

Counterfeiters Sour Fine Wine Trade

KAI RYSSDAL: It's been tricky to find a winner on Wall Street recently. If you're willing to diversify, though, there are some investments that've been going nowhere but up. Last quarter auctioneers sold more than \$66 million worth of fine wine. The oenophile's equivalent of the Dow Industrials has climbed 150 percent in the last four years. But wine collectors aren't the only ones seeing dollar signs in those bottles. Krissy Clark has the story.



KRISSY CLARK: A story that involved not one, but two threats against my life. Wine counterfeiting has become high-stakes business! The first "incident" was at Colgin Cellars, a boutique winery in Napa with a cult following around its lip-smacking reds.

ANN COLGIN: This is 2004 Number 9 Estate Syrah -- very earthy, smokey... a meaty kind of character.

That sells for \$240 a bottle!

Owner Ann Colgin knows the wine from this bottle is what the label says it is, because she got it straight from her own barrels.

But she wants to make sure anyone who buys her wine now, or from an auction house in 30 years, gets what they paid for.

COLGIN: I was at a dinner once, and there was a magnum of 1947 Cheval Blanc. It's a very rare bottle, and the wine was too bold, too young, too dark in color. It wasn't possibly from that particular era.

Sometimes, it's imposter wine that's been put into an authentic, empty bottle. Other times, everything is faked -- label, bottle and all. So far, the problem has centered on old, rare Bordeaux.

But Colgin doesn't want her wine to be next. She's paid thousands of dollars for anti-counterfeiting technology designed by Kodak. Invisible markers are embedded in labels, corks and bottles, and can only be detected with a handheld reader.

COLGIN: Kodak requires that we keep it in a safe, only myself and my winemaker have access to it. But I can't tell you too much about it or I'd have to kill you.

OK, so she's joking...

But Colgin's top-secret purchase is just one of many new efforts aimed at stopping wine fraud.

Jim Hayward is CEO of Applied DNA sciences in New York. His company's invested \$90 million in an anti-counterfeiting system based on genetic tracking.

JIM HAYWARD: Well, of course, in wines there's plenty of DNA extracted with the grapes, so it's possible to genotype the wine that's in the bottle to a specific batch, a specific cuvee, a specific year of manufacture.

He's hoping to sell his system to high-end wineries anxious to protect their brand.

While some companies try to make a buck thwarting the counterfeiters, there's another way to capitalize on the wine fraud problem. Russell Frye is an amateur wine collector who runs the website wineauthentication.com.

RUSSELL FRYE: Imagine an unscrupulous wine retailer, who sells a bottle he or she knows is counterfeit...

Five years later, the guy who's bought it realizes it's a fake, and demands a refund. But here's the kicker: Meanwhile, that vintage has appreciated, so the vendor can turn around and resell the counterfeit bottle to another poor guy, for twice as much!

FRYE: It's a great model for business if you have absolutely no scruples.

And one Frye knows more about than he'd like. A few years ago, he discovered that 80 bottles from his own cellar, supposed to be worth more than \$3 million, were probably fakes. One was a rare Bordeaux from 1900.

FRYE: The bottle had a seam on the edge of it. The seams were caused by an automated process of bottle making that didn't begin until sometime around 1910.

Frye has settled out of court over some of the fakes. And he's not letting his phony bottles get back into the marketplace. They're locked away in a special storage unit.

FRYE: But I can't tell you the exact location.

CLARK: Or you'd have to kill me again, right?

FRYE: Ha Ha Ha.

I'm Krissy Clark for Marketplace.

