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Wine Fraud: In Defense of Auction Houses



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An examination of fraud in the fine-wine industry. By **Maureen Downey**.

Posted Thursday, 09-Aug-2012

The issue of wine fraud in the fine- and rare-wine industry has exploded in the media since the March arrest of alleged counterfeiter Rudy Kurniawan in the United States. Along with some other industry insiders, I've been waiting for the matter to be tackled for more than a decade. However, I wasn't expecting the kind of response that we've seen surrounding the Kurniawan affair: frenzied enthusiasts, collectors, wine-forum users and the occasional journalist have grabbed the wrong end of the stick. When it comes to the most frequent sources of fake wine and the health of the United States wine-auction market, false notions are rampant.

The first myth is that fine- and rare-wine fraud is an auction issue. In reality, auction specialists are frequently far more knowledgeable and responsible about vetting old and rare wines than most retailers and brokers. Since I began privately consulting to wine collectors six years ago, most of the fakes I have seen have come from brokers and retailers. Many brokers don't see the bottles they are selling – business is transacted entirely via email. And there are retailers offering wines that are so inconsistent with authentic examples it's staggering. They sell huge quantities. I have seen retailers take back "bad bottles," only to re-offer them for sale. To date, the pressure is not yet on such retailers.

In addition, fakes are sold directly between individual collectors, without passing through an auction. Kurniawan is a case in point; he made several multi-million-dollar sales to individual collectors directly.

The good news is that most of the fakes we are aware of come from just a few sources, and the United States government is working to choke them off – as shown by the FBI's arrest and indictment of Kurniawan. I expect more indictments soon.

Unfortunately, the United States government rarely reaches into the Asian market, where wine fraud is widespread. Asia is attractive to fraudsters because American investigators are less likely to investigate incidents there or to prosecute, and buyers are less informed. However, the fake

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wine in Asia is believed to come from the same cast of shady characters and less-scrupulous auction houses that have been offloading counterfeits into the United States market.

Of course, some of the brokers, retailers and individuals selling fakes do attempt to offload them through auction houses. I refused a consignment from Kurniawan in 2002 while working as a specialist at an auction house. (I was never offered wine by him again.) In fact, I rejected several consignments in the six years I worked as a wine-auction specialist. Auction houses on the whole do try to fulfil their duty of due diligence.

This leads me to the second myth: that the vilification of the auction industry is warranted. The widely held belief that auction houses have renounced their duty of due diligence arises from just a couple of incidents of wine fraud. This is unfair. The bad eggs are not indicative of the larger industry. When I read blogs, wine boards and articles damning auction houses, I am often surprised by the inaccuracies.

One of the frauds that has led to the vilification of the auction industry is Kurniawan's calculated deception of Acker Merrall & Condit in New York City. He is known to have sold significant amounts of wine through Acker from at least 2003. In 2006 alone, he sold \$35 million at two single-seller sales. Acker's C.E.O., John Kapon, wrote this colorful consignment introduction to Kurniawan's wines in an [April 2005 auction catalog](#), under the headline "AMAZING GRACE":

"There is not much that can be said about this collection, outside of the fact that it is one of America's greatest. Years have been spent carefully acquiring the best of the best of the best, and there is probably not a single, great wine of the 20th century that this collector has not had on multiple occasions. This is a collector that actually inspects his wine. I have seen many a collector of old and rare wines never even look at the bottles they have acquired, even if they are wines that merit careful inspection.

Over the years, and after seeing numerous counterfeit wines, this collector takes exceptional pride in the bottles he has acquired and the quality of his collection. This collector is so sure of the quality of his cellar that if any buyer has any issues with any of the bottles, he told me, 'Just have them send it back' ...

When I got to the Latour à Pomerol case, I called him and told him that it almost looked too good as the case was in such excellent condition, and despite the corks being branded properly and the labels and capsules being correct, I kept asking questions. Finally he said, 'Look, just open up a bottle. See for yourself.' So I did, and it was magic, mature and lush with its chocolaty, plummy Pomerol fruit. We didn't get to see the bottle unfold too much, as with six of us still working and thirsty, that wine must have lasted only 15 minutes in our office, but what a 15 minutes it was. Don't worry, he actually has just under three cases, all from the same importer and in his possession for decades, and he is replacing the bottle."

Kurniawan must have been energetically buying fine and rare wine when he was a toddler if he truly had "just under three cases, all from the same importer and in his possession for decades." At the time of that auction, in 2005, Kurniawan (born in 1976) was at most 29 years old. Another preposterous notion is that Kurniawan possessed such a large quantity of [Château Latour à Pomerol](#) – considered the "Holy Grail" of wine by many old-time collectors. It's difficult to understand how this introduction could have appeared in a catalog without a paper trail substantiating the provenance of the wine being sold.

In 2008, Laurent Ponsot, of the esteemed Burgundy house Domaine Ponsot, had to appear at an Acker auction to ensure that the company did not sell wines (expected to fetch \$700,000 to \$1.3 million) that he knew his family's domaine had not produced. Again, Kurniawan was the consignor. (Kurniawan was elusive about his source, eventually giving Mr Ponsot bogus phone numbers to a strip mall and an airline in Indonesia.)

Another incident that has led to the pillorying of the auction industry occurred in February this year, when Spectrum/Vanquish, a wine-auction partnership in Irvine, California, and London, had a disastrous sale anchored by a consignment of Kurniawan's wines.

Advertising



Despite inspection by Spectrum's "senior consultant and strategic advisor" Kevin Swersey, some bad bottles were offered for sale. But when

I worked with Swersey at Zachys, we were all aware that Kurniawan was a "problem consignor" as far back as 2002. Many of those bottles at the February auction were spotted and called out in advance on the Wineberserker.com forum by Los Angeles attorney and Burgundy collector Don Cornwell. Major producers Domaine de la Romanée-Conti (via their importer Corney & Barrow) and Domaine Dujac both requested that bottles be withdrawn from the sale based on Cornwell's reporting.

These incidents at Acker and Spectrum/Vanquish, while alarming, are anomalies. For those interested in buying fine and rare wines, reputable auctions remain a great and viable venue for both sales and purchases. Most major auction houses in the United States and Europe are staffed by dedicated professionals. The houses have honest, hard-working owners, directors and specialists who have no desire or incentive to sell fakes, because the buyers are just as much their clients as the sellers are. After all, without buyers, there are no sales.

The fact remains that in any industry there are shady characters. My advice: Avoid them. Trust good companies and ask questions about provenance.

To this end, if you're after fine and rare wine, here are my picks of companies – in no particular order:

Auction Houses:

Christie's (worldwide)
Zachys Wine Auctions (New York, Hong Kong)
Heritage Auctions (Dallas, Beverly Hills, New York, San Francisco)
Hart Davis Hart Wine Co (Chicago)
Sotheby's (worldwide)
Bonhams (worldwide)

Merchants:

K&L Wine Merchants (San Francisco, CA)
Noe Valley Wine Merchants (San Francisco)
Vin Vino Wine (Palo Alto, CA)
Dee Vine Wines (San Francisco)
The Wine House (Los Angeles, CA)
Carmel Wine Merchants (Monterey, CA)
Italian Wine Merchants (New York City, NY)
Crush Wine & Spirits (New York City)
Morrell & Co (New York City)
Sherry-Lehmann (New York City)
Astor Wines & Spirits (New York City)

And finally, Jancis Robinson, Master of Wine, has supplied me with a list of British merchants from whom she buys fine and rare wine:

Berry Bros. & Rudd (London, Hong Kong)
Bibendum Wine Ltd (London)

Bordeaux Index (London, Hong Kong, Singapore)
Corney & Barrow (London)
Farr Vintners (London, Hong Kong)
Four Walls Wine Co (West Sussex)
Goedhuis & Co, London (Suffolk, Hong Kong)
Justerini & Brooks (London)
Magnum Wine Shop (Swindon)
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Turville Valley Wines (Bucks)
Uncorked (London)
Wilkinson Vintners (London)
The Wine Society (Hertfordshire)
Peter Wylie Fine Wines (Devon)

***Maureen Downey** is an expert on wine fraud, and is the owner of San Francisco-based [Chai Consulting](#), a firm which advises collectors of fine wine. In the coming months Maureen will respond to reader queries to do with collecting, cellaring and authentication. Please [email](#) your detailed query, and Maureen's responses will be posted on Wine-Searcher.

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