



# Billionaire's Sour Grapes

Bill Koch's crusade against counterfeiters of rare wines

BY AVA ROOSEVELT

*The Billionaire's Vinegar*, now a *New York Times* best seller, tells the true story of a 1787 Château Lafite Bordeaux — supposedly owned by Thomas Jefferson — that sold for \$156,000 at auction and of the eccentrics whose lives intersected with it.

Few over age 21 have not heard or read about the Koch Brothers. Four billionaire heirs to Koch Industries are noted funders of conservative causes in the U.S. Notorious for his immense litigious appetite, Bill Koch settled the much-publicized family feuds in 2001 after two decades of lawsuits. To those who have known him, it was only a matter of time until his justice-craving-gene would need to be gratified again. This time, related to his multimillion-dollar wine collection.

"No one likes to be conned and cheated," Koch said.

I couldn't agree more, especially when it comes to Koch's purchasing and paying large sums for what he loves: priceless wines with assured pedigree suiting a royal.

## THE VINO SCANDAL

It is alleged by experts that every wine collector will ultimately fall prey to a master counterfeiter, such as Rudy Kurniawan, dubbed the Bernie Madoff of the wine world and German master fraudster Hardy Rodenstock. However, to their misfortune, the collector turned out to be Bill Koch, and a 1961 Chateaux Lafite Rothschild he purchased from Kurniawan turned out to be a fake, along with an estimated 319 counterfeited bottles for which Bill Koch paid Mr. Kurniawan \$3.1 million.

Kurniawan, an Indonesian citizen who has sold \$35 million worth of counterfeit rare wines, was arrested by the FBI in a regular fake-factory in his home with bottles, labels, capsules, glue and recorking device, all aimed to bilk gullible purchasers. At a trial in Manhattan in 2013, a star witness for the prosecution, Bill Koch, identified Kurniawan-sourced fakes that he bought. Convicted of fraud, Kurniawan faces up to 40 years in prison.

## ENTER THE SHERLOCK HOLMES OF WINE

Maureen Downey, known in the industry as the "Sherlock Holmes of Wine," attended every day of the civil suit against Eric Greenberg, another individual in Bill Koch's path-to-wine-justice, and she testified for the prosecution.

“Unfortunately – what we have learned recently is that according to U.S. law, there is no downside to counterfeiting wines,” Downey told *South Florida Opulence*. “The civil suit that Bill Koch won against wine fraudster Greenberg, a former Silicon Valley billionaire executive, and the fact that Acker Merrall & Condit is still not only in business, but thriving, are both case in point. During trial, Greenberg spent days on the stand acting poetic about what a huge success he was, how wealthy he is and how he sold over \$40 million in wines. The jury came back with a verdict against him of maximum damages of \$355,000 plus maximum \$24,000 treble damages and a whopping \$12 million in punitive damages. This amount was in part reached because when Greenberg had previously threatened suit against Royal Wine Merchants for selling him fake wines, he wanted \$10 million in punitive damages from them. He contended that he KNEW the wines were fake, and had even had an expert come in and catalogue all the fakes to support his claim against Royal Wine Merchants. Greenberg received a settlement on those wines, but did not have to send all the wines back. So, he, as was reported in court, “did to someone else what they did to him” and sold them forward via auction at Acker Merrall & Condit. Astounding behavior indeed. I can understand why the jury thought he was even more egregious than Royal had been to him, and I agree that \$12 million dollar punitive damage amount would have hurt him, but it certainly would not have put him in the poor house – according to his own boasting on the stand. It would have sent a strong message to others not to engage in this fraudulent behavior. Instead, the judge reduced the total damages to just over \$750,000. So, Greenberg’s fraudulent actions cost him 1.9 percent of his total sales. Any business that can run on an expense rate of 1.9 percent will be a lucrative business.”

### **BILLIONAIRE’S VINEGAR**

The sale of the first so-called Thomas Jefferson Lafite 1787, at Christie’s in London in 1985, made the *CBS Evening*



PHOTO COURTESY OF JEFFERSON SIEGEL

*A pleased Bill Koch and his attorney stand on the courthouse steps in Manhattan on the day he won his lawsuit against the person who sold him fake “rare” wines.*

*News.* With a price tag of \$157,000, it had become, at the time, the most famous bottle of wine in the world and a subject of Benjamin Wallace’s book titled *The Billionaire’s Vinegar-The Mystery of the World’s Most Expensive Bottle of Wine*.

Assured about its authenticity, in 1987, Bill Koch acquired, although not from Christie’s but from Hardy Rodenstock, his own four “Th-J” bottles for which he paid under \$400,000.

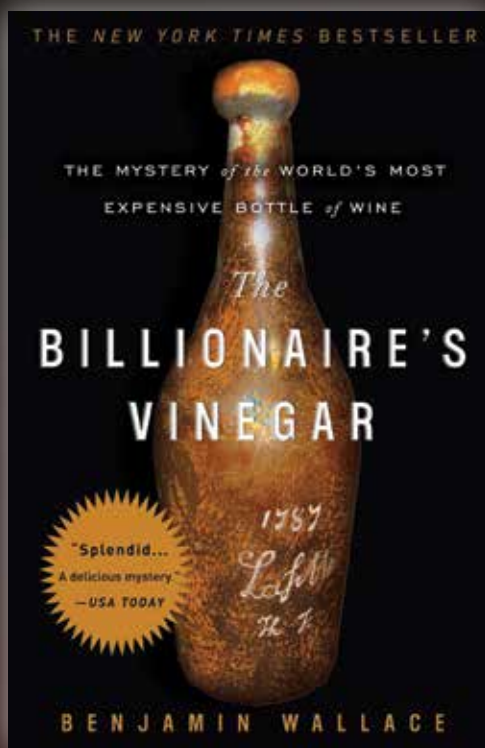
A few years ago, in my then non-wine drinking days, at Thanksgiving at Bill’s house, Bill dared me to drink some wine, assuring a headache-free morning after.

When you own a 40,000-bottle collection of rare wines, like Bill Koch does, you’ve earned the right to brag about your most priceless bottles. Bill spared no time to tell his friends about his remarkable acquisition. I was allowed a rare glimpse at the Thomas Jefferson wine, which turned out to be another case of billionaire’s bilking.

“I used to bring people down here and brag and say, you wanna see Thomas Jefferson’s wine?” Bill said. “Well, when I found it was a fake, now what I say is ‘come on down to see my fake Thomas Jefferson’s bottles!’”

Seriously incensed, Bill hired investigators and former FBI agents who determined

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that Th-J initials were made with an electric engraving tool nonexistent in the 18th century.

"I am going after him," Bill referred to Rodenstock. "If it takes me to the end of the world, I am going after the fraudster." He has spent \$25 million so far on the eight wine-related lawsuits he's filed against Rodenstock, Kurniawan, Greenberg and New York auctioneers Zachys.

"I want to shine a bright light on the fraud in the wine business to show how bad it is," Bill said. Initially, the lawsuits against the auction houses where Bill bought fakes seemed to make little progress in legitimizing the wine market and preventing other collectors from being ripped off. "There's a code of silence in the entire industry," Bill said.

But lately he appears to be succeeding. The prices paid at auctions for rare wines dropped 19 percent — by nearly \$100 million, and experts credit the outcome of Kurniawan's trial to be the predominant cause of making wine collectors super cautious.

### **A FRENCH PHYSICIST'S INGENIOUS TESTING METHODS**

Try to counterfeit a U.S. passport and you'll prompt the wrath of the Federal Government with an arsenal of punishments. But, it appears to be a bit different in the case

of bilked wine collectors. There are very few Bill Kochs willing and able to afford the legal bills associated with lengthy trials requiring costly expert testimonies, such as from respected physicist Phillipe Hubert at the University of Bordeaux in France. Monsieur Hubert came up with the idea of authenticating rare wines using radiation (gamma rays specifically), which he used when testing wine for Bill Koch. He explained how the process works.

"There are two main origins of the radioactive nucleus 137Cs: the nuclear fallout after the atmospheric nuclear test, and since 1986, the Chernobyl accident. This nucleus is present in the upper layers of the atmosphere and falls down with rain. It contaminates the soils, the tree leaves and wine grapes, and finally the wine itself. The level of contamination is very weak, (no problem to drink the wine!), but measurable with our very low background detector. The radioactive 137Cs nucleus is a gamma ray emitter with a half-life of 30 years and is present in the atmosphere since the time of the first atmospheric nuclear tests. The sensitivity of our gamma detector allows us to detect the 137Cs lines in all wines after 1952. Since the level is different every year, the amount of 137Cs is related to the millesime of the wine. But the most inter-

esting part of this technique is for old red wines, i.e., prior 1952: If they contain some 137Cs, you can tell immediately that they are fake. If you do not see any 137Cs activity, you can tell that the wine is older than 1952. In this case, you need to use other techniques to authenticate the bottle, like analysis of the chemical composition of the glass (which also does not need the opening of the bottle!)"

Not every fraud is created equal, and it appears wine counterfeiting is a highly profitable business indeed. Forgery has been keeping a prominent place in art, coin and jewelry collecting through the centuries.

According to Monsieur Hubert, "Even in the Roman times, there has been fake wines! To fight against these frauds, the French government created special scientific units as early as the beginning of the 20th century."

Faking fine wine is no longer dedicated solely to fine French wines. California's Opus One has become a target. Opus One CEO David Pearson is fighting counterfeiters with a tamper-proof capsule that changes color and a flap chip behind the label you can scan with your phone. "The chip, once it is scanned, sends a message back to our computer, which geo-locates the bottle anywhere in the world, just like GPS tracking. Counterfeiters are very clever. They will adapt to that, and we'll need to change our strategy again," Pearson added.

Maureen Downey appears to concur. She tells us about one of her most daunting experiences as a "wine detective" during the Bill Koch vs Eric Greenberg trial in March of 2013. "It was established in trial that the likelihood of Chateau Petrus having made a magnum sized bottle, which is equivalent to two regular 750ml bottles, is slim-to-none. The fact is that the wines Chateau Petrus were not highly regarded as anything but lovely village wines until the 1955 vintage was 'discovered' in London in 1957. Back in 1921, they would have


had no reason to make magnums. So, imagine my surprise when just a few weeks later, I walked into a cellar and found a 6L bottle of 1921 Petrus. I laughed so hard I almost cried."

Faced with such a grim prognosis, and with quantities of wines he already owns impossible to drink in one lifetime, Bill Koch stopped buying.

"I'm tired of the aggravation of being violated by those con artists and crooks," he said in a recent interview.

I wonder, has it been worth it going after these people?

"Probably, yes," Bill said. "Maybe I'm a Don Quixote, you know, attacking windmills of sorts. But it brings me great satisfaction." ●



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## ULTRA-SECURE OFF-SITE WINE VAULT PROTECTS AVID COLLECTORS

BY ROBIN JAY

When wine connoisseur Gregory Miseyko first arrived in South Florida from California, it was August 22, 1992 – just two days before Hurricane Andrew devastated the region. "My baggage on my overnight flight consisted of 10 prized cases of my personal wine cellar," he said. "Flying with my wines under the same jet ensured my wine wouldn't bake in a hot truck, a sure way to ruin wine. Wine's mortal enemies include heat, vibration, light, and daily temperature changes."

As a Californian, Miseyko understood earthquakes far better than hurricanes. "Seasoned Floridians warned me that power outages could last for weeks after a major storm. With the air conditioning in jeopardy, I loaded my wines into my rental car and drove north to Jacksonville, far enough from Andrew's path to protect the wines."

Miseyko returned a few days after power returned to his hotel in South Florida. He realized special wines call for special storage here. "Over the next 15 years, I repeated this wine evacuation drill, anticipating at least 10 of the next four storms (six of them missed us, but I still moved the wines). Then I heard about wine storage at RoboVault in Fort Lauderdale, with backup generators, Category 5 hurricane protection and tremendous security. My decision to rent wine storage space there was one I should have chosen back in 1992 – on my way home from Jacksonville. Thank goodness I eventually did. It's nice that RoboVault saves me from worrying about things that should bring you pleasure."

"The lengths our wine clients go to protect their private collections is quite impressive, and that's exactly why they choose RoboVault," said Susan McGregor, President and General Manager of RoboVault. "We offer a complete range of high-end services, from collecting and shipping wine, to the most secure storage possible. Multilayer security includes biometric scanning, motion sensors, networked closed circuit televisions, recorded cameras and central station alarm monitoring. Sensors constantly monitor the climate-controlled environment to maintain temperature and humidity at appropriate levels. And, our permanent generator enables all critical systems to run at 100 percent capacity for up to two weeks. This enables the facility to run 'business as usual,' ensuring safety and peace of mind during a catastrophic event, such as a hurricane. It is no wonder we house some of the world's finest wines at RoboVault!"

RoboVault is located at 3340 SE 6th Avenue, Fort Lauderdale, FL 33316. For more information, see the RoboVault ad on page 52 or go to [www.robovault.com](http://www.robovault.com) or call (954) 766-9997.