

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended October 31, 2007

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 for the transition period from _____ to _____

Commission file number 1-8696



COMPETITIVE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

www.competitivetech.net

Delaware

(State or other jurisdiction of incorporation or organization)

36-2664428

(I.R.S. Employer Identification No.)

777 Commerce Drive, Suite 100

Fairfield, Connecticut

(Address of principal executive offices)

06825

(Zip code)

(203) 368-6044

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act). Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. . Yes ☐ No ☐

The number of shares of the registrant's common stock outstanding as of December 13, 2007 was 8,169,872 shares.

COMPETITIVE TECHNOLOGIES, INC.

INDEX TO QUARTERLY REPORT ON FORM 10-Q

PART I. FINANCIAL INFORMATION

Page No.

Item 1.	Condensed Consolidated Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets at October 31, 2007 and July 31, 2007	3
	Condensed Consolidated Statements of Operations for the three months ended October 31, 2007 and 2006	4
	Condensed Consolidated Statement of Comprehensive Income (Loss) and Changes in Shareholders' Interest for the three months ended October 31, 2007	5
	Condensed Consolidated Statement of Cash Flows for the three months ended October 31, 2007 and 2006	6
	Notes to Condensed Consolidated Financial Statements.....	7 - 13
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	14 - 18
Item 3.	Quantitative and Qualitative Disclosures About Market Risk.....	19
Item 4.	Controls and Procedures.....	20

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings.....	21
Item 1A.	Risk factors	21
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	21
Item 4.	Submission of Matters to a Vote of Security Holders.....	21
Item 5....	Other.....	21
Item 6.	Exhibits	21
	Signatures	22
	Exhibit Index	23

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	<u>October 31, 2007</u>	<u>July 31, 2007</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,069,983	\$ 6,572,076
Receivables, net of allowance of \$422,604 at October 31, 2007 and July 31, 2007	445,456	739,797
Available-for-sale securities	462,623	1,630,237
Inventory	62,881	44,781
Prepaid expenses and other current assets	263,870	377,419
Total current assets	<u>6,304,813</u>	<u>9,364,310</u>
Property and equipment, net	309,018	304,185
Other long term assets	43,861	43,861
Intangible assets acquired, net	-	377
TOTAL ASSETS	<u>\$ 6,657,692</u>	<u>\$ 9,712,733</u>
LIABILITIES AND SHAREHOLDERS' INTEREST		
Current Liabilities:		
Accounts payable	\$ 690,967	\$ 727,808
Accrued expenses and other liabilities	1,241,528	1,323,485
Total current liabilities	<u>1,932,495</u>	<u>2,051,293</u>
Deferred Rent	67,337	62,624
Shareholders' interest:		
5% preferred stock, \$25 par value, 35,920 shares authorized, 2,427 shares issued and outstanding	60,675	60,675
Common stock, \$.01 par value, 20,000,000 shares authorized, 8,107,380 shares issued	81,073	81,073
Capital in excess of par value	35,390,549	35,263,453
Accumulated deficit	(30,874,988)	(28,315,344)
Accumulated other comprehensive income (loss)	<u>551</u>	<u>508,959</u>
Total shareholders' interest	<u>4,657,860</u>	<u>7,598,816</u>
TOTAL LIABILITIES AND SHAREHOLDERS'		
INTEREST	<u>\$ 6,657,692</u>	<u>\$ 9,712,733</u>

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Three months ended October 31,	
	2007	2006
Revenues		
Retained royalties	\$ 123,799	\$ 730,204
Investment income	80,014	164,972
Product Sales	6,796	-
	<u>210,609</u>	<u>895,176</u>
Expenses		
Cost of Product Sales	3,400	-
Personnel and other direct expenses relating to revenues	1,107,524	1,057,008
General and administrative expenses	1,276,960	743,934
Patent enforcement expenses, net of reimbursements	154,773	216,396
Loss on permanent impairment of available-for-sale securities	227,596	-
	<u>2,770,253</u>	<u>2,017,338</u>
Loss before income taxes	(2,559,644)	(1,122,162)
Provision (benefit) for income taxes	-	-
Net loss	<u>\$ (2,559,644)</u>	<u>\$ (1,122,162)</u>
Basic and diluted loss per share	<u>\$ (0.32)</u>	<u>\$ (0.14)</u>
Basic and diluted weighted average number of common shares outstanding:	8,107,380	7,988,701

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Comprehensive Income (Loss) and Changes in Shareholders' Interest for the three months ended October 31, 2007

	Preferred Stock		Common Stock		Capital in excess of par value	Accumulated deficit	Accumulated other comprehensive income/(loss)	Total Shareholders' Interest
	Shares outstanding	Amount	Shares outstanding	Amount				
Balance – July 31, 2007	2,427	\$ 60,675	8,107,380	\$ 81,073	\$ 35,263,453	\$ (28,315,344)	\$ 508,959	\$ 7,598,816
Comprehensive loss:								
Net loss						(2,559,644)		(2,559,644)
Unrealized decrease in market value of securities							(585,452)	(585,452)
Foreign currency translation adjustments on securities							62,490	62,490
Reclassification to net loss							14,554	14,554
Comprehensive loss								(3,068,052)
Compensation expense from stock option grants					127,096			127,096
Balance – October 31, 2007	2,427	\$ 60,675	8,107,380	\$ 81,073	\$ 35,390,549	\$ (30,874,988)	\$ 551	\$ 4,657,860

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Cash Flows

	Three months ended October 31, 2007	2006
Cash flows from operating activities:		
Net income (loss)	\$ (2,559,644)	\$ (1,122,162)
Non-cash and other expenses (income) included in net income (loss):		
Depreciation and amortization	17,745	20,449
Deferred rent	4,713	-
Share-based compensation – stock options	127,096	68,245
Stock compensation accrued	40,500	50,000
Gain on available-for-sale securities	(10,592)	-
Loss on permanent impairment of available- for-sale securities	227,596	-
Changes in assets and liabilities:		
Receivables	294,341	142,676
Inventory	(18,100)	-
Prepaid expenses and other assets	113,548	101,856
Accounts payable and accrued expenses and other liabilities	(159,298)	328,992
Net cash used in operating activities	<u>(1,922,095)</u>	<u>(409,944)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(22,200)	(180,425)
Proceeds from sale of available-for-sale securities	442,202	-
Net cash provided by (used in) investing activities	<u>420,002</u>	<u>(180,425)</u>
Net decrease in cash and cash equivalents	(1,502,093)	(590,369)
Cash and cash equivalents at beginning of period	6,572,076	12,909,311
Cash and cash equivalents at end of period	<u>\$ 5,069,983</u>	<u>\$ 12,318,942</u>

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. BASIS OF PRESENTATION

The interim condensed consolidated financial information presented in the accompanying condensed consolidated financial statements and notes hereto is unaudited.

Competitive Technologies, Inc. ("CTT"), and its wholly owned and majority owned subsidiaries (collectively, "we" or "us"), provide patent and technology licensing and commercialization services throughout the world (with concentrations in the U.S.A. and Asia), with respect to a broad range of life, electronic, physical, and nano science technologies originally invented by various universities, corporations and individuals. We are compensated for our services primarily by sharing in the license and royalty fees generated from the successful licensing of our clients' technologies. In fiscal 2008, we began test marketing in the US an electronic device used for stress reduction and memory improvement purposes, selling about 20 units in the 2008 first quarter. The Company is seeking US distributors for this product. The condensed consolidated financial statements include the accounts of CTT and its subsidiaries. Inter-company accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year's presentation.

We believe we made all adjustments necessary to present the unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. The results for the three months ended October 31, 2007, are not necessarily indicative of the results that can be expected for the full fiscal year ending July 31, 2008.

The interim unaudited condensed consolidated financial statements and notes thereto, as well as the accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations, should be read in conjunction with our Annual Report on Form 10-K for the year ended July 31, 2007, filed on October 29, 2007.

The Company incurred an operating loss for the first quarter of fiscal 2008, as well as operating losses in fiscal 2007 and 2006. At the current spending levels, the Company does not have sufficient cash flow to fund operating expenses beyond fiscal 2008. This condition raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effect of the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty.

The Company's continuation as a going concern is dependent on its developing other recurring revenue streams sufficient to cover operating costs. The Company is currently pursuing sale of certain assets and technologies while it pursues licensing opportunities for its remaining portfolio of technologies. There can be no assurance that the Company will be successful in such efforts. Failure to develop a recurring revenue stream sufficient to cover operating expenses would significantly negatively affect the Company's financial position.

2. NET LOSS PER COMMON SHARE

For the three months ended October 31, 2007 and 2006, respectively, 791,999 and 1,097,973 shares of outstanding common stock options were excluded from the computation of diluted net loss per share because they were anti-dilutive.

3. COMPREHENSIVE LOSS AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Three months Ended October 31,	
Comprehensive loss:	<u>2007</u>	<u>2006</u>
Net loss	\$(2,559,644)	\$ (1,122,162)
Unrealized increase (decrease) in market price of securities	(585,452)	235,717
Foreign currency translation adjustments on securities	62,490	1,106
Reclassification to net income	14,554	-
Comprehensive loss	<u>\$(3,068,052)</u>	<u>\$ (885,339)</u>

Accumulated other comprehensive loss consists of the following:

	October 31, 2007	July 31, 2007
Accumulated net unrealized holding income (loss) on equity securities	\$(241,968)	\$ 80,951
Accumulated unrealized foreign currency translation gains	144,001	195,884
Accumulated unrealized gain from reversal of sale restriction discount	98,518	232,124
Accumulated other comprehensive income (loss)	<u>\$ 551</u>	<u>\$508,959</u>

4. RECEIVABLES

Receivables consist of the following:	October 31, <u>2007</u>	July 31, <u>2007</u>
Royalties, net of allowance of \$422,604 at October 31, 2007 and July 31, 2007	\$ 61,333	\$ 513,085
Receivable from insurance carrier	342,267	177,304
Other	41,856	49,408
Total receivables	<u>\$ 445,456</u>	<u>\$ 739,797</u>

5. INVENTORY

Inventory consists primarily of thermal therapy units which were sold in the second quarter 2008. The balance of the inventory is for the stress reduction and memory improvement device.

Inventories, consisting of finished goods, are stated at the lower of cost (first-in, first-out) or market.

6. EQUITY SECURITIES

The Palatin and Clinuvel common stocks we hold are categorized as available-for-sale securities, carried at fair value, and classified as current assets. The fair value of the equity securities and other investments consists of the following:

	October 31, <u>2007</u>	July 31, <u>2007</u>	Number of shares	Type
Palatin (at fair market value)	\$ 68,000	\$ 311,100	170,000	Common Stock
Clinuvel (basis \$394,073)	394,623	-	913,032	Common Stock
(original basis \$825,682)	-	1,319,137	1,913,032	Common Stock
MelanoTan	--	--	378,000	Common Stock
NTRU Cryptosystems, Inc.	--	--	3,129,509	Common Stock
	<u>\$462,623</u>	<u>\$1,630,237</u>		

During the first three months of fiscal 2008 we sold 1,000,000 shares of Clinuvel stock for \$442,201 with a cost basis of \$431,609. The gain on sale of \$10,592, including gross gains of \$23,190 and gross losses of \$12,598, is included in other investment income.

As of October 31, 2007, the Company determined that the decline in value of the Palatin shares was other than temporary. As a result, the Company reduced the amount recorded as available for sale securities to equal the fair market value of such shares at October 31, 2007 and recognized a loss on permanent impairment of available for sale securities of \$227,596 during the first quarter of fiscal 2008.

The following components of other comprehensive income were reclassified to net income:

	For the three months ended October 31, 2007
Unrealized net holding losses	\$ 262,533
Foreign currency translation adjustments	(114,373)
Sale restriction discount	(133,606)
Reclassified to net income	<u>\$ 14,554</u>

7. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:	October 31, <u>2007</u>	July 31, <u>2007</u>
Royalties payable	\$ 415,301	\$ 594,331
Accrued compensation	354,504	236,218
Accrued professional fees	342,371	388,779
Other	129,352	104,157
Accrued expenses and other liabilities	<u>\$ 1,241,528</u>	<u>\$ 1,323,485</u>

8. SHAREHOLDERS' EQUITY AND STOCK-BASED COMPENSATION PLANS

The Company accounts for its stock-based employee compensation arrangements under SFAS No. 123 (revised 2004), "Share Based Payment" ("SFAS No. 123R"), which requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, based on the grant date fair value of those awards, in the financial statements.

During the first quarter of fiscal 2008, the Company granted to its directors options to purchase an aggregate of 50,000 shares of common stock under the Directors' Stock Option Plan at a weighted average exercise price of \$2.52 per share that vest immediately. The fair value of these options was approximately \$81,440, which was recorded as non-cash compensation expense during the three months ended October 31, 2007.

During the first quarter of fiscal 2008, the Company granted to its employees options to purchase an aggregate of 190,000 shares of common stock under the 1997 Employees' Stock Option Plan at an exercise price of \$2.25 which vest over the next four years. The fair value of these options was \$272,080, which will be recognized as non-cash compensation expense over the vesting period.

For the three months ended October 31, 2007, the Company recognized approximately \$45,656 of non-cash compensation expense for the fair value of options granted to employees.

The fair value of the Black-Scholes options-pricing model was calculated with the following weighted average assumptions used for the grant: risk-free interest rates from 4.23% to 4.62%; expected life five years; expected volatility from 74.408% to 75.746%, and expected dividends of zero. The fair value generated by the Black-Scholes model may not be indicative of the future benefit, if any, that may be received by the option holder.

9. CONTINGENCIES

Carolina Liquid Chemistries Corporation, et al. – On August 29, 2005, we filed a complaint against Carolina Liquid Chemistries Corporation ("Carolina Liquid") in the United States District Court for the District of Colorado, alleging infringement of our patent covering homocysteine assays, and seeking monetary damages, punitive damages, attorneys' fees, court costs and other remuneration at the option of the court. Carolina Liquid was served on September 1, 2005. We became aware of other infringers and amended our complaint to add as defendants Catch, Inc. ("Catch") and the Diazyme Laboratories Division of General Atomics ("Diazyme"). On September 6, 2006, Diazyme filed for declaratory judgment in the Southern District of California for a change in venue and a declaration of non-infringement and invalidity. On September 12, 2006, the District Court of Colorado ruled that Catch and Diazyme be added as defendants to the Carolina Liquid case. On October 23, 2006, Diazyme requested the United States Patent and Trademark Office (the "USPTO") re-evaluate the validity of our patent. This request was granted by the USPTO on December 14, 2006 and re-examination proceedings are underway. We do not expect an adverse finding by the USPTO, however, the re-examination process will further delay the resolution of the case. Further action in this case is pending.

Palatin – CTT initiated litigation on September 14, 2005, against Palatin as a result of Palatin's breach of a Settlement Agreement between CTT and Palatin dated June 17, 2005. The settlement resolved a prior dispute regarding CTT's rightful portion of certain sublicense fees Palatin received from King Pharmaceuticals. The parties have filed their complaints, counterclaims, and responses, and discovery is underway.

CTT commenced an arbitration proceeding on June 5, 2006, as a result of Palatin's breach of a License Agreement between CTT and Palatin dated March 31, 1998. The three-member arbitrators' panel has been

selected and a formal hearing was to have been held at beginning of November 2007. The November hearing has been postponed amid continuing discussions by both parties. The arbitrators' panel agreed to allow both sides to file dispositive motions to summarily resolve certain claims.

On October 2, 2007, we presented Palatin with a notice that it was in default of the PT-14 technology license agreement stating that Palatin committed a material breach of the agreement originally signed between the two companies on March 31, 1998.

Ben Marcovitch and other co-defendants – On August 8, 2007 we announced that former CTT Director Ben Marcovitch had been removed for cause from our Board of Directors by unanimous vote of CTT's five Directors for violating CTT's Code of Conduct. At that time, CTT also withdrew from its involvement with Agrofrut, E.U., a nutraceutical firm brought to CTT by Mr. Marcovitch. As announced on April 10, 2007, CTT had paid \$750,000 to Agrofrut for a 5% ownership, and certain marketing and investment options in Agrofrut.

On August 15, 2007, we retained Greenberg Traurig, LLP, an international law firm, to recover the funds from Agrofrut, and Juan Carlos Esguerra of the Bogota, Colombia-based law firm, Esguerra, Barrera, Arriaga, to handle CTT's affairs in Colombia. CTT's advisors assembled the following information, which we included in our subsequent Federal complaint described below. Breen & Associates, an independent investigative firm, developed evidence that showed that Mr. Marcovitch and Agrofrut provided CTT's Board of Directors with false and misleading information. Included in those findings was the fact that papers submitted by Mr. Marcovitch and Agrofrut prior to the March 28, 2007 CTT Board meeting listed Dr. Raul Aragon Davalos as an executive and Chief Scientist of Agrofrut, and the inventor of Agrofrut's new technology to remove complex compounds such as bromelain and xylitol, at better than 99% purity, from pineapples and other organic waste. Dr. Raul Aragon Davalos had actually been killed in a drive-by shooting in Cali, Colombia on February 28, 2007. Dr. Raul Aragon Davalos's assassination was known to Mr. Marcovitch and Betty Rios Valencia, President and CEO of Agrofrut and former spouse of Mr. Marcovitch, as well as to other executives of Agrofrut, but was never revealed to CTT by them. Mr. Marcovitch had admitted to a CTT outside counsel, and to a CTT shareholder, that he had attended Dr. Raul Aragon Davalos's funeral. Further, the investigations have shown that Dr. Raul Aragon Davalos was a convicted drug trafficker and that Ms. Rios Valencia also has a drug conviction record. Among other things, the involvement of Mr. Marcovitch, Ms. Rios Valencia and John Derek Elwin, III, a former CTT employee, with convicted drug traffickers resulted in CTT's decisive actions against these individuals.

On August 31, 2007 we filed a Federal complaint in the U.S. District Court for the District of Connecticut against Mr. Marcovitch and other co-defendants. The complaint claims that false and misleading information had been provided to CTT in a conspiracy to fraudulently obtain funds from CTT using the Agrofrut transaction. Others named in the suit are Ms. Rios Valencia, Mr. Elwin, III, and Agrofrut, E.U. In our lawsuit, we requested, among other relief, punitive damages and attorneys' fees.

Based upon our understanding of the facts and issues, we have presented our findings in our Federal complaint in a manner that will allow shareholders to understand the gravity of the charges. It is our opinion and that of our Board of Directors that this lawsuit is required to recover our \$750,000 and to settle outstanding issues regarding the named parties. The recent in-depth due diligence and subsequent investigation by Breen & Associates, conducted prior to Mr. Marcovitch's removal from the Board, disclosed several issues of credibility and raised serious concerns regarding the defendants named in the lawsuit.

On October 22, 2007 at a show cause hearing, the Court stated that all defendants named in the case, and their associates, were enjoined from any further use of any remaining part of the \$750,000 received from CTT. The Court ordered a full disclosure of all accounts where remaining funds are held, and a complete description of the disposition of any portion of the CTT payment must be made to CTT's counsel. At a December 7, 2007 hearing, the Court requested CTT to specify an appropriate Prejudgment Remedy for the Court to consider. We intend to aggressively pursue this matter. We have also filed a claim under our fraud insurance policy.

Securities and Exchange Commission -- On August 11, 2004, the SEC filed a civil suit in the United States District Court for the District of Connecticut, naming Frank R. McPike, Jr., former President and CEO of CTT, and six individual brokers, alleging that from at least July 1998 to June 2001, the defendants were involved in a scheme to manipulate the price of our stock. The case relates to our 1998 stock repurchase program under which we repurchased shares of our common stock from time to time during the period from October 28, 1998 to March 22, 2001. CTT was named as a defendant in the suit due to the alleged conduct of Frank R. McPike, Jr., whose conduct in connection with the stock repurchase program was imputed to CTT as a matter of law. Relating to CTT, the SEC sought a permanent injunction prohibiting us from further violations of the Securities Exchange Act of 1934, and a civil penalty pursuant to Section 21(d)(3) of the Securities Exchange Act of 1934 (this section provides for maximum penalties of \$550,000 for a corporate entity and \$110,000 per individual). On September 24, 2004, we responded to this civil suit, and filed a motion to dismiss the suit. On October 15, 2004, the SEC filed a motion opposing our motion to dismiss the suit. On July 21, 2005, our motion to dismiss the suit was denied. On April 10, 2006, we filed a separate motion for summary judgment to dismiss the case, and on June 15, 2006, the SEC filed a motion opposing our motion for summary judgment. On November 6, 2006, the court denied our motion for summary judgment. Our appeal of the denial of our motion for summary judgment in our favor was not successful.

We previously filed suit against our directors' and officers' insurance carrier to obtain reimbursement of our costs to defend us and our directors and officers. As part of an October 2004 settlement, our insurance carrier acknowledged that the deductible under our insurance policy had been satisfied relating to the SEC's civil suit. As a result, defense costs incurred in 2005 and thereafter have been covered by our insurance carrier.

On October 10, 2007 we agreed to a settlement of this case without the Company admitting or denying the allegation of the complaint, and consenting to be permanently restrained and enjoined from violating Sections 9(a) and 10(b) of the Securities Exchange Act of 1934, and rule 10b-5 thereunder. No fines or penalties were imposed on the Company by the SEC in connection with this settlement. The settlement agreement has been approved by the SEC and on October 26, 2007 was accepted by the Connecticut Federal District Court. This will close the SEC's investigation and proceedings against the Company. No members of CTT's current Board or management held positions with the Company during the period of 1998-2001.

Frank R. McPike, who was charged separately from the Company but covered under the Company's insurance, personally agreed on a settlement with the SEC, which was accepted by the court on October 31, 2007. The Company incurred no costs in connection with Mr. McPike's settlement. The penalty phase for Mr. McPike is now under review by Mr. McPike, the SEC, and the Court.

ICR, LLC – On August 3, 2007, ICR, LLC filed a complaint in Superior Court, Judicial District of Fairfield, at Bridgeport, Connecticut against CTT in an attempt to collect funds allegedly owed them from a previously cancelled contract. Previous management had employed ICR for public relations activity during

their proxy contest in their attempt to be re-elected. The consulting contract was cancelled by the new management after their election in February 2007.

Employment Matters – In August 2007, a former employee filed another complaint with OSHA alleging that CTT had unfairly banned him from the workplace. We believe the complaint is without merit and expect to overcome the complaint as in other filings by Mr. Bechtel. This case is still in preliminary stages and no outcome can be predicted at this time.

Summary – We may be a party to other legal actions and proceedings from time to time. We are unable to estimate the legal expenses or losses we may incur, or damages we may recover in these actions, if any, and have not accrued potential gains or losses in our financial statements. We record expenses in connection with these actions as they are incurred.

We believe we carry adequate liability insurance, directors' and officers' insurance, casualty insurance, for owned or leased tangible assets, and other insurance as needed to cover us against claims and lawsuits that occur in the ordinary course of our business. However, an unfavorable resolution of any or all matters, and/or our incurrence of legal fees and other costs to defend or prosecute any of these actions may have a material adverse effect on our consolidated financial position, results of operations and cash flows in a particular period.

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

Forward-Looking Statements

Statements about our future expectations are “forward-looking statements” within the meaning of applicable Federal Securities Laws, and are not guarantees of future performance. When used in this Form 10-Q, the words "may," "will," "should," "anticipate," "believe," "intend," "plan," "expect," "estimate," "approximate," and similar expressions are intended to identify such forward-looking statements. These statements involve risks and uncertainties inherent in our business, including those set forth in Item 1A under the caption "Risk Factors," in our most recent Annual Report on Form 10-K for the year ended July 31, 2007, filed with the Securities and Exchange Commission ("SEC") on October 29, 2007, and other filings with the SEC, and are subject to change at any time. Our actual results could differ materially from these forward-looking statements. We undertake no obligation to update publicly any forward-looking statement.

Overview

We are a full service technology transfer and licensing provider. We provide technology transfer, selling and licensing services focused on the technology needs of our customers, matching those requirements with commercially viable technology solutions, bridging the gap between market demand and innovation. We develop relationships with universities, companies, inventors and patent or intellectual property holders to obtain the rights or a license to their intellectual property, principally patents and inventions (collectively, the "technology" or "technologies"). They become our clients, for whom we find markets to sell or further develop their technology. We also develop relationships with those who have a need or use for technologies. They become our customers, usually through a license or sublicense. We identify and commercialize innovative technologies in life and physical sciences, electronics, and nano science developed by universities, companies and inventors. Our goal is to maximize the value of intellectual assets for the benefit of our clients, customers and shareholders.

We earn revenues primarily from licensing our clients' and our own technologies to our customers (licensees). Our customers pay us royalties based on usage of the technology, and we share those royalties with our clients. Our customer's revenues and therefore our revenues fluctuate due to one-time upfront license fees, frequency of new licenses granted, expiration of existing licenses, and/or the expiration or economic obsolescence of patents underlying licenses. In fiscal 2008, we began test marketing in the US an electronic device used for stress reduction and memory improvement purposes, selling about 20 units in the 2008 first quarter. The Company is seeking US distributors for this product.

The following discussion and analysis provides information we believe is relevant to an understanding of our financial condition and results of operations. This discussion and analysis should be read in conjunction with our Condensed Consolidated Financial Statements and the Notes thereto.

Reliance on one revenue source. During fiscal 2007, we had a significant concentration of revenues from our homocysteine assay technology. The patent for this technology expired in July 2007 and we will not receive revenues for sales made after that date. We continue to seek new technology licenses to mitigate the concentration of revenues, and replace revenues from expiring licenses.

Presentation

We rounded all amounts in this Item 2 to the nearest thousand dollars (except per share data). Certain amounts may not total precisely. All periods discussed in this Item 2 relate to our fiscal year ending July 31 (first, second, third and fourth quarters ending October 31, January 31, April 30 and July 31, respectively).

Results of Operations – Three months ended October 31, 2007 (“first quarter 2008”) vs. three months ended October 31, 2006 (“first quarter 2007”)

Summary of Results

We incurred a net loss for the first quarter 2008 of \$2,560,000 or \$0.32 per share, compared to a net loss of \$1,122,000 or \$0.14 per share, for the first quarter 2007, an increased net loss of \$1,438,000, or \$0.18 per share. As explained in detail below, the increase in the net loss is due to a \$685,000 decrease in revenues and a \$753,000 increase in expenses.

Revenues

In the first quarter 2008, total revenues were \$211,000, compared to \$895,000 for the first quarter 2007, a decrease of \$685,000, or 76%.

Retained royalties for the first quarter 2008 were \$124,000, which was \$606,000, or 83% less than the \$730,000 of retained royalties reported in the first quarter 2007. The following compares retained royalty revenues by technology in the first quarter 2008 with the first quarter 2007.

<i>For the three months ended October 31,</i>				
	<u>2007</u>	<u>2006</u>	Increase (Decrease)	% Increase (Decrease)
Homocysteine assay	26,000	575,000	(549,000)	(95)%
All other technologies	98,000	155,000	(57,000)	(37)%
Total retained royalties	\$ 124,000	\$ 730,000	\$ (606,000)	(83)%

Royalty revenues from our homocysteine technology decreased \$549,000 in the first quarter 2008 compared to the first quarter 2007, or a 95% decrease. The decrease is due to the expiration of the underlying patent in July 2007.

Investment income includes dividends and interest earned on our invested cash, as well as gains from the sale of available-for-sale securities. Investment income was \$80,000 in the first quarter 2008, which was a decrease of \$85,000, or 52% from the \$165,000 reported for the first quarter 2007. The decrease was due to lower invested balances for the current quarter as compared to the prior year.

Product sales consists of sales of our new stress management and electronic memory improvement product for the first quarter of fiscal 2008. In fiscal 2008, we began test marketing in the US an electronic device used for stress reduction and memory improvement purposes, selling about 20 units in the 2008 first quarter. The Company is seeking US distributors for this product.

Expenses

	<i>For the three months ended October 31,</i>			
	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cost of product sales	\$ 3,000	\$ -	\$ 3,000	na
Personnel and other direct expenses relating to revenues	1,108,000	1,057,000	51,000	5%
General and administrative expenses	1,277,000	744,000	533,000	72%
Patent enforcement expenses net of reimbursements	155,000	216,000	(61,000)	(28)%
Loss on permanent impairment of available-for-sale securities	227,000	-	227,000	na
Total expenses	<u>\$2,770,000</u>	<u>\$2,017,000</u>	<u>\$753,000</u>	37%

Total expenses increased \$753,000 in the first quarter 2008, compared to the first quarter 2007.

Cost of product sales consist of the cost of our new electronic stress management and memory improvement product for the first quarter of fiscal 2008.

Personnel and other direct expenses relating to revenues increased a net \$51,000 in the first quarter 2008, compared to the first quarter 2007, with increases in patent and technology costs of \$39,000, marketing costs of \$17,000, consulting costs of \$37,000, as well as severance costs associated with staff reductions in August 2007 of \$203,000, offset by decreased payroll and related expenses of \$244,000.

General and administrative expenses increased a net \$533,000 in the first quarter 2008, compared to the first quarter 2007 primarily due to litigation expense regarding Agrofrut E.U. investment of \$348,000 and increased activity in a complaint filed by a former employee of \$59,000, as well as an increase in investor relations costs of \$60,000 and non-cash compensation related to stock options granted to Directors in August of \$81,000, offset by decreases in Directors' fees and expenses of \$44,000.

Patent enforcement expenses, net of reimbursements, decreased a net \$61,000 in the first quarter 2008, compared to the first quarter 2007. Patent enforcement expenses vary, depending on the activity relating to outstanding litigation.

Loss on permanent impairment of available-for-sale securities of \$227,000 relates to our investment in Palatin shares. During the first quarter of fiscal 2008, the Company determined that the decline in market value of the Palatin shares was other than temporary and wrote the investment down to its fair market value as of October 31, 2007.

Financial Condition and Liquidity

Our liquidity requirements arise principally from our working capital needs, including funds needed to find and obtain new technologies and to protect and enforce our intellectual property rights, if necessary. We fund our liquidity requirements with a combination of cash on hand and cash flows from operations, if any, including royalty legal awards.

At October 31, 2007, we had no outstanding debt or available credit facility, and we believe that it would be very difficult for CTT to obtain any form of debt financing due to the current composition of our balance sheet, including a lack of hard assets against which to borrow, and the unpredictable nature of our annual cash flows. Our financing options currently are limited. We must rely on cash on hand and cash flows from operations, if any, though this situation could change in the future.

While we still believe we will be successful in increasing recurring revenues in fiscal 2008 by licensing new technologies to customers and collecting due, but unpaid, royalties on existing licenses, to more than offset our operating costs and produce a profit for fiscal 2008, to date, such revenue and achievement of profitability has not yet occurred. If necessary, we will meet anticipated operating cash requirements by further reducing costs, and/or monetizing assets. Through December 10, 2007, we have continued to sell our available-for-sale securities including all of our holdings of Palatin shares for proceeds of approximately \$314,000. We have approximately 200,000 shares of Clinuvel stock remaining to be sold. The market value at current prices is approximately \$70,000. We expect to be able to sell our pain management device (which already has CE approval in the European Union) starting in the third quarter of fiscal 2008. The Palatin arbitration and the lawsuit against Ben Marcovitch should have future costs at greatly reduced levels than what is reflected in our Statement of Operations through October 31, 2007. We believe that the combination of our cash on hand and existing revenue flow will be sufficient to meet our current and anticipated operating cash requirements through fiscal 2008.

Cash and cash equivalents consist of demand deposits and interest earning investments with maturities of three months or less, including overnight bank deposits and money market funds. We carry cash equivalents at cost.

At October 31, 2007, cash and cash equivalents were \$5,069,983 compared to \$6,572,076 at July 31, 2007. Cash used in operating activities was \$1,922,095, reflecting our net loss, which included legal fees of approximately \$500,000 which we do not believe will continue. Cash flow provided by investing activities includes \$442,000 proceeds from the sale of available-for-sale securities. Our cash and cash equivalents balance is approximately \$4,800,000 as of December 10, 2007.

We currently have the benefit of using a portion of our accumulated NOLs to eliminate any future regular federal and state income tax liabilities. We will continue to receive this benefit until we have utilized all of our NOLs (federal and state). However, we cannot determine when and if we will be profitable and utilize the benefit of the remaining NOLs before they expire.

Capital requirements

The Company incurred an operating loss for the first quarter of fiscal 2008, as well as operating losses in fiscal 2007 and 2006. At the current spending levels, the Company does not have sufficient cash flow to fund operating expenses beyond fiscal 2008. This condition raises substantial doubt about the Company's ability to continue as a going concern.

The Company's continuation as a going concern is dependent on its developing other recurring revenue streams sufficient to cover operating costs. Our plan is to increase annual recurring revenues, achieve profitability and increase shareholder value. To accomplish our goals, we have increased our global marketing capabilities, searching for new sources of technologies, licensing those technologies,

and establishing strategic relationships. The Company is currently pursuing sale of certain assets and technologies while it puts its plan into operation. There can be no assurance that the Company will be successful in such efforts. Failure to develop a recurring revenue stream sufficient to cover operating expenses would significantly negatively affect the Company's financial position.

Contractual Obligations and Contingencies

There have been no substantial changes to our contractual obligations since July 31, 2007.

Contingencies. Our directors, officers, employees and agents may claim indemnification in certain circumstances. We are currently exposed to potential indemnification claims by a former executive in connection with a civil suit filed by the SEC (See Note 9 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1). We seek to limit and reduce our potential financial obligations for indemnification by carrying directors and officers liability insurance, subject to deductibles.

We also carry liability insurance, casualty insurance, for owned or leased tangible assets, and other insurance as needed to cover us against potential and actual claims and lawsuits that occur in the ordinary course of business.

Many of our license and service agreements provide that upfront license fees, license fees and/or royalties we receive are applied against amounts that our clients or we have incurred for patent application, prosecution, issuance and maintenance costs. If we incur such costs, we expense them as incurred, and reduce our expense if we are reimbursed from future fees and/or royalties we receive. If the reimbursement belongs to our client, we record no revenue or expense.

As of October 31, 2007, CTT and its majority owned subsidiary, Vector Vision, Inc. ("VVI"), have remaining obligations, contingent upon receipt of certain revenues, to repay up to \$199,006 and \$210,123, respectively, in consideration of grant funding received in 1994 and 1995. CTT is also obligated to pay at the rate of 7.5% of its revenues, if any, from transferring rights to certain inventions supported by the grant funds. VVI is obligated to pay at rates of 1.5% of its net sales of supported products or 15% of its revenue from licensing supported products, if any. We recognize these obligations only if we receive revenues related to the grant funds. We recognized approximately \$912 of these obligations in 2008.

Currently, we engage independent consultants who provide us with business development, consulting and/or evaluation services under contracts that are cancelable on certain written notice. These contracts include contingencies for potential incentive compensation earned solely on sales resulting directly from the work of the consultant. We have neither accrued nor paid significant incentive compensation under such contracts in fiscal 2008 or 2007.

Critical Accounting Estimates

There have been no significant changes in our accounting estimates described under the caption "Critical Accounting Estimates" included in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual report on Form 10-K for the year ended July 31, 2007.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not have significant market risk to the valuation of our assets other than risks related to our equity security holdings of Clinuvel Pharmaceuticals Limited (“Clinuvel”). The value of this investment is included as current assets. During the quarter ended October 31, 2007, 1,000,000 shares of the Clinuvel stock were sold. The value of this asset is subject to share price fluctuations as well as foreign currency fluctuations of the Australian Stock Exchange-traded Clinuvel shares. We consider unrealized fluctuations in the fair value of the Clinuvel shares to be temporary, and have recorded those changes in other comprehensive loss.

As of October 31, 2007, we determined that the decline in value of our securities holdings of Palatin Technologies, Inc. (“Palatin”) was other than temporary. As a result, the Company recorded a loss on permanent impairment of available-for-sale securities of \$227,596 during the first quarter of fiscal 2007.

During the three months ended October 31, 2007, the following changes in value occurred with respect to Palatin and Clinuvel shares:

	<u>For the three months ended October 31, 2007</u>		
	<u>Palatin</u>	<u>Clinuvel</u>	<u>Total</u>
Unrealized increase (loss) in market value of securities	\$ -	\$ (585,452)	\$ (585,452)
Foreign currency translation adjustments on securities	-	62,490	62,490
Reclassification to net income	<u>(15,504)</u>	<u>30,058</u>	<u>14,554</u>
Other comprehensive income (loss)	<u>\$ (15,504)</u>	<u>\$ (492,904)</u>	<u>\$ (508,408)</u>

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Our management, including our President, Chief Executive Officer, and Interim Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of July 31, 2007. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported as specified in the Securities and Exchange Commission's rules and forms. Based on this evaluation, our President, Chief Executive Officer, and Interim Chief Financial Officer concluded that our disclosure controls and procedures, were effective as of October 31, 2007.

(b) Change in Internal Controls

There were no changes in our internal control over financial reporting during the quarter ended October 31, 2007, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note 9 to the accompanying unaudited condensed consolidated financial statements in Part I of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended July 31, 2007.

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

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Changes in Registrant's Certifying Accountant

None.

Item 6. Exhibits

- 31.1 Certification by the Principal Executive and interim Chief Financial Officer of Competitive Technologies, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).
- 32.1 Certification by the Principal Executive and interim Chief Financial Officer of Competitive Technologies, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) (furnished 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.

COMPETITIVE TECHNOLOGIES, INC.
(the registrant)

By /s/ John B. Nano.

John B. Nano

Chairman, President, Chief Executive Officer,
Interim Chief Financial Officer, Chief Accounting
Officer and Authorized Signer

December 13, 2007

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
31.1	Certification by the Principal Executive and Interim Chief Financial Officer of Competitive Technologies, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).
32.1	Certification by the Principal Executive and Interim Chief Financial Officer of Competitive Technologies, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) (furnished herewith).



CERTIFICATION

I, John B. Nano, Chairman, President, Chief Executive Officer, Interim Chief Financial Officer and Director, certify that:

1. I have reviewed this Report on Form 10-Q of Competitive Technologies, Inc. (the "Company") for the period ending October 31, 2007;
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 Company as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company 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 Company, 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) evaluated the effectiveness of the Company'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
 - (c) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company'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 Company'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 Company's internal control over financial reporting.

Date: December 13, 2007

/s/ John B. Nano

John B. Nano
Chairman, President Chief Executive Officer,
Interim Chief Financial Officer and Chief
Accounting Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. 1350)**

In connection with the Report of Competitive Technologies, Inc. (the “Company”) on Form 10-Q for the quarter ended October 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John B. Nano, Chairman, President, Chief Executive Officer, Interim Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), that to my knowledge:

1. 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/ John B. Nano

John B. Nano
Chairman, President, Chief Executive Officer,
Interim Chief Financial Officer and Chief
Accounting Officer

December 13, 2007

