Different Editions

Edition upgrades can only be performed from a lower edition to a higher edition. It can be performed using installation media or using the Windows Anytime Upgrade. Windows Anytime Upgrade was introduced in Windows Vista and it allows us to purchase an edition upgrade for the operating system over the Internet. Keep in mind that we cannot upgrade 32-bit edition to 64-bit edition of Windows and vice-versa.

Different Platforms

To change or migrate to a different platform (32-bit or 64-bit) we can use the Wipe-and-Load or Side-by-side migration of Windows 7 or use multi boot. We will be required to migrate user data and application settings between the two installations. This is not upgrade, but migration.
Previous Windows Versions

Windows 7 only supports upgrades from computers running Windows Vista with Service Pack 1 installed. Windows XP installations cannot be upgraded to Windows 7. If we want to upgrade from Windows XP, first we need to upgrade to Windows Vista SP 1 and then to Windows 7.

Hardware Requirements

Before upgrading we need to have at least 15 GB of free hard drive space. Windows Vista and Windows 7 in general have the same hardware requirements. To check for hardware incompatibilities we can use Windows 7 Upgrade Advisor tool that will inform us of any device or software incompatibilities that our computer might have. Before running Upgrade Advisor it is recommended to connect all devices to the computer, such as printers, scanners, cameras and other devices that we will be using on Windows 7.

Recommendations

It is recommended to perform full backup of existing installation in case the upgrade fails. Also we should ensure that we have proper product keys available for Windows or any application or game that is installed on existing installation.
The biggest benefit in upgrading from an existing installation to Windows 7 is that the user's settings and applications are preserved.

**Remember**

Edition upgrades can only be performed from a lower edition to a higher edition. We cannot upgrade 32-bit edition to 64-bit edition of Windows and vice versa. Windows 7 only supports upgrades from computers running Windows Vista with Service Pack 1 installed. Windows Vista and Windows 7 in general have the same hardware requirements.

Source: http://www.utilizewindows.com/7/basics/153-upgrade-to-windows-7-overview