ -	$ -	$10,064,000

Critical Accounting Policies

Our condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. In preparing these financial statements, we make assumptions, judgments and estimates that can have a significant impact on amounts reported in our consolidated financial statements. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. On a regular basis, we evaluate our assumptions, judgments and estimates and make changes accordingly.

We believe that, of the significant accounting policies discussed in Note 2 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended October 31, 2013, the following accounting policies require our most difficult, subjective or complex judgments:

- Revenue recognition;
- Investment Securities;
- Stock-Based Compensation; and
- Convertible Debentures

Revenue Recognition

Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) all obligations have been substantially performed pursuant to the terms of the arrangement, (iii) amounts are fixed or determinable, and (iv) the collectability of amounts is reasonably assured.

In general, patent revenue arrangements provide for the payment of contractually determined fees in consideration for the grant of certain intellectual property rights for patented technologies owned or controlled by our operating subsidiaries. These rights typically include some combination of the following: (i) the grant of a non-exclusive, retroactive and future license to manufacture and/or sell products covered by patented technologies owned or controlled by our operating subsidiaries, (ii) a covenant-not-to-sue, (iii) the release of the licensee from certain claims, and (iv) the dismissal of any pending litigation. The intellectual property rights granted are perpetual in nature, extending until the expiration of the related patents. Pursuant to the terms of these agreements, our operating subsidiaries have no further obligation with respect to the grant of the non-exclusive retroactive and future licenses, covenants-not-to-sue, releases, and other deliverables, including no express or implied obligation on our operating subsidiaries' part to maintain or upgrade the technology, or provide future support or services. Generally, the agreements provide for the grant of the licenses, covenants-not-to-sue, releases, and other significant deliverables upon execution of the agreement. As such, the earnings process is complete and revenue is recognized upon the execution of the agreement, when collectability is reasonably assured, and when all other revenue recognition criteria have been met.

Investment Securities

We classify our investment securities as available-for-sale. 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. 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. In evaluating our investment in Videocon GDR's at October 31, 2013, we determined that based on both the duration and continuing magnitude of the market price decline compared to the carrying cost basis of approximately $5,382,000, and the uncertainty of its recovery we recorded a write-down of the investment of approximately of $1,185,000 and established a new cost basis of approximately $4,197,000. During the three months ended January 31, 2014, we recorded an unrealized loss on our investment of approximately $211,000.

Stock-Based Compensation

We account for stock options granted to employees and directors using the accounting guidance in ASC 718. We recognize compensation expense for stock option awards over the requisite or implied service period of the grant. We recorded stock-based compensation expense, related to stock options granted to employees and directors, of approximately $466,000 and $473,000 during the three months ended January 31, 2014 and 2013, respectively. We account for stock options granted to consultants using the accounting guidance under ASC 505-50. We recognized stock-based compensation expense for stock options granted to non-employee consultants during the three months ended January 31, 2014 and 2013, of approximately $255,000 and $242,000, respectively. See Note 2 to the 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 term. If factors change and we employ different assumptions in the application of ASC 718 and ASC 505-50 in future periods, the compensation expense that we record may differ significantly from what we have recorded in the current period. See Note 3 to the condensed consolidated financial statements for additional information.

Convertible Instruments

The Company accounts for hybrid contracts that feature conversion options in accordance with applicable generally accepted accounting principles (“GAAP”). ASC 815 “Derivatives and Hedging Activities,” (“ASC 815”) requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria includes circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

Conversion options that contain variable settlement features such as provisions to adjust the conversion price upon subsequent issuances of equity or equity linked securities at exercise prices more favorable than that featured in the hybrid contract generally result in their bifurcation from the host instrument.

The Company accounts for convertible instruments, when the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, in accordance with ASC 470-20 “Debt with Conversion and Other Options” (“ASC 470-20”). Under ASC 470-20 the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. The Company accounts for convertible instruments (when the Company has determined that the embedded conversion options should be bifurcated from their host instruments) in accordance with ASC 815. Under ASC 815, a portion of the proceeds received upon the issuance of the hybrid contract are allocated to the fair value of the derivative. The derivative is subsequently marked to market at each reporting date based on current fair value, with the changes in fair value reported in results of operations.

EFFECT OF RECENTLY ISSUED PRONOUNCEMENTS

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2011-12 ("ASU 2011-12"), *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. This amendment defers the effective date of the requirement to present separate line items on the income statement for reclassification adjustments of items out of accumulated other comprehensive income into net income. ASU 2011-12 is effective at the same time as Accounting Standards Update 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income ("ASU 2011-05"), so that entities will not be required to comply with the presentation requirements in ASU 2011-05 that this ASU 2011-12 is deferring. ASUs 2011-12 and 2011-05 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company adopted ASUs 2011-05 and 2011-12 on November 1, 2012. The adoption of these new disclosure requirements did not have a material impact on our disclosures or consolidated financial statements.

In October 2012, the FASB issued Accounting Standards Update 2012-04 ("ASU 2012-04"), *Technical Corrections and Improvements*. The amendments in this update cover a wide range of topics and include technical corrections and improvements to the Accounting Standards Codification. The amendments in ASU 2012-04 will be effective for interim and annual reporting periods beginning after December 15, 2012. The Company adopted ASU 2012-04 on February 1, 2013. The adoption of ASU 2012-04 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In October 2012, the FASB issued Accounting Standards Update 2012-03 ("ASU 2012-03"), *Technical Amendments and Corrections to SEC Sections*. ASU 2012-03 is issued to amend certain SEC paragraphs in the FASB Accounting Standards Codification, including Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin, Technical Amendments, and Corrections Related to FASB Accounting Codification. The amendments in ASU 2012-03 will be effective for interim and annual reporting periods beginning after December 15, 2012. The Company adopted ASU 2012-03 on February 1, 2013. The adoption of ASU 2012-03 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

FORWARD-LOOKING STATEMENTS

Information included in this Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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 our Annual Report on Form 10-K for the fiscal year ended October 31, 2013 and the condensed consolidated financial statements included in this Report. Except as required by applicable law, including the securities laws of the United States, 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.

At January 31, 2014, our investment in Videocon GDRs is recorded at fair value of approximately $3,986,000 and has exposure to additional 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 January 31, 2014, amounts to approximately $399,000.

Item 4. Controls and Procedures.

We carried out an evaluation, under the supervision and with the participation of our management including our President 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 President 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 first quarter of fiscal year 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

On January 28, 2013, we filed a lawsuit in the United States Federal District Court for the Northern District of California against AUO and E Ink in connection with the EPD License Agreement and the Nano Display License Agreement, alleging breach of contract, breach of the implied covenant of good faith and fair dealing, fraudulent inducement, unjust enrichment, unfair business practices, attempted monopolization, and other charges, and we are seeking compensatory, punitive, and treble damages..

In addition to numerous and continual material breaches by AUO of the EPD License Agreement, and the Nano Display License Agreement, the Complaint alleges that AUO and E Ink conspired to obtain rights to CTI's ePaper® Electrophoretic Display technology, and CTI's Nano Field Emission Display technology, through an elaborate scheme whereby AUO obtained certain rights to the technologies under the guise of jointly developing products with CTI, which products would compete with certain products manufactured by AUO and certain products manufactured and sold by E Ink. Instead of jointly developing products with CTI and competing with E Ink, AUO clandestinely agreed to sell its electrophoretic display business to E Ink, and attempted to include a license to CTI's ePaper® Electrophoretic Display technology as part of the sale, with CTI receiving no consideration. CTI alleges that such activities violated several State and Federal anti-trust and unfair competition statutes for which punitive and/or treble damages are applicable.

Other than the foregoing and the suits we bring to enforce our patent rights, which are an integral part of our business plan, we are not a party to any material pending legal proceedings other than that which arise in the ordinary course of business. We are party to claims and complaints that arise in the ordinary course of business. We believe that any liability that may ultimately result from the resolution of these matters will not, individually or in the aggregate, have a material adverse effect on our financial position or results of operations.

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 fiscal year ended October 31, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the quarter ended January 31, 2014, the Company issued an aggregate of 90,000 shares of our common stock to various companies in payment of public relations and investor relations services. In November 2013, the Company issued 1,000,000 shares of our common stock to an inventor in connection with the acquisition of patents. In both instances, the common stock was issued in reliance on an exemption from registration under Section 4(2) of the Securities Act.

During the quarter ended January 31, 2014, the Company issued 150,785 shares of our common stock in payment of interest on the principal amount of the 8% Convertible Debenture due 2015 that we issued in our January 2013 private placement. These securities were issued in reliance on an exemption from registration under Section 4(2) of the Securities Act.

Item 3. Defaults Upon Senior Securities. None.

Item 4. **Mine Safety Disclosures**. Not Applicable.

Item 5. Other Information.

(a) None.

(b) There have been no material changes to the procedures by which security holders may recommend nominees to the Company's board of directors.

Item 6. Exhibits.

10.1 Amendment No. 3 to the CopyTele, Inc. 2010 Share Incentive Plan. (Filed herewith.)_

31.1 Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 17, 2014. (Filed herewith.)

31.2 Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 17, 2014. (Filed herewith.)

32.1 Statement of Chief Executive Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated March 17, 2014. (Filed herewith.)

32.2 Statement of Chief Financial Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated March 17, 2014. (Filed herewith.)

101.ins Instance Document. (Filed herewith.)

101.def XBRL Taxonomy Extension Definition Linkbase Document. (Filed herewith.)

101.sch XBRL Taxonomy Extension Schema Document. (Filed herewith.)

101.cal XBRL Taxonomy Extension Calculation Linkbase Document. (Filed herewith.)

101.lab XBRL Taxonomy Extension Label Linkbase Document. (Filed herewith.)

101.pre XBRL Taxonomy Extension Presentation Linkbase Document. (Filed herewith.)

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.

March 17, 2014	By: /s/ Robert A. Berman Robert A. Berman President and Chief Executive Officer (Principal Executive Officer)
March 17, 2014	By: /s/ Henry P. Herms Henry P. Herms Vice President - Finance and Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 10.1

Amendment No. 3 to the

CopyTele, Inc. 2010 Share Incentive Plan

Amended by the Company's Board of Directors on November 8, 2013

Effective November 8, 2013, the following sections of the Company's 2010 Share Incentive Plan are hereby amended to read in their entity as follows:

Section 5 is hereby amended to read in its entirety as follows:

5. **Common Stock Available Under the Plan**

Effective and following November 8, 2013, the maximum aggregate number of shares of Common Stock that may be subject to Benefits, including Stock Options, granted under this Plan shall be 20,000,000 shares, which may be authorized and unissued or treasury shares, subject to any adjustments in accordance with Section 15 hereof. Additionally, commencing on the first business day in 2014 and on the first business day of each calendar year thereafter while the Plan is in effect, the maximum aggregate number of shares of Common Stock available for issuance under this Plan shall be increased such that, as of such first business day, the maximum aggregate number of shares of Common Stock available for issuance under this Plan shall be 20,000,000 shares. Any shares of Common Stock subject to a Stock Option or Stock Appreciation Right which for any reason is cancelled or terminated without having been exercised, any shares subject to Stock Awards, Performance Awards or Stock Units which are forfeited, any shares subject to Performance Awards settled in cash, any shares delivered to the Company as part or full payment for the exercise of a Stock Option or Stock Appreciation Right or any shares delivered to the Company in satisfaction of any tax withholding arising in connection with any Benefit consisting of shares of Common Stock, as the case may be, shall again be available for Benefits under the Plan.

Section 7 is hereby amended to read in its entirety as follows:

7. Automatic Stock Option Grants to Director Participants

(a) Subject to the terms and conditions of this Section 7, on January 2nd of each year commencing on January 2, 2014, each person who is a Director Participant of the Company at that time shall automatically be granted a Nonqualified Stock Option to purchase 300,000 shares of Common Stock (or 400,000 in the case of the Chairman of the Board to the extent he qualifies as a Director Participant). In addition, each person who is a Director Participant and joins the Board of Directors after January 2 of any year, shall be granted on the date such person joins the Board of Directors a Nonqualified Stock Option to purchase 300,000 shares of Common Stock (or 400,000 in the case of the Chairman of the Board) pro-rated based upon the number of calendar quarters remaining in the calendar year in which such person joins the Board of Directors (rounded up for partial quarters).

(b) The purchase price of the shares of Common Stock covered by the Nonqualified Stock Options granted pursuant to this Section 7 shall be the Fair Market Value of such shares of Common Stock on the date of grant.

(c) A Nonqualified Stock Option granted to any Director Participant of the Company shall vest and become exercisable in four equal quarterly installments on March 31 June 30, September 30, and December 31 of the year in which it was granted (or in the case of a Director Participant who joins the Company after January 2 in equal quarterly installments over the remaining quarterly period in such calendar year). Thereafter, the Nonqualified Stock Option shall be exercisable for the period ending ten (10) years from the date of grant of such Nonqualified Stock Option, except to the extent such exercise is further limited or restricted pursuant to the provisions hereof.

(d) If a Director Participant's service as a director of the Company terminates, any Nonqualified Stock Option previously granted to such Director Participant shall, to the extent not theretofore exercised, terminate and become null and void; provided, however, that:

(i) if a Director Participant holding an outstanding Nonqualified Stock Option dies, such Nonqualified Stock Option shall, to the extent not theretofore exercised, remain exercisable for five (5) years after such Director Participant's death, by such Director Participant's legatee, distributee, guardian or legal or personal representative; and

(ii) if the service of a Director Participant to whom such Nonqualified Stock Option shall have been granted shall terminate by reason of (i) such Director Participant's disability (as described in Section 22(e)(3) of the Code), (ii) voluntary retirement from service as a director of the Company, or (iii) failure of the Company to retain or nominate for re-election such Director Participant who is otherwise eligible, unless due to any act of (A) fraud or intentional misrepresentation, or (B) embezzlement, misappropriation or conversion of assets or opportunities of the Company or any direct or indirect subsidiary of the Company, while such Director Participant is entitled to exercise such Nonqualified Stock Option as herein provided, such Director Participant shall have the right to exercise such Nonqualified Stock Option so granted in respect of any or all of such number of shares of Common Stock subject to such Nonqualified Stock Option at any time up to and including (X) five (5) years after the date of such termination of service due to failure of the Company to retain or nominate for re-election such Director Participant who is otherwise eligible, unless due to any act of (1) fraud or intentional misrepresentation, or (2) embezzlement, misappropriation or conversion of assets or opportunities of the Company or any direct or indirect subsidiary of the Company, and (Y) five (5) years after the date of termination of service in the case of termination of service by reason of voluntary retirement or by reason of disability; and

(iii) if the Director Participant shall die during the five (5) year period, specified in clause (ii) above and at a time when such Director Participant was entitled to exercise a Nonqualified Stock Option as herein provided, the legal representative of such Director Participant, or such person who acquired such Nonqualified Stock Option by bequest or inheritance or by reason of the death of the Director Participant may, not later than five (5) years from the date of death, exercise such Nonqualified Stock Option, to the extent not theretofore exercised, in respect of any or all of such number of Shares subject to such Nonqualified Stock Option.

In no event, however, shall a Director Participant be entitled to exercise any Stock Option issued under this Section 7 after the expiration of the period of exercisability of such Stock Option, as specified therein.

(e) A Director Participant may receive automatic Stock Option grants under this Section 7 and Stock Option grants under Section 6.

Exhibit 31.1

CERTIFICATION

I, Robert Berman, 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/ Robert A. Berman
Robert A. Berman
President and Chief Executive Officer
(Principal Executive Officer)

March 17, 2014

Exhibit 31.2

CERTIFICATION

I, Henry P. Herms, 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 (Principal
Financial and Accounting Officer)

March 17, 2014

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, Robert A. Berman, the President and Chief Executive Officer of CopyTele, Inc., hereby certifies that:

1. The Company's Form 10-Q Quarterly Report for the period ended January 31, 2014 (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/ Robert A. Berman
Robert A. Berman
President and Chief Executive Officer
(Principal Executive Officer)

March 17, 2014

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 January 31, 2014 (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 (Principal
Financial and Accounting Officer)

March 17, 2014