Happiness is the absence of dissatisfaction or malcontent. Basically, when you don't have a problem with anything, nothing's bothering you, all is right, you are happy. Happy doesn't have to mean dancing down the street greeting every stranger you meet with a handshake and a "HI HOWAREYA!"

The less dissatisfaction you are currently experiencing, the happier you are. It's kinda like the opposite of light, where black is the absence of light. If you think of happiness metaphorically, being happy would be like light, and being angry or sad would be black, but as I said, in the case of happiness, light is the absence of dark.

Personally, I am an optimist, I find it's a lot easier to get through life when you look at the positive of everything, and only acknowledge the bad when it's really bothering you. Having said that, I am happy all the time, unless there's something really pissing me off. I am happy sitting here on my nice comfy bed with my uberlaptop, since nothing is really bothering me.

EDIT: After reading everyone else's posts... You're all emo.

J/k, but seriously, sure there's times when I'm more happy than others, for example, if I'm sexing a chick, obviously I can't get any happier than that (that has multiple meanings...), or if I'm chillin with my best friends and we're doin something fun, obviously I'm happier than I am just sitting on my bed. However simply sitting here, I would consider myself happy.